

MANTRA MINING INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 2009

(UNAUDITED – PREPARED BY MANAGEMENT)

MANTRA MINING INC.**CONSOLIDATED BALANCE SHEETS****AS AT JUNE 30, 2009 AND SEPTEMBER 30, 2008**(Expressed in Canadian Dollars)

	June 30, 2009 (Unaudited)	September 30, 2008 (Audited)
ASSETS		
Current		
Cash	\$ 4,459,896	\$ 497,452
Amounts receivable	38,579	114,274
Prepaid expenses and other assets	345	462
	<hr/> 4,498,820	<hr/> 612,188
Equipment	43,115	49,081
Resource properties (Note 3)	5,316,372	96,120
	<hr/> \$ 9,858,307	<hr/> \$ 757,389
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	\$ 17,820	\$ 141,202
Shareholders' Equity (Deficiency)		
Capital stock (Note 4)	15,231,583	5,317,382
Contributed surplus (Note 5)	1,641,208	806,871
Deficit	(7,032,304)	(5,508,066)
	<hr/> 9,840,487	<hr/> 616,187
	<hr/> \$ 9,858,307	<hr/> \$ 757,389

NATURE OF CONTINUANCE OF OPERATIONS (NOTE 1)
SUBSEQUENT EVENT (NOTE 12)

Approved by the Board:

"RAJ CHOWDHRY"
Director"JERRY MINNI"
Director

(The Accompanying Notes are an Integral Part of These Consolidated Financial Statements)

MANTRA MINING INC.**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT****FOR THE PERIODS ENDED JUNE 30, 2009 AND 2008**

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
EXPENSES				
Advertising and promotion	\$ 32,542	\$ 5,800	\$ 42,569	\$ 27,146
Amortization	3,739	-	11,785	-
Consulting fees	11,474	47,489	68,574	107,168
Foreign exchange gain	(29,682)	-	(29,682)	-
Insurance	32,880	-	32,880	-
Interest and bank charges	2,316	401	2,952	896
Management fees	60,000	45,000	150,000	93,000
Office, administration and miscellaneous	16,192	25,711	75,988	65,611
Professional fees	106,719	39,463	184,786	57,684
Regulatory and transfer agent fees	41,087	6,846	85,471	36,305
Rent	11,153	9,000	29,153	27,000
Stock-based compensation	343,953	-	834,337	-
Telephone	2,999	1,640	10,371	4,885
Travel	16,545	3,435	25,054	13,752
	<u>651,917</u>	<u>184,785</u>	<u>1,524,238</u>	<u>433,447</u>
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	651,917	184,785	1,524,238	433,447
DEFICIT, BEGINNING OF PERIOD	6,380,387	4,582,917	5,508,066	4,334,255
DEFICIT, END OF PERIOD	<u>\$ 7,032,304</u>	<u>\$ 4,767,702</u>	<u>\$ 7,032,304</u>	<u>\$ 4,767,702</u>
LOSS PER SHARE	<u>\$ 0.01</u>	<u>\$ 0.00</u>	<u>\$ 0.03</u>	<u>\$ 0.01</u>
Weighted average number of shares outstanding	<u>58,296,812</u>	<u>37,917,139</u>	<u>50,882,310</u>	<u>45,280,671</u>

(The Accompanying Notes are an Integral Part of These Consolidated Financial Statements)

MANTRA MINING INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR PERIODS ENDED JUNE 30, 2009 AND 2008**

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2009	2008	2009	2008
CASH FROM (USED IN):				
OPERATING ACTIVITIES				
Loss from continuing operations	\$ (651,917)	\$ (184,785)	\$ (1,524,238)	\$ (433,447)
Items not involving cash				
Amortization	3,739	-	11,785	-
Stock-based compensation	343,953	-	834,337	-
	<u>(304,225)</u>	<u>(184,785)</u>	<u>(678,116)</u>	<u>(433,447)</u>
Change in non-cash working capital items				
Amounts receivable	(20,681)	(1,336)	75,695	(19,532)
Advances receivable	-	-	-	13,614
Prepaid expenses	56	7,617	117	7,617
Accounts payable and accrued liabilities	<u>(36,580)</u>	<u>21,567</u>	<u>(123,381)</u>	<u>11,868</u>
Cash used in operating activities	<u>(361,430)</u>	<u>(156,937)</u>	<u>(725,685)</u>	<u>(419,880)</u>
FINANCING ACTIVITIES				
Proceeds from issuance of shares, net	5,069,850	456,500	5,069,850	456,500
Cash provided by financing activities	<u>5,069,850</u>	<u>456,500</u>	<u>5,069,850</u>	<u>456,500</u>
INVESTING ACTIVITIES				
Acquisition of equipment	(1,311)	-	(5,819)	-
Resource property costs	<u>(334,123)</u>	<u>-</u>	<u>(375,902)</u>	<u>(212,663)</u>
Cash used in investing activities	<u>(335,434)</u>	<u>-</u>	<u>(381,721)</u>	<u>(212,663)</u>
CHANGE IN CASH DURING THE PERIOD	4,372,986	299,563	3,962,444	(176,043)
CASH, BEGINNING OF PERIOD	86,910	83,165	497,452	558,771
CASH, END OF PERIOD	<u>\$ 4,459,896</u>	<u>\$ 382,728</u>	<u>\$ 4,459,896</u>	<u>\$ 382,728</u>
NON-CASH INVESTING:				
Resource properties acquired by issuance of shares (Note 4)	<u>\$ 3,281,851</u>	<u>\$ -</u>	<u>\$ 4,844,351</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURES:				
Cash paid for interest	\$ -	\$ -	\$ -	\$ -
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(The Accompanying Notes are an Integral Part of These Consolidated Financial Statements)

MANTRA MINING INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED JUNE 30, 2009**

(Expressed in Canadian Dollars)

1. NATURE OF CONTINUANCE OF OPERATIONS

Mantra Mining Inc. (the "Company") was incorporated on July 30, 1998 under the laws of British Columbia as Global Sortweb.com Inc. ("Global"). On June 9, 2006, the Company changed its name from Global to Mantra Mining Inc. Prior to the name change, the Company was involved in developing internet services through its wholly-owned subsidiary, Monetary Capital Corporation ("MCC"). The Company discontinued its operations of MCC in 2007 and now operates in the resource sector as a junior exploration company.

On December 15, 2006, the Company acquired a 100% wholly owned subsidiary company, Mantra Mining (India) Pvt. Ltd., located in Pune, India. The Company acquired the subsidiary by purchasing 100% of the shares of Mantra Mining (India) Pvt. Ltd., with the aggregate purchase price of the shares totalling \$2,700. Mantra Mining (India) Pvt. Ltd. was acquired to maintain its business in the mining sector, seeking out resource properties in Asia. The results of operations of Mantra Mining (India) Pvt. Ltd. have been included in these consolidated financial statements from the acquisition date.

On June 30, 2008 and August 14, 2008, the Company incorporated two separate companies in the state of Delaware, Mantra Alaska Mining, Inc. and Mantra Alaska Exploration, Inc. respectively in anticipation of acquiring interest in mineral claims in Alaska. The Company holds 100 shares for each of Mantra Alaska Mining, Inc. and Mantra Alaska Exploration, Inc. for \$10 per share. The results of operations of the two newly incorporated subsidiaries have been included in these consolidated financial statements from the acquisition date.

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or proceeds from the disposition thereof.

For the nine months ended June 30, 2009, the Company incurred a loss of \$1,524,238 (2008: \$433,447), and had an accumulated deficit of \$7,032,304 (2008: \$4,767,702) which has been funded primarily by the issuance of equity. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED JUNE 30, 2009

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

a) Interim Consolidated Financial Statements

The unaudited interim consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada and following the same accounting policies and methods of computation as the consolidated financial statements for the year ended September 30, 2008. The disclosures provided below are incremental to those included with the annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended September 30, 2008. The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

b) Adopted Accounting Pronouncements

In February 2008, the AcSB issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2009. The adoption of this standard did not have a material impact on its financial statements.

In May 2007, the AcSB amended Section 1400, General Standards of Financial Statement Presentation, to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future which is at least, but is not limited to, 12 months from the balance sheet dates. Disclosure is required for material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern.

c) Recent Accounting Pronouncements

In January 2009, the CICA issued Section 1582, Business Combinations, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011 with earlier adoption permitted. The Corporation is currently evaluating the impact of this standard on the consolidated financial statements.

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements, and 1602, Non-controlling interests, which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 2011 with earlier adoption permitted. The Corporation is currently evaluating the impact of this standard on the consolidated financial statements.

In February 2008, the CICA Accounting Standards Board confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of adopting IFRS and has not yet determined its effect on its financial statements

MANTRA MINING INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED JUNE 30, 2009**(Expressed in Canadian Dollars)

3. RESOURCE PROPERTIES

A summary of expenditure incurred on various properties during the period ended June 30, 2009:

	Armstrong Brook Property	Gnome Zinc Property	Elkhorn Potash Property	Alaska Properties	Total
Balance, September 30, 2007 (Audited) \$	151,360 \$	– \$	– \$	– \$	151,360
Acquisition	–	3,100	24,999	–	28,099
Geological	–	84,563	–	–	84,563
Drilling	–	–	–	–	–
Consulting	–	8,456	–	–	8,456
Assaying	–	–	–	–	–
Total expenditures for the year	–	96,119	24,999	–	121,118
Less: Loss on impairment of mineral property	(151,359)	–	(24,999)	–	(176,358)
Balance, September 30, 2008 (Audited)	1	96,119	–	–	96,120
Geological	–	41,779	–	–	41,779
Acquisition	–	8,850	–	4,838,500	4,847,350
Geological	–	–	–	331,124	331,124
Write off of property	(1)	–	–	–	(1)
Balance, June 30, 2009 (Unaudited) \$	– \$	146,748 \$	– \$	5,169,624 \$	5,316,372

Armstrong Brook Gold Project

On February 21, 2006, the Company entered into an option agreement (the "Agreement") with Geodex Minerals Ltd. ("Geodex") to acquire up to a 75% interest in Geodex's Armstrong Brook gold property (the "Property") located in the Cape Spencer area near Saint John, New Brunswick. The Company received the TSX Venture Exchange (the "TSX") approval for this transaction on June 9, 2006 (the "Approval Date").

Acquisition costs included a cash payment of \$15,000, the issuance of 50,000 common shares and a finder's fee of \$25,000.

The Company can earn the first 65% interest of the Property in exchange for cash payments of \$65,000, issuance of 200,000 common shares of the Company and incurring a minimum of \$1,000,000 in expenditures by December 31, 2008.

The following is a schedule of the cash and share payments required to earn the first 65% interest in the Property:

Cash \$	Shares #	
\$15,000	50,000	Upon the Approval Date (paid) (June 9, 2006)
\$50,000	150,000	December 31, 2008
\$65,000	200,000	Total consideration to earn the first 65% interest in the property

The Company has an option to increase its interest to 75% in exchange for the funding of all exploration and development costs to the stage of completing a feasibility study. Further, a 1.5% NSR is payable to the original owners of the claims.

MANTRA MINING INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED JUNE 30, 2009**

(Expressed in Canadian Dollars)

3. RESOURCE PROPERTIES (continued)

Armstrong Brook Gold Project (continued)

During the last year ended September 30, 2008, the Company determined that the carrying value of the Geodex Property cannot be recovered; therefore an impairment loss was recognized of \$151,359.

The Company did not incur the minimum expenditures by December 31, 2008, and has consequently written off the remaining carrying value.

Gnome Project

On December 21, 2007, the Company entered into an option agreement to acquire up to an undivided 100% right, title and interest in and to approximately 3,185 Ha of mineral claims, known as the Gnome Project, located in an area referred to as Williston Lake (the Kechika trough), British Columbia. The Company received the TSX Venture Exchange approval for this transaction on February 19, 2008.

Pursuant to the option agreement dated December 21, 2007, the Company can earn the 100% interest of the Property in exchange for cash payments of \$3,100, issuance of 525,000 common shares of the Company and incurring a minimum of \$100,000 in expenditures within 14 months of the Approval Date.

The following is a schedule of the cash and share payments required to earn the 100% interest in the Property:

Cash	Shares	
\$	#	
\$1,000	-	On the Effective Date (December 21, 2007 – cash paid)
\$2,100	-	On or before 1 month after the Approval Date (cash – paid)
-	25,000	On or before 24 months after the Approval Date
-	100,000	On or before 36 months after the Approval Date
-	100,000	On or before 48 months after the Approval Date
-	300,000	On or before 60 months after the Approval Date
\$3,100	525,000	Total consideration to earn the 100% interest in the property

On March 12, 2009, the Company entered into an agreement to acquire a 100% interest in and to approximately 5,428 Ha of mineral claims, including the 3,185 Ha previously optioned under the agreement dated December 21, 2007, from Charles James Greig, subject to a 1% NSR royalty, and terminated the initial option agreement, dated December 21, 2007.

The Gnome claims consist of two claims under option by the Company pursuant to the option agreement with Greig that was approved on February 18, 2008 and ten claims located in the “area of common interest” pursuant to the terms of the Option Agreement, dated March 11, 2009.

The consideration payable by the Company for the acquisition of the Gnome Claims consists of \$3,000 in cash and 15,000 common shares of the Company. The Company has the right to purchase the 1% NSR royalty retained by Greig for \$2,000,000 up to the period ending on the 10th anniversary of the closing date. On May 4, 2009, the Company completed the acquisition of 100% interest in and to approximately 5,428 Ha of mineral claims from Charles James Greig, subject to a 1% NSR Royalty pursuant to a purchase agreement announced on March 12, 2009. The consideration paid by the Company on the closing date consisted of \$3,000 in cash and 15,000 common shares of the Company at a fair value of \$5,850.

MANTRA MINING INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED JUNE 30, 2009**

(Expressed in Canadian Dollars)

3. RESOURCE PROPERTIES (continued)

Elkhorn Potash Project

On February 22, 2008, the Company entered into an option agreement to acquire up to an undivided 100% interest in an exploration permit application for the Elkhorn Potash Project, located within southwest Manitoba.

The Company can earn 100% interest in the Property in exchange for cash payments of \$500,000, issuance of 6,000,000 common shares of the Company and incurring a minimum of \$3,000,000 on exploration costs within 36 months of the later of the date the Optionors receive valid permits from the Manitoba Permit Authority and the Approval Date. The following is a schedule of the cash and share payments required to earn the 100% interest in the Property:

Cash	Shares	
\$	#	
\$25,000	–	On the Effective Date (cash paid)
\$100,000	–	On or before 5 business days after the Effective Date (cash paid)
–	600,000	Within 10 business days of the Approval Date
\$125,000	–	On or before 30 business days after TSX approval
\$100,000	300,000	On or before 6 months after the Approval Date
–	300,000	On or before 12 months after the Approval Date
\$150,000	300,000	On or before 14 months after the Approval Date
–	750,000	On or before 18 months after the Approval Date
–	750,000	On or before 24 months after the Approval Date
–	3,000,000	On or before 36 months after the Approval Date
\$500,000	6,000,000	Total consideration to earn the 100% interest in the property

The Company has written off \$25,000 of the non-refundable application fees for the Elkhorn Potash Project. As of November 30, 2008, management has rescinded the option to earn the 100% interest in an exploration permit application for the Elkhorn Potash Project. During the nine months ended June 30, 2009, the Company received \$100,000 as refundable fees.

Agreements with Affiliates of Rio Tinto and NovaGold

The Company has entered into two separate agreements dated August 27, 2008 with affiliates of Rio Tinto PLC ("Rio Tinto") and NovaGold Resources Inc. ("NovaGold") to purchase a 100% interest in mineral claims comprising over 485,000 acres in Alaska. On March 9, 2009, the Company completed and closed the acquisition.

The initial closing of the Acquisition was subject to a number of conditions including, but not limited to, the completion of satisfactory due diligence, concurrently with the initial closing, a private placement for gross proceeds of a minimum of \$3 million, the approval of the TSX Venture Exchange and other necessary regulatory and stock exchange approvals.

The agreement with Rio Tinto to acquire a 100% interest in the Ambler Project in Alaska, U.S.A. expired on November 30, 2008.

The agreement with NovaGold entitling the Company to acquire an interest in the Ambler Project in Alaska, U.S.A. and five (5) other mineral properties in Alaska, U.S.A., as outlined below, was amended on November 27, 2008 to change the closing date from November 30, 2008 to December 31, 2008 and to allow for separate closings for the five mineral properties in Alaska and the Ambler Project asset.

MANTRA MINING INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED JUNE 30, 2009**

(Expressed in Canadian Dollars)

3. RESOURCE PROPERTIES (continued)**Agreements with Affiliates of Rio Tinto and NovaGold (continued)**

Pursuant to the NovaGold agreement dated August 27, 2008:

The Company has agreed to acquire NovaGold's interest in the Ambler Option Agreement in consideration for \$15 million, payable as follows:

- i) 3,125,000 common shares of the Company having a resale restriction for a period of 12 months following the initial closing date, at a deemed price of \$1.60 per share having an aggregate value of \$5 million to be issued to NovaGold on the initial closing of the Acquisition (March 9, 2009 – shares issued); and
- ii) 6,250,000 common shares of the Company at a deemed price of \$1.60 per share having an aggregate value of \$10 million to be issued to NovaGold on or before the date that is 15 months from the date of the initial closing of the Acquisition.

The Company has agreed to reimburse NovaGold for all direct expenditures incurred by it or its affiliate on account of the Ambler Project from June 1, 2008 up to the date of the initial closing of the Acquisition. The reimbursement is limited to a maximum of \$2 million and must be made within 30 days of the initial closing.

The Company has agreed to concurrently acquire NovaGold's interest in the five other Alaskan properties referred to above for \$5 million payable on the initial closing of the Acquisition by issuing to NovaGold an aggregate of 3,125,000 common shares of the Company, having a resale restriction for a period of 12 months following the initial closing date, at a price of \$0.50 per share.

The purchase price and consideration for the Assets from NovaGold is for a total purchase price and consideration of \$20,000,000.

Pursuant to the amendment dated November 27, 2008, the agreement between NovaGold and the Company was restated and amended effective December 31, 2008, to exclude the Ambler Project, and to cover the five mineral properties. The closing date for the acquisition of the five mineral properties, subject to regulatory approval, was set as March 31, 2009. The Company has agreed to acquire NovaGold's five Alaskan properties, excluding the Ambler Project, for consideration in the amount of \$5 million payable by the issuance of 3,125,000 common shares at a fair value of \$1,562,500 on the closing date. The Company closed the transaction to acquire the five mineral properties on March 9, 2009.

On May 20, 2009, the Company completed the acquisition of Cougar Gold LLC ("Cougar") 55% interest in Golden Lynx LLC ("Golden Lynx") through the Company's wholly-owned subsidiary, and issued to Cougar 4,200,000 common shares at a price of \$0.78 per share as consideration for the interest in Golden Lynx. Golden Lynx is currently the owner of 135 claims located in southwestern Alaska that comprises approximately 20,040 acres.

In order to maintain interest in Golden Lynx, the Company must make capital contributions to Golden Lynx of US\$321,000 by April 18, 2010 and a further US\$1,500,000 by April 18, 2013, which amounts will be used to fund exploration expenditures on the properties owned by Golden Lynx. The Company will have the right to acquire an additional 25% interest in Golden Lynx by making an additional capital contribution of US\$2,500,000 by April 18, 2015.

MANTRA MINING INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED JUNE 30, 2009**

(Expressed in Canadian Dollars)

4. SHARE CAPITAL

Authorized:

Unlimited common shares without par value

Issued and fully paid shares:

	Number of Shares	Amount \$
Balance, September 30, 2007 (Audited)	45,175,176	4,060,500
Private Placement	400,625	320,500
Exercise of stock options	1,050,000	834,382
Exercise of warrants	120,000	102,000
<hr/>		
Balance, September 30, 2008 (Audited)	46,745,801	5,317,382
Issuance of shares to acquire resource properties	7,340,000	4,844,351
Private Placement	14,471,757	5,065,100
Exercise of warrants	5,000	4,750
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Balance, June 30, 2009 (Unaudited)	68,562,558	15,231,583

On May 20, 2009, the Company closed a non-brokered private placement. The Company issued 14,471,757 units under its private placement at a price of \$0.35 per unit, for gross proceeds of \$5,065,110. Each unit consists of one common share and one share purchase warrant of the Company. Each warrant entitles the holder, on exercise, to purchase one additional common share of the Company at a price of \$0.50 per share for a period of three years from the date of the issue of the warrant. The securities issued or issuable under the private placement are subject to a four month hold period expiring September 21, 2009.

Electrum Strategic Metals LLC acquired 7,714,286 units under the private placement, representing more than 50% of the private placement. The share purchase warrants to be issued to Electrum as part of the units contain a restriction on exercise to the extent the exercise would bring the holdings of Electrum and its affiliates and joint actors to more than 19.99% of the issued and outstanding common shares of the Company. The Company has agreed to seek shareholder approval to remove such exercise restrictions. In the event shareholder approval is not obtained on or before September 30, 2009, the term of Electrum's share purchase warrants will be extended from three years to five years and such warrants would become transferable, subject to applicable laws.

Electrum may be considered a joint actor with Cougar Gold LLC, the party with which the Company entered into an agreement with, as announced on May 1, 2009. As a result of the 7,714,286 units acquired by Electrum under the private placement and the issuance by the Company to Cougar of 4,200,000 common shares of the Company, Electrum and parties that may be considered joint actors with Electrum now own and control 11,914,286 common shares, representing approximately 17.4% of the issued and outstanding common shares of the Company.

MANTRA MINING INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED JUNE 30, 2009**(Expressed in Canadian Dollars)

4. SHARE CAPITAL (continued)

Warrants

The following table summarizes the continuity of the Company's warrants:

Exercise Price	Balance at September 30, 2008	Issued	Exercised	Expired	Balance at June 30, 2009	Expiry Date
\$0.50	-	14,471,757	-	-	14,471,757	May 20, 2012
\$0.95	200,312	-	5,000	195,312	-	May 15, 2009
	200,312	14,471,757	5,000	195,312	14,471,757	

Exercise Price	Balance at September 30, 2007	Issued	Exercised	Expired	Balance at September 30, 2008	Expiry Date
\$0.95	-	200,312	-	-	200,312	May 15, 2009
\$0.85	120,000	-	120,000	-	-	Aug. 30, 2008
	120,000	200,312	120,000	-	200,312	

On May 15, 2009, 5,000 warrants were exercised at a price of \$0.95 for share for net proceeds of \$4,750. The remaining 195,312 warrants expired on May 15, 2009.

5. CONTRIBUTED SURPLUS

	As at June 30, 2009 (Unaudited)	As at September 30, 2008 (Audited)
Balance, beginning of period	\$ 806,871	\$ 929,328
Add: Stock-based compensation (Note 6)	834,337	176,425
Less: Exercise of stock options	-	(298,882)
Balance, end of period	\$ 1,641,208	\$ 806,871

MANTRA MINING INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED JUNE 30, 2009**

(Expressed in Canadian Dollars)

6. STOCK OPTION PLAN AND STOCK BASED COMPENSATION

In 2005, the Company adopted a rolling stock option plan (the 'Plan') to grant options to directors, senior officers, employees, independent contractors and consultants of the Company. The Plan reserves for issuance up to 10% of the issued and outstanding share capital of the Company from time to time, and provides that it is solely within the discretion of the Board or, if the Board so elects, by a committee consisting of not less than two of its members appointed by the Board, to determine who should receive options and in what amounts. Options granted under the Plan for a term not to exceed 5 years from the date of their grant and are exercisable at a price not less than the discounted market price (which is the market price less a discount of 25% for a closing price of up to \$0.50, a discount of 20% for a closing price of \$0.51 to \$2.00, and a discount of 15% for a closing price above \$2.00, subject to a minimum of \$0.10).

The Company uses Black Scholes option valuation model to value stock options. The Black Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable.

The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

During the period ended June 30, 2009, the Company granted an aggregate of 2,820,000 stock options under the Company's 2008 Stock Option Plan to employees, officers, directors, and consultants. The options are exercisable for a period of five years, at prices ranging from \$0.50 per share to \$1.00 per share. Of the 2,820,000 stock options granted, 1,650,000 fully vested on the grant date, and the remaining 1,170,000 stock options vest at a rate of 1/3 one year after the grant date, and 1/3 each year thereafter until the options are fully vested.

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price
Balance, September 30, 2007 (Audited)	1,250,000	\$ 0.51
Granted	300,000	1.27
Exercised	(1,050,000)	0.51
Balance, September 30, 2008 (Audited)	500,000	0.96
Expired	(200,000)	0.51
Granted	2,820,000	0.54
Balance, June 30, 2009 (Unaudited)	3,120,000	\$ 0.65

MANTRA MINING INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED JUNE 30, 2009**(Expressed in Canadian Dollars)

6. STOCK OPTION PLAN AND STOCK-BASED COMPENSATION (continued)

The following table summarizes stock options outstanding and exercisable at June 30, 2009:

Exercise Price \$	Number of Shares	Options Outstanding		Options Exercisable	
		Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price \$	Number Exercisable	Weighted Average Exercise Price \$
0.50	2,320,000	4.69	0.50	1,300,000	0.50
1.00	700,000	3.78	1.00	550,000	1.00
1.80	100,000	1.01	1.80	100,000	1.80
0.50 – 1.80	3,120,000	4.37	0.65	1,950,000	0.71

Stock options outstanding at June 30, 2009 will expire between May 5, 2010 and June 10, 2014.

The fair value of stock options granted during the nine months ended June 30, 2009, have been estimated using the Black Scholes model and have been recorded as an expense and included in contributed surplus. For purposes of the calculation, the following weighted average assumptions were used under the Black Scholes option pricing model:

	2009	2008
Risk free interest rate	2.41%	2.95%
Expected dividend yield	0%	0%
Expected stock price volatility	102%	89%
Expected life of options	5 years	2 years

The weighted average per share fair value of options granted during the nine months ended June 30, 2009 was \$0.39 (2008: \$0.61).

7. RELATED PARTY TRANSACTIONS AND BALANCES

During the nine months ended June 30, 2009, the Company had the following related party transactions which were measured at the exchange amount, which is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities:

- Management fees were paid to a company owned by the president of the Company of \$150,000 (9 Months ended June 30, 2008 - \$93,000);
- Accounting fees were paid to a company owned by the president of the Company of \$4,500 (9 months ended June 30, 2008 - \$4,500);

As at June 30, 2009, accounts payable includes \$1,575 (September 30, 2008 - \$2,163) payable to directors/ shareholders of the Company, or companies under their control. These amounts are non-interest bearing, unsecured and are due upon demand.

During the year ended September 30, 2008, the Company entered into an agreement with NovaGold Resources Inc. ("NovaGold") to purchase 100% interest in its interest in the Ambler Option Agreement. NovaGold and the Company have a director in common.

As at June 30, 2009, accounts receivable includes \$5,840 (September 30, 2008 - \$Nil) advances to directors and president of the Company. This amount is non-interest bearing unsecured and is due up on demand.

MANTRA MINING INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED JUNE 30, 2009**

(Expressed in Canadian Dollars)

8. SEGMENT INFORMATION

The Company's operations are limited to a single industry segment being the acquisition, exploration and development of resource properties. The resource properties are located in Canada in the Province of New Brunswick.

As at June 30, 2009 (Unaudited)

	Canada	United States	India	Total
Other Assets	\$ 4,419,916	\$ 57,983	\$ 64,036	\$ 4,541,935
Resource Properties	4,985,248	331,124	–	5,316,372
Total Assets	\$ 9,405,164	\$ 389,107	\$ 64,036	\$ 9,858,307

As at September 30, 2008 (Audited)

	Canada	United States	India	Total
Other Assets	\$ 594,516	\$ –	\$ 66,753	\$ 4,541,935
Resource Properties	96,120	–	–	5,316,372
Total Assets	\$ 690,636	\$ –	\$ 66,753	\$ 9,858,307

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its mineral properties. The Company does not have any externally imposed capital requirements to which it is subject to.

As at June 30, 2009, the Company had capital resources consisting of cash and amounts receivable. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

The Company's investment policy is to invest its cash in investment instruments in high credit quality financial institutions with terms to maturity selected with regards to the expected time of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations through its current operating year.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK**Fair Value of Financial Instruments**

The Company's financial instruments include cash and accounts payable. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Liquidity Risk

The Company manages liquidity risk by maintaining adequate cash balance. The Company continuously monitors and reviews both actual and forecasted cash flows, and also matches the maturity profile of financial assets and liabilities.

MANTRA MINING INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE NINE MONTHS ENDED JUNE 30, 2009**

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)**Currency Risk**

The Company incurs costs and expenses in foreign currencies other than the Canadian dollar. The exchange rates covering such currencies, including the US dollars and Indian rupees, are subject to fluctuation which gives rise to foreign currency exposure, either favorable or unfavorable. The Company does not hedge the US dollars or Indian rupees against its functional currencies.

Sensitivity analysis

The Company has not completed a sensitivity analysis to estimate the impact on net income for the period which a change in foreign exchange rate during the periods ended June 30, 2009 would have had given the insignificant dollar balance recorded in US dollars and Indian rupees.

11. COMPARATIVE FIGURES

Certain figures presented for comparative purposes have been reclassified to conform with the current period's presentation. Such reclassification is for presentation purposes only and has no effect on previously reported results.

12. SUBSEQUENT EVENT

The Company has announced its intention to enter into a Plan of Arrangement ("Arrangement") in which the Company will transfer its interest in the Gnome property in British Columbia and \$500,000 in cash to a wholly owned subsidiary, AsiaBaseMetals Inc. ("AsiaBaseMetals").

AsiaBaseMetals is a wholly owned subsidiary of the Company incorporated for the purpose of the Arrangement. At the effective date of the Arrangement, the Company will distribute to the shareholders of the Company all of the AsiaBaseMetals shares that it received pursuant to this Arrangement.

The Arrangement is subject to approval by the Company's shareholders, regulatory agencies and by the Supreme Court of British Columbia.