Consolidated Financial Statements
(Expressed in Canadian dollars)

# EAGLE PEAK RESOURCES INC.

Year ended September 30, 2008

**KPMG LLP**
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# AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheet of Eagle Peak Resources Inc. (the Company) as at September 30, 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for 2007 were reported on by another firm of chartered accountants.

KPMG LLP

Chartered Accountants

Vancouver, Canada

November 18, 2008

# EAGLE PEAK RESOURCES INC.

Consolidated Balance Sheet
(Expressed in Canadian dollars)

September 30, 2008, with comparative figures for 2007

| | 2008 | 2007 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 95,971 | $ 1,169,782 |
| Amounts receivable | 121,686 | 92,828 |
| Prepaid expenses | 18,634 | 125,212 |
| Due from related parties (note 10) | 24,214 | 3,785 |
| Mineral Exploration Tax Credit (METC-BC) | 1,017,128 | - |
| | 1,277,633 | 1,391,607 |
| Reclamation deposits | 48,000 | 23,500 |
| Investment in related company | 1 | - |
| Security deposits | 236,923 | - |
| Equipment (note 5) | 307,034 | 40,815 |
| Mineral properties (note 6) | 10,157,390 | 2,679,779 |
| | $ 12,026,981 | $ 4,135,701 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 212,618 | $ 432,752 |
| Due to related parties (note 10) | 1,300,078 | 13,282 |
| Current portion of deferred lease incentive (note 7) | 12,883 | - |
| | 1,525,579 | 446,034 |
| Future income tax liability (note 9) | 222,816 | - |
| Long-term portion of deferred lease incentive (note 7) | 47,238 | - |
| Shareholders' equity: | | |
| Share capital (notes 8(a)) | 10,299,970 | 3,541,234 |
| Share subscriptions received | - | 621,000 |
| Contributed surplus (note 8(d)) | 5,225,650 | - |
| Deficit | (5,294,272) | (472,567) |
| | 10,231,348 | 3,689,667 |
| Nature and continuance of operations (note 1) | | |
| Commitments (note 11) | | |
| Subsequent events (note 14) | | |
| | $ 12,026,981 | $ 4,135,701 |

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

______________ Director      ______________ Director

# EAGLE PEAK RESOURCES INC.

Consolidated Statement of Operations, Comprehensive Loss and Deficit
(Expressed in Canadian dollars)

Year ended September 30, 2008, with comparative figures for 2007

| | 2008 | 2007 |
|---|---|---|
| Expenses: | | |
| Advertising and promotion | $ 74,734 | $ 73,839 |
| Amortization | 48,285 | 16,197 |
| Consulting fees | 77,050 | 8,000 |
| Interest and bank charges | 12,844 | 240 |
| Investor relations | 67,125 | 43,347 |
| Legal, audit and accounting | 227,988 | 57,994 |
| Management fees | 37,250 | 38,820 |
| Office | 56,523 | 12,680 |
| Rent | 61,967 | 13,200 |
| Salaries and benefits | 204,875 | - |
| Stock-based compensation (note 8(c)) | 4,121,961 | - |
| Sundry | 16,823 | 3,913 |
| Telephone | 34,131 | 12,171 |
| Travel and accommodation | 57,363 | 17,560 |
| Foreign exchange | 4 | - |
| Write-off of mineral property costs (note 6(g)) | 142,732 | - |
| Interest income | (8,661) | (9,196) |
| Amortization of deferred lease incentive (note 7) | (4,294) | - |
| | 5,228,700 | 288,765 |
| Loss before income taxes | (5,228,700) | (288,765) |
| Income tax recovery | 406,995 | - |
| Net loss and comprehensive loss for the year | (4,821,705) | (288,765) |
| Deficit, beginning of year | (472,567) | (183,802) |
| Deficit, end of year | $ (5,294,272) | $ (472,567) |
| Loss per share | $ 0.19 | $ 0.02 |
| Weighted average number of shares outstanding | 25,149,656 | 19,340,507 |

See accompanying notes to consolidated financial statements.

# EAGLE PEAK RESOURCES INC.

Consolidated Statement of Cash Flows
(Expressed in Canadian dollars)

Year ended September 30, 2008, with comparative figures for 2007

| | 2008 | 2007 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Net loss for the year | $ (4,821,705) | $ (288,765) |
| Items not involving cash: | | |
| Amortization | 48,285 | 16,197 |
| Stock-based compensation | 4,121,961 | - |
| Write-off of mineral property | 142,732 | - |
| Future income tax recovery | (406,995) | - |
| | (915,722) | (272,568) |
| Changes in working capital: | | |
| Amounts receivable | 31,263 | (82,870) |
| Prepaid expenses | 106,578 | (86,219) |
| Due from related parties | (20,429) | - |
| Due to related parties | 186,796 | 14,799 |
| Accounts payable and accrued liabilities | 16,688 | 34,304 |
| Net cash used in operating activities | (594,826) | (392,554) |
| Investing activities: | | |
| Purchase of equipment | (314,504) | (18,930) |
| Mineral properties expenditures | (4,105,943) | (1,218,555) |
| Investment in related company | (1) | - |
| Reclamation deposit | (24,500) | (18,000) |
| Security deposit | (236,923) | - |
| Net cash used in operating activities | (4,681,871) | (1,255,485) |
| Financing activities: | | |
| Proceeds received for shares issued | 3,102,886 | 1,454,567 |
| Loan from related party | 1,100,000 | - |
| Proceeds received for shares to be issued | - | 621,000 |
| Net cash provided by financing activities | 4,202,886 | 2,075,567 |
| Increase (decrease) in cash and cash equivalents | (1,073,811) | 427,528 |
| Cash and cash equivalents, beginning of year | 1,169,782 | 742,254 |
| Cash and cash equivalents, end of year | $ 95,971 | $ 1,169,782 |
| Supplementary information: | | |
| Interest paid | $ (12,844) | $ (240) |
| Interest income received | 7,544 | 9,196 |
| Non-cash investing and financing activities: | | |
| Issuance of shares for acquisition of mineral property interests | 2,346,000 | 107,500 |
| Mineral property expenditures unpaid for | 138,510 | 375,333 |
| Interest accrued on security deposit | (1,118) | - |

See accompanying notes to consolidated financial statements.

**1. Nature and continuance of operations:**

Eagle Peak Resources Inc. (the Company) was incorporated under the Canadian Business Corporations Act on October 7, 2005 and its principal activity is the acquisition, exploration and development of mineral properties located in British Columbia. These consolidated financial statements have been prepared assuming the Company will continue as a going concern which contemplates the ability of the Company to realize its assets and discharge its liabilities in the normal course of business.

These consolidated financial statements do not include adjustments that would have been required if going concern is not an appropriate basis for preparation of the financial statements.

The Company has incurred losses since inception and is currently not generating any revenues. For the year ended September 30, 2008, the Company had net cash outflows of $1,073,811. As at September 30, 2008, the Company's cash balance is $95,971 and its working capital deficiency was $247,946. The working capital deficiency is largely due to the related party loan and payables (note 10).

The ability of the Company to continue as a going concern depends on its ability to develop and mine or dispose of its mineral resources in an economically viable manner, the continuing support of its majority shareholders and related companies and its ability to raise adequate finance to continue exploration and development activities at its mineral properties.

**2. Significant accounting policies:**

(a) Basis of presentation:

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP).

The consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries, Gold Rock Resources Inc. and Rich Rock Resources Inc. Both subsidiaries were incorporated in British Columbia, Canada during the year ended September 30, 2008 and are inactive.

During the year ended September 30, 2008, the Company incorporated a wholly-owned subsidiary, Metal Mountain Resources Inc. (MMR). During the year ended September 30, 2008, MMR issued shares to other related and unrelated shareholders. As a result of this issuance of shares, the Company became a minority shareholder and lost its control over MMR. The consolidated financial statements include the accounts of MMR from the date of its incorporation until the date the Company's control over MMR ceased.

All significant intercompany balances and transactions have been eliminated on consolidation.

(b) Investment in related company:

The investment in related company represents an investment into common shares of MMR. Shares of MMR are not traded on a public market and are stated at cost.

**2. Significant accounting policies (continued):**

(c) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting periods. Significant items subject to such estimates and assumptions include fair values of financial instruments, recoverability of mineral properties and equipment, recoverability of future income tax assets, determination of reclamation obligations, and the determination of the fair value of stock-based awards. Actual results could differ from these estimates.

(d) Cash and cash equivalents:

Cash and cash equivalents are highly liquid temporary investments, such as term deposits with major financial institutions, with original terms to maturity of ninety days or less, that are readily convertible into known amounts of cash.

(e) Reclamation deposit:

Reclamation deposits are term deposits placed in the name of the Government of the Province of British Columbia as collateral for possible reclamation activities on the Company's mineral properties in connection with permits required for exploration activities. As they are restricted from general use, they are excluded from current assets.

(f) Equipment:

Equipment is recorded at cost and is amortized over its estimated useful economic life. Vehicles and computers are amortized using the declining balance method at annual rates of 30% for vehicles and 45% for computers. Furniture is amortized using the straight line method over five years. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

(g) Mineral properties:

The costs to acquire mineral properties and exploration costs incurred at these mineral properties are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful life of the property following the commencement of production, or written-off if the properties are sold, allowed to lapse or abandoned.

Cost to acquire mineral properties include cash consideration and the fair market value of shares issued as consideration for the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded when such payments are made. The recorded amounts of property acquisition costs and capitalized exploration costs represent actual expenditures incurred and are not intended to reflect present or future values. The ultimate recovery of such costs is dependent upon the discovery and development of economic ore reserves or the sale of mineral rights.

**2. Significant accounting policies (continued):**

(g) Mineral properties (continued):

The Company reviews capitalized costs on its property interests on a periodic basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Administrative costs are expensed as incurred.

(h) Asset retirement obligations:

The fair value of an obligation associated with the retirement of a tangible long-lived asset is recorded in the period in which it is incurred and when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequent to initial recognition, the liability is accreted over time and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the obligation. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related assets. The Company has determined that it does not currently have any asset retirement obligations.

(i) Impairment of long-lived assets:

Long lived assets are assessed for impairment when events and circumstances indicate that their carrying values may not be recoverable. Impairment of an asset is considered to exist when the carrying value of the assets exceeds the estimated undiscounted net cash flow expected to be generated by the asset. In that event, the asset is written down to its fair value.

(j) Income taxes:

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of substantive enactment. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

**2. Significant accounting policies (continued):**

(k) Share capital:

Common shares issued for non-monetary consideration are recorded at the fair market value which is based upon previous issues of the Company's shares to unrelated third parties at the date of the agreement to issue the shares or the date of their issuance.

Incremental costs incurred to issue common shares are deducted from share capital.

(l) Flow-through shares:

Under the Canadian Income Tax Act a company may issue shares referred to as flow-through shares, whereby the investor may claim the tax deductions arising from the expenditure of the share proceeds. The Company recognizes a future income tax liability and concurrently reduces share capital on the date that the Company files the renouncement document with the tax authorities to renounce the tax credit associated with the expenditures, provided there is reasonable assurance that the expenditures will be made. The date of this renouncement may differ from the effective date of the renouncement that allows an investor to claim the tax deduction. Previously unrecognized tax assets may then offset or eliminate the tax liability by reversing the future income tax asset valuation allowance and reducing income tax expense in that period.

(m) Stock-based compensation:

The Company has a share option plan which is described in note 8(b).

The Company records stock-based compensation costs relating to stock-based awards granted to its employees and non-employees using the fair value method. Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable. Related stock-based compensation expense is recognized as the options vest with a corresponding increase in contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus is recorded as an increase to share capital.

(n) Loss per share:

Basic loss per share is calculated by dividing the net loss applicable to common shareholders by the weighted average number of common shares outstanding during the period. Potentially dilutive outstanding options are excluded from the calculation of loss per share, as they would be anti-dilutive.

(o) Foreign currency translation:

Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date; non-monetary assets and liabilities denominated in foreign currency are translated at exchange rates prevailing when the assets were acquired or obligations incurred; expense items denominated in foreign currency are translated at the exchange rates prevailing at the date of transaction. Foreign exchange translation gains and losses are included in operations in the period in which they were incurred.

**2. Significant accounting policies (continued):**

(p) Financial instruments:

Financial assets and financial liabilities, including derivatives, are measured at fair value on initial recognition and recorded on the balance sheet. When a financial asset or financial liability is originated as a result of a related party transaction, that financial asset or financial liability is measured on initial recognition at the amount determined in accordance with Canadian Institute of Chartered Accountants (CICA) Handbook Section 3840, *Related Party Transactions*.

Measurement in subsequent periods depends on whether the financial instrument has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other financial liabilities:

- Financial assets and financial liabilities considered held-to-maturity, loans and receivables, and other financial liabilities subsequent to their initial recognition are stated at amortized cost using the effective interest method.
- Available-for-sale financial assets are subsequently measured at fair value, with unrealized gains and losses from changes in fair value recognized in other comprehensive income (loss). Investments in equity instruments classified as available-for-sale that do not have a quoted market price in an active market are measured at cost.
- Financial assets and liabilities held for trading are measured at fair value, with changes in fair value recognized in the statement of operations in the period in which they arise.
- Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in the statement of operations with the exception of derivatives designated as effective cash flow hedges.

The Company has classified its financial instruments as follows:

| | |
|---|---|
| Cash and cash equivalents | Held-for-trading |
| Amounts receivable | Loans and receivables |
| Due from related party | Loans and receivables |
| Reclamation deposit | Held-to-maturity |
| Accounts payable and accrued liabilities | Other liabilities |
| Due to related party | Other liabilities |

The carrying amounts of cash and cash equivalents, amounts receivable, amounts due from related parties, reclamation deposit, accounts payable and accrued liabilities and amounts due to related parties approximate their fair values or amortized cost due to the short-term nature and high liquidity of these instruments.

The Company is not currently involved in hedging.

(q) Comparative figures:

Certain comparative figures have been reclassified to conform to the current period’s presentation.

**3. Adoption of new accounting standards:**

(a) Accounting changes:

Effective October 1, 2007, the Company has adopted CICA Handbook Section 1506, *Accounting Changes*, which requires that: (a) a voluntary change in accounting principles can be made if, and only if, the change results in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

(b) Capital disclosures:

Effective October 1, 2007, the Company has adopted CICA Handbook Section 1535, *Capital Disclosures*.

This standard requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

The Company's objectives when managing capital are to:

- ensure there are adequate capital resources to safeguard the Company's ability to continue as a going concern;
- maintain adequate funding to support the exploration and development of the Company's strategic mining projects with the ultimate goal of taking them into production; and
- meet external capital requirements on credit facilities, if any.

The Company does not currently perform production activities and does not generate revenue. Capital is raised from private placements and loans from related parties to fund exploration and corporate overhead costs. The Company is also dependent on external financing to fund exploration and development activities. Given its objectives, the Company determines the amount of capital to be raised and retained based on the scope of planned exploration activities and management's assessment of the expected availability of acceptably priced capital in future periods.

The Company manages its capital in a manner that provides sufficient funding for operational activities. In order to maintain or adjust the capital structure, the Company may issue capital through private placements or borrow from related parties. For the year ended September 30, 2008, there were no changes in quantitative and qualitative data about the Company's objectives, policies and processes for managing capital as compared to the prior period.

The Company defines capital as shareholders' equity and loans from related parties. The Company's targeted capital structure is 100% shareholders' equity. Loans from related parties are used to cover short-term liquidity requirements. Management believes that such capital structure is the most suitable and is commensurate with the Company's current lifecycle.

**3. Adoption of new accounting standards (continued):**

(b) Capital disclosures (continued):

The Company's capital management plan seeks to ensure adequate resources are available to fund its activities through the next fiscal year. In May 2008, the Company signed a letter of undertaking with IBK Capital to provide up to $30 million of equity financing during fiscal 2009. The letter of undertaking and negotiations do not represent a commitment of IBK Capital and there is no assurance that funding will be obtained at all. In addition, management is seeking other sources of financing including but not limited to, flow-through common shares, convertible debentures and common stock. Additional capital raised will primarily be invested in mineral exploration and development activities. The Company is also considering capital expenditures to put the Dome Mountain Project into production.

The Company is not subject to material externally imposed capital requirements. The Company is not subject to covenants on its loan from related parties. During the year ended September 30, 2008, the Company did not have any debt repayment requirements.

(c) CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*:

Effective October 1, 2007 the Company adopted CICA Handbook Section 3862, *Financial Instruments - Disclosure*, and Section 3863, *Financial Instruments - Presentation*.

Sections 3862 and Section 3863 replace Section 3861, *Financial Instruments - Disclosure and Presentation*, requiring disclosures of both qualitative and quantitative information on the nature and extent of risks arising from financial instruments to which the Company is exposed and how it manages those risks. The new disclosures are provided in notes 12 and 13.

Transaction costs are expensed as incurred for financial instruments designated as held-for-trading. The effective interest rate method of amortization is used for any transaction costs for financial instruments measured at amortized cost, which includes loans and receivables and other financial liabilities.

Loans and receivables include amounts receivable and due from related parties, and are initially measured at fair value and subsequently measured at amortized cost. Gains and losses resulting from revaluations, impairment write-downs and foreign exchange translation adjustments are recognized in net earnings for the period. Financial assets with fixed or determinable payments that are not quoted in an active market are classified in this category.

Other financial liabilities include due to related parties, accounts payable and accrued liabilities and are initially measured at fair value and subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method. Gains and losses resulting from revaluation and foreign exchange translation adjustments are recognized in net earnings for the period.

Held-to-maturity financial instruments include reclamation/security deposits are recorded at amortized cost.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired using the following criteria:

(Tabular amounts expressed in Canadian dollars, except for share and per share amounts)

**3. Adoption of new accounting standards (continued):**

(c) CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation* (continued):

For loans and receivables, a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or delinquency in payments are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement within general and administrative expenses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses in the statement of operations.

**4. Recent accounting pronouncements:**

(a) Goodwill and intangible assets:

Section 3064, *Goodwill and Intangible Assets*, establishes revised standards for recognition, measurement, presentation, and disclosure of goodwill and intangible assets. The standard is effective for interim and annual financial statements beginning January 1, 2009. The Company does not expect the adoption of this Section to have a significant effect on its consolidated financial statements.

(b) International Financial Reporting Standards (IFRS):

In February 2008 the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ending September 30, 2011. While the Company has begun assessing the adoption of IFRS, the financial reporting impact of the transition to IFRS has not been determined at this time.

**5. Equipment:**

| | | | 2008 | 2007 |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Vehicles | $ 82,553 | $ 30,060 | $ 52,493 | $ 24,262 |
| Computers | 89,407 | 29,105 | 60,302 | 16,553 |
| Furniture | 61,227 | 6,122 | 55,105 | - |
| Equipment | 1,999 | 200 | 1,799 | - |
| Leasehold improvements | 122,085 | 6,104 | 115,981 | - |
| Construction in progress | 21,354 | - | 21,354 | - |
| | $ 378,625 | $ 71,591 | $ 307,034 | $ 40,815 |

(Tabular amounts expressed in Canadian dollars, except for share and per share amounts)

**6. Mineral properties:**

The continuity of expenditures on mineral properties for the year ended September 30, 2008 is as follows:

| | September 30, 2007 | Expenditures | September 30, 2008 |
|---|---|---|---|
| Big Onion (note 6(a)): | | | |
| Accommodation and travel | $ 31,905 | $ 19,864 | $ 51,769 |
| Acquisition | 244,612 | 120,000 | 364,612 |
| Assays | 105,128 | 351,243 | 456,371 |
| Drilling | 1,130,641 | 1,341,118 | 2,471,759 |
| Field equipment | 100,332 | 212,509 | 312,841 |
| Geological | 402,225 | 129,462 | 531,687 |
| Geophysical | - | 232,170 | 232,170 |
| Labour | 111,410 | 266,387 | 377,797 |
| Stock-based compensation | - | 1,556,678 | 1,556,678 |
| Future income tax related to stock-based compensation | - | 546,942 | 546,942 |
| Legal | 29,284 | 1,391 | 30,675 |
| Office | 89,033 | 91,918 | 180,951 |
| Recording | 5,368 | 2,787 | 8,155 |
| BC Mineral Exploration Tax Credit refund | - | (899,972) | (899,972) |
| | 2,249,938 | 3,972,497 | 6,222,435 |
| Dome Mountain (note 6(b)): | | | |
| Acquisition | 46,179 | 237,500 | 283,679 |
| Geological | 3,539 | 56,173 | 59,712 |
| Geophysical | - | 159,171 | 159,171 |
| Field equipment | - | 20,306 | 20,306 |
| Labour | - | 425 | 425 |
| Stock-based compensation | - | 141,516 | 141,516 |
| Future income tax related to stock-based compensation | - | 49,722 | 49,722 |
| Legal | - | 5,172 | 5,172 |
| Office | - | 2,471 | 2,471 |
| Recording | - | 4,298 | 4,298 |
| | 49,718 | 676,754 | 726,472 |
| Silver Vista (note 6(c)): | | | |
| Acquisition | - | 25,000 | 25,000 |
| Recording | - | 1,657 | 1,657 |
| | - | 26,657 | 26,657 |
| Freegold (note 6(d)): | | | |
| Acquisition | - | 110,000 | 110,000 |
| Office | - | 2,738 | 2,738 |
| Recording | - | 592 | 592 |
| | - | 113,330 | 113,330 |
| Carried forward | 2,299,656 | 4,789,238 | 7,088,894 |

(Tabular amounts expressed in Canadian dollars, except for share and per share amounts)

**6. Mineral properties (continued):**

| | September 30, 2007 | Expenditures | September 30, 2008 |
|---|---|---|---|
| Balance brought forward | $ 2,299,656 | $ 4,789,238 | $ 7,088,894 |
| Miocene Peak and Miocene Miracle (note 6(e)): | | | |
| Acquisition | 154,900 | 625,000 | 779,900 |
| Assays | - | 3,862 | 3,862 |
| Field equipment | 658 | - | 658 |
| Geological | 13,800 | - | 13,800 |
| Geophysical | 126,528 | 179,720 | 306,248 |
| Labour | - | 1,950 | 1,950 |
| Stock-based compensation | - | 47,172 | 47,172 |
| Future income tax related to stock-based compensation | - | 16,574 | 16,574 |
| Travel | - | 840 | 840 |
| Recording | 15,000 | 19,899 | 34,899 |
| BC Mineral Exploration Tax Credit refund | - | (76,068) | (76,068) |
| | 310,886 | 818,949 | 1,129,835 |
| Ferry Creek and Cascade (note 6(f)): | | | |
| Acquisition | 15,000 | 129,496 | 144,496 |
| Assays | - | 21,877 | 21,877 |
| Field equipment | 451 | 615 | 1,066 |
| Geological | - | 24,188 | 24,188 |
| Geophysical | - | 86,374 | 86,374 |
| Recording | - | 5,752 | 5,752 |
| Office | - | 2,181 | 2,181 |
| Labour | - | 31,951 | 31,951 |
| Stock-based compensation | - | 47,172 | 47,172 |
| Future income tax related to stock-based compensation | - | 16,574 | 16,574 |
| Travel | 10,000 | 4,121 | 14,121 |
| BC Mineral Exploration Tax Credit refund | - | (35,758) | (35,758) |
| | 25,451 | 334,543 | 359,994 |
| Granite Mountain (note 6(g)): | | | |
| Acquisition | 25,000 | 100,000 | 125,000 |
| Geological | 17,508 | 1 | 17,509 |
| Labour | - | 2,007 | 2,007 |
| Recording | - | 155 | 155 |
| Office | 1,278 | 1,510 | 2,788 |
| Write-off of mineral property costs | - | (142,732) | (142,732) |
| BC Mineral Exploration Tax Credit refund | - | (4,727) | (4,727) |
| | 43,786 | (43,786) | - |
| Carried forward | 2,679,779 | 5,898,944 | 8,578,723 |

(Tabular amounts expressed in Canadian dollars, except for share and per share amounts)

**6. Mineral properties (continued):**

| | September 30, 2007 | Expenditures | September 30, 2008 |
|---|---|---|---|
| Balance brought forward | $ 2,679,779 | $ 5,898,944 | $ 8,578,723 |
| Tas (note 6(h)): | | | |
| Acquisition | - | 60,000 | 60,000 |
| Geological | - | 25 | 25 |
| Geophysical | - | 2,231 | 2,231 |
| Labour | - | 200 | 200 |
| Recording | - | 1,085 | 1,085 |
| BC Mineral Exploration Tax Credit refund | - | (603) | (603) |
| | - | 62,938 | 62,938 |
| McKendrick (note 6(i)): | | | |
| Acquisition | - | 1,000 | 1,000 |
| Office | - | 2,054 | 2,054 |
| Recording | - | 6,675 | 6,675 |
| | - | 9,729 | 9,729 |
| Hilo (note 6(j)): | | | |
| Acquisition | - | 696,000 | 696,000 |
| Redstone (note 6(k)): | | | |
| Acquisition | - | 410,000 | 410,000 |
| Big Nickel (note 6(l)): | | | |
| Acquisition | - | 400,000 | 400,000 |
| Total mineral properties | $ 2,679,779 | $ 7,477,611 | $ 10,157,390 |

(a) Big Onion Property, Omineca Mining Division, British Columbia:

In accordance with Agreements dated October 20, 2005, and September 11, 2006, the Company obtained a 100% interest subject to a 3% NSR in two mining claims in the Big Onion property from 0737141 BC by issuing 6,000,000 common shares valued at $0.01 per share. The Company subsequently purchased 0.25% of the NSR by paying $100,000 to 0737141 BC.

**6. Mineral properties (continued):**

(a) Big Onion Property, Omineca Mining Division, British Columbia (continued):

In accordance with the Agreement dated August 17, 2007 and an Amending Agreement dated March 26, 2008, the Company was assigned the option to earn a 100% interest in one mining claim in Big Onion property (subject to a 2.75% Net Smelter Returns Royalty (NSR) by a private company controlled by two common directors (0737141 BC). To earn the option, the Company is required to make a series of payments aggregating to $900,000 by November 15, 2009 ($250,000 paid to September 30, 2008 and $120,000 was paid subsequent to September 30, 2008) and issue 500,000 common shares to Twin Peak Resources Ltd. In addition, the March 26, 2008 Amending Agreement calls for the issuance of 500,000 common shares of the Company and 500,000 common shares of its former subsidiary, MMR over the next five years. 100,000 common shares of the Company and 100,000 common shares of MMR are to be issued on the date that MMR receives the Prospectus Receipt in respect of MMR's proposed initial public offering. A further 400,000 shares each of the Company and MMR will be issued over the four years following the date of the Prospectus Receipt. No Prospectus Receipt has been received yet and no shares were issued.

(b) Dome Mountain Property, Omineca Mining Division, British Columbia:

In accordance with the Agreement dated June 27, 2007, the Company made an initial payment of $20,000 and issued 150,000 common shares which entitled the Company to earn 100% interest in six mining claims and one lease in the Dome Mountain property. The Agreement is subject to a 2% NSR, and additional cash payments of $380,000 to July 1, 2012 ($40,000 paid to September 30, 2008) and the issuance of an additional 150,000 common shares (issued) are required. The Company also discharged the claim of lien filed by Jack Decoteau Excavating Inc. against the mining lease.

(c) Silver Vista Property, Cariboo Mining Division, British Columbia:

In accordance with the Agreement dated March 15, 2008 (with an Effective Date of April 14, 2008), the Company made an initial payment of $25,000 and issued 50,000 common shares to acquire an Option providing a 100% interest in two mining claims in the Silver Vista property. By making additional cash payments of $400,000 and issuing an additional 600,000 common shares by April 14, 2012, the Option will be exercised. The Agreement is subject to a 3% NSR with all or a portion of 1% of the NSR purchasable for $500,000 for each ½ of 1%.

(d) Freegold Property, Omineca Mining Division, British Columbia:

In accordance with the Agreement dated February 29, 2008 (with an Effective Date of March 19, 2008), the Company made an initial payment of $10,000 and issued 100,000 common shares to acquire an Option to earn a 100% interest in four mining claims in the Freegold property. By making additional cash payments of $110,000 and issuing an additional 300,000 common shares by March 19, 2011, incurring exploration expenditures of $500,000 by March 19, 2012 and issuing an additional 200,000 common shares upon commercial production, the Option will be exercised. The claims are subject to a 2% NSR with 1% purchasable for $1 million. Advance royalty payments of $20,000 per annum are due beginning March 19, 2013.

**6. Mineral properties (continued):**

(e) Miocene Peak Property and Miocene Miracle Property, Cariboo Mining Division, British Columbia:

In accordance with the Agreement dated October 20, 2005, the Company acquired a 100% interest subject to a 3% NSR in 13 mining claims in the Miocene Peak property from a private company controlled by two common directors (Quantum) for consideration of 1,000,000 common shares valued at $0.01 per share.

The Company has four additional options to acquire 38 mining claims in this property. In accordance with the Agreement dated October 21, 2005, the Company exercised a first option to acquire a 100% interest in five mining claims subject to a 2% NSR upon payment of $10,000 (paid) and the issue of 300,000 common shares (issued).

In accordance with the Agreement dated January 9, 2006, the second option to acquire a 100% interest in 15 mining claims subject to a 3% NSR, was obtained from a private company controlled by a director's spouse for consideration of $5,000 (paid) and the issue of 333,000 common shares (issued).

In accordance with the Agreement dated January 9, 2006, the third option to acquire a 100% interest in 13 mining claims subject to a 3% NSR was exercised upon payment of $5,000 (paid) and the issue of 333,000 common shares (issued).

The NSRs in these three options are purchasable in whole or in part for $500,000 per each ½ of 1%, payable in cash or Company common shares valued at the lowest price provided for under TSX rules.

In accordance with the Agreement dated June 12, 2007, the fourth option to acquire a 100% interest in five claims subject to a 3% NSR from Quantum was obtained in fiscal 2007 and exercised through the issue of 166,666 common shares.

In accordance with the Agreement dated January 29, 2008, the Company made an initial payment of $125,000 and issued 150,000 common shares which entitled the Company to an Option providing a 100% interest in 15 mining claims in the Miocene-Miracle property purchased from a private company controlled by a director's spouse. By the issuance of an additional 200,000 common shares by January 29, 2011 (50,000 issued as at September 30, 2008), the Option will be exercised. The Agreement is subject to a 3% NSR, with all or a portion of 1% of the NSR purchasable for the sum of $500,000 for each ½ of 1%.

(f) Ferry Creek and Cascade Property, Kamloops Mining Division, British Columbia:

In accordance with the Agreement dated May 24, 2007 and Amended Agreement dated June 27, 2008, the Company purchased the option for a total of $90,000 and the issuance of 100,000 shares (issued). A total of $40,000 has been paid and the remaining $50,000 will be paid on May 24, 2009.

**6. Mineral properties (continued):**

(g) Granite Mountain Property, Cariboo Mining Division**,** British Columbia:

In accordance with the Agreement dated June 12, 2007, the Company has an option to earn a 100% interest in seven mining claims subject to a 2% NSR in consideration of $10,000 cash (paid) and the issue of 300,000 shares by June 12, 2009 (200,000 shares issued as at September 30, 2008). Any or all of the NSR is purchasable for $500,000 in cash or shares for each ½ of 1%.

Shortly after September 30, 2008, the Company decided to abandon the Granite Mountain property. Previously capitalized costs related to this property were written off during the year ended September 30, 2008.

(h) Tas Property, Omineca Mining Division, British Columbia:

In accordance with the Agreement dated February 29, 2008 (with an Effective Date of March 28, 2008), the Company made an initial payment of $10,000 to acquire an Option providing a 100% interest in five claims in the Tas property. By making additional cash payments of $480,000 by March 28, 2012 ($50,000 paid to September 30, 2008) and incurring exploration expenditures of $1 million by March 28, 2011, the Option will be exercised. The claims are subject to 3% NSR, or payments of $50,000 per annum, with all or a portion of a 2% of the NSR purchasable for the sum of $500,000 for each ½ of 1%.

(i) McKendrick Property, Omineca Mining Division, British Columbia:

In accordance with the Agreement dated July 1, 2008, the Company made an initial payment of $1,000 on September 12, 2008, optioned to make total cash payments of $300,000 by July 1, 2015 and to issue 150,000 shares by December 31, 2010. This Option will acquire a 100% interest in ten mining claims in the McKendrick property. The Optioner consists of five parties: Mary Sikkes, Catherine L'Orsa, Andrew L'Orsa, Suzanne L'Orsa and Anthony L'Orsa. Each of the parties agrees that all of the cash payments will be made to Anthony L'Orsa. All of the issuances of common shares and royalty payments will be divided equally among the five parties. The Agreement is subject to a minimum annual royalty of $25,000 or 2.5% NSR, whichever is greater. The Company has the right to purchase up to 50% of the Royalty for the aggregate sum of $1,250,000.

(j) Hilo Property, Cariboo Mining Division, British Columbia:

In accordance with the Agreement dated September 25, 2008, the Company paid $30,000 and issued 666,000 shares to acquire 100% interest in three mining claims in the Hilo property from a private company controlled by an officer and director of the Company.

(k) Redstone Property, Cariboo Mining Division, British Columbia:

In accordance with the Agreement dated September 9, 2008 and an Amending Agreement dated November 4, 2008, the Company paid $10,000 and issued 400,000 shares to acquire 100% interest in two claims in the Redstone property from a private company controlled by the son of a director of the Company.

(Tabular amounts expressed in Canadian dollars, except for share and per share amounts)

## 6. Mineral properties (continued):

(l) Big Nickel Property, Caribo Mining Division, British Columbia:

In accordance with the Agreement dated September 8, 2008 and an Amending Agreement dated November 4, 2008, the Company paid $70,000 and issued 330,000 common shares to acquire 100% interest in five claims in the Big Nickel property from a private company controlled by an officer and director of the Company. In accordance with an Amending Agreement dated November 7, 2008, the Company issued an additional 100,000 shares to acquire 100% interest in these five claims.

## 7. Deferred lease incentive:

As a result of performing leasehold improvements works on rented office premises in 2008, the Company is entitled to tenancy improvement allowance payable to the Company by the lessor in cash. The amount of allowance is recorded as deferred lease incentive and is recognized in the statement of operations on a straight-line basis over the term of the lease. The amount recognized in the statement of operations during the year ended September 30, 2008 was $4,294 (2007 - nil).

As at September 30, 2008, the Company recognized receivables in the amount of $64,415 related to deferred lease incentive. This amount was collected subsequent to September 30, 2008.

## 8. Share capital:

(a) Authorized:

Authorized share capital consists of an unlimited number of common shares without par value

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Number of shares | Amount | Number of shares | Amount |
| Issued, beginning of year | 22,611,688 | $ 3,541,234 | 14,436,003 | $ 1,185,402 |
| Subscriptions: | | | | |
| Common shares | 3,452,617 | 3,452,617 | 7,459,019 | 2,248,332 |
| Flow-through shares | 140,886 | 162,019 | - | - |
| Shares issued as consideration for mineral properties options | 2,346,000 | 2,346,000 | 716,666 | 107,500 |
| Exercise of stock options | 728,332 | 109,250 | - | - |
| Fair value of exercised options | - | 688,850 | - | - |
| Issued, end of year | 29,279,523 | $ 10,299,970 | 22,611,688 | $ 3,541,234 |

The Company has not renounced the expenditures relating to flow-through shares as at September 30, 2008. As at September 30, 2008, the Company had $8,176 of cash and cash equivalents restricted for use on qualifying exploration expenditures.

(Tabular amounts expressed in Canadian dollars, except for share and per share amounts)

**8. Share capital (continued):**

(a) Authorized (continued):

On August 29, 2007, the Company issued a non-brokered Offering Memorandum authorizing the issuance of up to 6,000,000 shares at a $1.00 per share. This Offering Memorandum resulted in the issuance of 3,366,600 shares for $3,366,000. This Offering Memorandum closed on December 31, 2007.

On December 31, 2007, the Company issued a non-brokered Offering Memorandum authorizing the issuance of up to 6,000,000 shares at $1.00 per share. As at September 30, 2008, the Company issued 1,344,374 shares under this Offering Memorandum. This Offering Memorandum remains open.

On February 15, 2008, the Company issued a non-brokered Offering Memorandum authorizing the issuance of up to 2,424,200 units at $3.30 per unit. Each unit is comprised of one regular common share at $1.00 per share and two flow-through common shares at $1.15 per share. As at September 30, 2008, the Company issued 70,443 units consisting of 70,443 common shares and 140,886 flow-through shares under this Offering Memorandum. This Offering Memorandum remains open.

(b) Stock options:

The Company has a Stock Option Plan approved by the shareholders that allows the Company to grant stock options up to 25% of the issued shares of the Company. The following summarizes the stock options that were granted, exercised and expired as at September 30, 2008:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Number of options | Amount | Number of options | Amount |
| Opening balance | - | - | - | - |
| Options granted | 7,000,000 | 0.15 | - | - |
| Options exercised | (728,332) | 0.15 | - | - |
| Options forfeited | (100,000) | 0.15 | - | - |
| Closing balance | 6,171,668 | 0.15 | - | - |

(Tabular amounts expressed in Canadian dollars, except for share and per share amounts)

**8. Share capital (continued):**

(b) Stock options (continued):

As at September 30, 2008, the following stock options were outstanding:

| Number of options outstanding | Fair value at grant date | Exercise price | Expiry date |
|---|---|---|---|
| 5,066,667 | $1.00 | $0.15 | 31-Dec-12 |
| 100,000 | $1.00 | $0.15 | 20-Apr-13 |
| 250,001 | $1.00 | $0.15 | 30-Jun-13 |
| 100,000 | $1.00 | $0.15 | 31-Jul-13 |
| 100,000 | $1.00 | $0.15 | 4-Aug-13 |
| 175,000 | $1.00 | $0.15 | 5-Aug-13 |
| 100,000 | $1.00 | $0.15 | 27-Aug-13 |
| 80,000 | $1.00 | $0.15 | 15-Sep-13 |
| 200,000 | $1.00 | $0.15 | 22-Sep-13 |
| 6,171,668 | | | |

As at September 30, 2008, 5,436,667 stock options have vested. The average remaining life of the outstanding options at September 30, 2008 was 4.35 years.

(c) Stock-based compensation:

The Company uses the fair value method of accounting for share options granted to consultants, directors, officers and employees. For the year ended September 30, 2008, non-cash stock-based compensation expense relating to the options vested during the period of $4,121,961 (2007 - nil) was included in the statement of operation and $1,792,539 (2007 - nil) was capitalized in mineral properties.

The fair value of options is estimated using the Black-Scholes option pricing model with the following assumptions:

| | |
|---|---|
| Risk-free interest rate | 2.91% - 3.76% |
| Expected stock price volatility | 115.99% - 122.8% |
| Expected life in years | 5 |
| Expected dividend yield | 0% |

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility, risk-free interest rate, expected life of the options and expected dividends. Changes in these assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(Tabular amounts expressed in Canadian dollars, except for share and per share amounts)

**8. Share capital (continued):**

(d) Continuity of contributed surplus is as follows:

| | 2008 | 2007 |
|---|---|---|
| Opening balance | $ - | $ - |
| Stock-based compensation expense | 4,121,961 | - |
| Stock-based compensation capitalized in mineral properties | 1,792,539 | - |
| Contributed surplus transferred to share capital relating to options exercised | (688,850) | - |
| Closing balance | $ 5,225,650 | $ - |

**9. Income taxes:**

The reconciliations of income taxes computed at statutory rates to the reported income tax provision are as follows:

| | 2008 | 2007 |
|---|---|---|
| Loss for the year | $ (5,228,700) | $ (288,765) |
| Statutory rates | 31.91% | 34.12% |
| Expected income tax recovery | $ (1,668,478) | $ (98,527) |
| Non-deductible expenses and other permanent differences | 1,317,902 | 1,004 |
| Unrecognized (recognized) benefit of non-capital losses | (126,307) | 97,523 |
| Change in tax rates | 69,888 | - |
| | $ (406,995) | $ - |

The significant components of the Company's future income tax assets are as follows:

| | 2008 | 2007 |
|---|---|---|
| Future income tax assets: | | |
| Equipment | $ 18,614 | $ 6,293 |
| Non-capital loss carry forwards | 416,394 | 157,803 |
| | 435,008 | 164,096 |
| Future income tax liabilities: | | |
| Mineral properties | (657,824) | (37,790) |
| | (222,816) | 126,306 |
| Valuation allowance | - | (126,306) |
| Net future tax liability | $ (222,816) | $ - |

(Tabular amounts expressed in Canadian dollars, except for share and per share amounts)

**9. Income taxes (continued):**

The Company has non capital losses of approximately $1,600,000 (2007 - $585,000) which are available to reduce future taxable income in Canada and which expire between 2026 and 2028. Subject to certain restrictions, the Company also has mineral property and equipment expenditures of approximately $8,645,000 (2007 - $2,540,000) available to reduce taxable income in future years and approximately $520,000 (2007 - $205,000) in pre-production mining exploration tax credits which expire between 2026 and 2028.

**10. Related party transactions:**

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management.

| | 2008 | 2007 |
|---|---|---|
| Due from related parties: | | |
| Due from related companies | $ 766 | $ - |
| Due from directors and officers | 23,448 | 2,162 |
| Due from companies controlled by certain directors | - | 1,623 |
| | $ 24,214 | $ 3,785 |
| Due to related parties: | | |
| Due to related companies | $ 168,807 | $ - |
| Loan from related company | 1,100,000 | - |
| Due to directors and officers | 99 | 13,282 |
| Due to companies controlled by certain directors | 31,172 | - |
| | $ 1,300,078 | $ 13,282 |
| Related party transactions: | | |
| Mineral property costs: | | |
| Acquisition of mineral properties for cash | $ 260,000 | $ 15,000 |
| Acquisition of mineral properties for shares issued | 1,109,998 | 40,000 |
| Exploration fees | 44,800 | 31,195 |
| Administrative consulting | 6,846 | 2,500 |
| Geological | 16,150 | - |
| Geophysical | 23,547 | - |
| Administration costs: | | |
| Advertising and promotion | 1,910 | - |
| Interest | 11,363 | - |
| Consulting | 19,300 | - |
| Management fees | 44,000 | 38,820 |
| Accounting fees | 31,500 | 2,250 |
| Investor relations | 36,250 | 35,500 |

The loan from related company of $1,100,000 is an unsecured loan from MMR, bearing interest at 5% per annum and is due on demand.

(Tabular amounts expressed in Canadian dollars, except for share and per share amounts)

**11. Commitments:**

As at September 30, 2008, the Company has office and equipment lease commitments as follows:

| | |
|---|---|
| 2009 | $ 214,315 |
| 2010 | 218,328 |
| 2011 | 197,905 |
| 2012 | 196,304 |
| 2013 | 146,691 |
| Thereafter | 351 |
| | $ 973,894 |

**12. Fair value of financial instruments:**

The carrying values of cash and cash equivalents, amounts receivable, due to and from related parties, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short-term nature of the items. The fair value of reclamation and security deposits approximate their amortized costs as the interest rates reflect estimated market rates as at September 30, 2008.

In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and different valuation techniques may have a material effect on the estimated fair value amounts. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

**13. Financial risk exposure and risk management:**

The Company is exposed in varying degrees to a number of risks arising from financial instruments. Management's close involvement in the operations allows for the identification of risks and variances from expectations. The Company does not participate in the use of financial instruments to mitigate these risks and has no designated hedging transactions. The Company has no collateral on its debt. The Company's main objectives for managing risks are to ensure liquidity, the fulfillment of obligations, the continuation of the Company's exploration program, and limited exposure to credit and market risks. There were no changes to the objectives or the process from the prior period.

The types of risk exposure and the way in which such exposures are managed are as follows:

(a) Concentration risk:

Concentration risks exist in cash and cash equivalents because significant balances are maintained with one financial institution. The risk is mitigated because the financial institution is a prime Canadian bank.

Approximately 50% of receivables of the Company as at September 30, 2008 were due from one debtor in relation to lease incentive allowance provided. To reduce the risk, the Company regularly reviews the collectibility of the amounts and monitors creditworthiness of counterparty. Subsequent to September 30, 2008, this amount was collected.

**13. Financial risk exposure and risk management (continued):**

(b) Credit risk:

Credit risk primarily arises from the Company's cash and cash equivalents, amounts receivable, due from related parties, reclamation and security deposits. The risk exposure is limited to their carrying amounts at the balance sheet date. Cash and cash equivalents are held as cash deposits or invested in guaranteed investment certificates with various maturity dates. The Company does not invest in asset-backed deposits or investments and does not expect any credit losses.

The Company periodically assesses the quality of its investments and is satisfied with the credit rating of the bank. To reduce credit risk, the Company regularly reviews the collectibility of its amounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. No allowance for uncollectible amounts was required as at September 30, 2008.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due.

The Company ensures there is sufficient capital to meet short term business requirements. One of management's goals is to maintain an optimal level of liquidity through the active management of the assets, liabilities and cash flows.

The Company does not have cash inflows from operations. To maintain liquidity, the Company relies on proceeds from issuance of shares in private placements and loans from related parties. The Company's cash and cash equivalents are invested in funds which are available on demand to fund the Company's costs and other financial demands.

The Company does not have long-term borrowings.

(d) Market risk:

The significant market risks to which the Company is exposed are currency, interest rate and commodity price risk.

(*i*) Currency risk:

The Company has minimal currency risk as most of the transactions are in Canadian dollar.

(*ii*) Interest rate risk:

The Company's policy is to invest cash in guaranteed investment certificates at fixed or floating rates of interest and cash equivalents are to be maintained in floating rates of interest in order to maintain liquidity, while achieving a satisfactory return for shareholders. Reclamation and security deposits bear variable interest rates. As at September 30, 2008, interest income on reclamation and security deposits invested in guaranteed investment certificates (GIC Plus) is based on the value of S&P/TSX60 index, and as at September 30, 2008 such income was nil. Fluctuations in interest rates impact the return on reclamation and security deposits. The Company manages risk by monitoring changes in interest rates in comparison to prevailing market rates.

**13. Financial risk exposure and risk management (continued):**

(d) Market risk (continued):

(*ii*) Interest rate risk (continued):

For financial liabilities, the loan due to related party bears fixed rate at 5% and is not subject to short term fluctuations in interest rates.

(*iii*) Commodity price risk:

The value of the Company's mineral resource properties depends on the price of copper, gold, silver and the outlook for these minerals. During economic downturns, the Company minimizes this risk by acquiring mineral properties at depressed values. In addition, the Company's exposure to the commodity price risk is reduced as none of the properties are in the production stage.

(*iv*) Sensitivity analysis:

A shift of +1%/-1% from the prevailing market interest rates on reclamation deposits would result in approximately $760 gain and $760 loss, respectively.

**14. Subsequent events:**

In addition to items disclosed elsewhere in these notes, the following occurred during the period subsequent to September 30, 2008:

(a) The Company received $230,299 from the subscribers for 150,000 shares at $1.00 per share and 24,333 flow-through units at $3.30 per unit. Each unit consists of one common share and two flow-through common shares.

(b) At a management meeting on November 3, 2008, the Company developed a plan to transfer certain properties to a former subsidiary, MMR. The proposed transfer is scheduled to occur in February 2009; however, the final determination of the properties to be transferred has not been made. In exchange for these properties, the Company will receive common shares of MMR. Management plans to dividend these MMR common shares to the Company's shareholders. Currently, management plans to dividend these shares at the ratio of 0.5 MMR share for each share of the Company held as of the transaction date. However, management will make a final determination if, as and when the property transfer occurs.

(c) By an Amending Agreement dated November 7, 2008, the Company issued an additional 100,000 shares at $1.00 per share relating to the acquisition of the Big Nickel Property.

(d) The Company received additional loan proceeds of $250,000 on October 17, 2008 and $150,000 on November 13, 2008 from MMR. After these transactions, the total amount owed to MMR is $1,500,000 bearing interest at 5% per annum.