

**CARIBOO ROSE RESOURCES LTD.**  
(An Exploration Stage Company)

Interim Financial Statements

For The Three Months Ended May 31, 2009  
Unaudited – Prepared by Management

<b>NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS</b>
<p>Under National Instrument 51-102, Part 4, subsection 4.3(3)(1), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice that the financial statements have not been reviewed by an auditor.</p> <p>The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management.</p> <p>The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.</p>

# CARIBOO ROSE RESOURCES LTD.

## Balance Sheet

Unaudited – Prepared by Management

	May 31, 2009	February 28, 2009
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 429,339	\$ 374,401
Accounts receivable	230,059	246,679
Investments	30,400	21,300
Prepaid expenses	1,074	1,074
	<b>690,872</b>	<b>643,454</b>
<b>Project Deposits (Note 5)</b>	<b>10,000</b>	<b>10,000</b>
<b>Mineral Property Interests (Note 6)</b>	<b>1,603,300</b>	<b>1,660,562</b>
<b>Equipment (Note 7)</b>	<b>876</b>	<b>841</b>
	<b>\$ 2,305,048</b>	<b>\$ 2,314,857</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 36,817	\$ 41,323
<b>Future Reclamation Costs (Note 8)</b>	<b>15,000</b>	<b>15,000</b>
	<b>51,817</b>	<b>56,323</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital (Note 10)	2,309,555	2,309,555
Contributed Surplus (Note 10)	292,273	292,273
Accumulated Other Comprehensive Loss	(53,150)	(62,250)
Deficit	(295,447)	(281,044)
	<b>2,253,231</b>	<b>2,258,534</b>
	<b>\$ 2,305,048</b>	<b>\$ 2,314,857</b>

## APPROVED BY THE BOARD

\_\_\_\_\_  
"J.W. Morton " Director

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"D.D. Sharp " Director

# CARIBOO ROSE RESOURCES LTD.

## Statements of Loss and Comprehensive Loss Unaudited – Prepared by Management

	Three months ended May 31, 2009	Three months ended May 31, 2008
<b>EXPENSES</b>		
Amortization	\$ -	\$ -
Consulting	5,775	4,975
Dues and licenses	338	587
Bank charges	107	138
Investor relations	14,732	4,174
Legal and audit	-	-
Office	1,241	1,188
Rent	6,415	3,075
Salaries and benefits	3,805	3,092
Share-based compensation (Note 10)	-	3,825
Telephone	599	535
Transfer and filing fees	1,455	1,276
Write-off of accounts receivable	-	-
<b>Loss before the following</b>	<b>34,467</b>	22,865
<b>OTHER (INCOME) EXPENSE</b>		
Mineral property option proceeds	(17,466)	-
Impairment of mineral property	-	-
Interest income	(2,598)	(7,647)
Gain on sale of investments	-	(5,425)
<b>Loss before income taxes</b>	<b>14,403</b>	9,793
<b>Future income tax recovery (Note 11)</b>	<b>-</b>	-
<b>NET LOSS</b>	<b>14,403</b>	15,218
<b>OTHER COMPREHENSIVE LOSS</b>		
Unrealized loss (gain) on investments	(9,100)	-
<b>COMPREHENSIVE LOSS</b>	<b>\$ 5,303</b>	\$ 15,218
<b>BASIC AND FULLY DILUTED LOSS PER SHARE</b>	<b>\$ 0.001</b>	\$ 0.001
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>25,498,577</b>	24,208,577

## CARIBOO ROSE RESOURCES LTD.

Statements of Deficit and Accumulated Other Comprehensive Loss  
Unaudited – Prepared by Management

	Three months ended May 31, 2009	Three months ended May 31, 2008
<b>DEFICIT, BEGINNING OF YEAR</b>	<b>\$ 281,044</b>	<b>\$ 295,448</b>
Net loss	<b>14,403</b>	15,218
<b>DEFICIT, END OF PERIOD</b>	<b>\$ 295,447</b>	<b>\$ 310,666</b>
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS, BEGINNING OF PERIOD</b>	<b>\$ (62,250)</b>	<b>\$ (8,575)</b>
Unrealized gain on investments – current period	<b>9,100</b>	5,425
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS, END OF YEAR</b>	<b>\$ (53,150)</b>	<b>\$ (3,150)</b>

# CARIBOO ROSE RESOURCES LTD.

## Statements of Cash Flows Unaudited – Prepared by Management

	Three months ended May 31, 2009	Three months ended May 31, 2008
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net Gain (Loss)	\$ (14,403)	\$ (15,318)
Items not affecting cash		
Share-based compensation	-	3,825
	<b>(14,403)</b>	<b>(11,493)</b>
<b>Changes in non-cash working capital components</b>		
Term Deposits	-	5,000
Accounts receivable	<b>87,054</b>	310
Prepaid expenses	-	-
Investments – Short Term	-	(7,650)
Accounts payable and accrued liabilities	<b>(4,505)</b>	31,678
	<b>68,146</b>	17,845
<b>Investing activities</b>		
Computer Software	<b>(36)-</b>	(27)
Purchase of equipment	-	-
Mineral property option proceeds	<b>5,534</b>	7,750
Mineral property acquisition costs	-	4,000
Mineral property exploration expenditures	<b>(18,706)</b>	(335,945)
Project deposits	-	-
	<b>(13,208)</b>	(324,222)
<b>Financing Activities</b>		
Issue of shares, net of share issue costs	-	-
	<b>(13,208)</b>	(324,222)
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>54,938</b>	(306,377)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>374,401</b>	1,100,497
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 429,339</b>	\$ 794,120

# CARIBOO ROSE RESOURCES LTD.

Statements of Mineral Properties Expenditures  
For the three months ended May 31, 2009  
Unaudited – Prepared by Management

	WOODJAM	CARRUTHERS PASS	CANADIAN CREEK	PAT	COWTRAIL	OTHER	TOTAL
<b>ACQUISITION COSTS:</b>							
Incurring during the period	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Balance, beginning of period	24,825	59,990	-	-	-	-	84,815
Balance, end of year	24,825	59,990	-	-	-	-	84,815
<b>EXPLORATION COSTS:</b>							
Professional fees, field crews	11,430	-	3,060	1,360	680	-	16,530
Vehicle, equipment rental	420	-	-	-	-	-	420
Geological	1,117	-	60	18	-	-	1,195
Transportation and fuel	-	-	-	-	-	-	-
Field equipment	-	-	-	-	-	-	-
Communications	38	-	-	-	-	-	38
Food and accommodation	49	-	-	-	-	-	49
Drilling	-	-	-	-	-	-	-
Freight	-	-	-	-	-	-	-
Assaying	-	-	-	-	-	-	-
Other	474	-	-	-	-	-	474
<b>Total Expenditures for the period</b>	<b>13,528</b>	<b>-</b>	<b>3,120</b>	<b>1,378</b>	<b>680</b>	<b>-</b>	<b>18,706</b>
Balance, beginning of period	1,594,500	20,074	24,277	29,204	28,006	8,821	1,704,882
Mineral exploration tax credit	(68,881)	-	(936)	(413)	(204)	-	(70,434)
Mineral property sold	-	-	-	-	-	-	-
Option proceeds reclassified	-	-	-	-	-	-	-
Written down during the period	-	-	-	-	-	-	-
Balance, end of period	1,539,147	20,074	26,461	30,169	28,482	8,821	1,653,154
<b>OPTION PROCEEDS:</b>							
Balance, beginning of period	(21,780)	(44,990)	(7,213)	(29,204)	(25,948)	-	(129,135)
Additions	-	(3,000)	-	-	(2,534)	-	(5,534)
Mineral property sold	-	-	-	-	-	-	-
Option proceeds reclassified	-	-	-	-	-	-	-
Balance, end of period	(21,780)	(47,990)	(7,213)	(29,204)	(28,482)	-	(134,669)
<b>Cumulative Mineral Property Cos</b>	<b>\$ 1,542,192</b>	<b>\$ 32,074</b>	<b>\$ 19,248</b>	<b>\$ 965</b>	<b>\$ -</b>	<b>\$ 8,821</b>	<b>\$ 1,603,300</b>

# CARIBOO ROSE RESOURCES LTD.

Statements of Mineral Properties Expenditures  
For the three months ended May 31, 2008  
Unaudited – Prepared by Management

	WOODJAM	CARRUTHERS PASS	CHILKO	CANADIAN CREEK	PAT	COWTRAIL	OTHER	TOTAL
<b>ACQUISITION COSTS:</b>								
Incurring during the period	\$ 11,00	\$ (15,00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,00)
Balance, beginning of period	5,00	39,99	2,335	-	-	-	-	47,325
Balance, end of year	16,00	24,99	2,335	-	-	-	-	43,325
<b>EXPLORATION COSTS:</b>								
Professional fees, field crews	88,11	-	1,100	680	-	680	-	90,570
Vehicle, equipment rental	13,71	-	80	-	-	-	-	13,791
Geological	60,55	-	-	36	18	-	-	60,587
Transportation and fuel	3,03	-	152	-	-	-	-	3,190
Field equipment	85	-	-	-	-	-	-	852
Communications	9	-	-	295	-	-	-	389
Food and accommodation	15,06	-	-	-	-	-	-	15,067
Drilling	125,31	-	-	-	-	-	-	125,317
Freight	1,25	-	-	-	-	-	-	1,255
Assaying	4,04	-	-	-	-	-	-	4,049
Other	20,86	-	-	15	-	-	-	20,877
<b>Total Expenditures for the period</b>	<b>332,90</b>	<b>20,07</b>	<b>1,332</b>	<b>1,026</b>	<b>-</b>	<b>680</b>	<b>-</b>	<b>335,944</b>
Balance, beginning of period	840,94	20,07	3,550	9,088	27,890	25,672	8,821	936,044
Mineral exploration tax credit	-	-	-	-	-	-	-	-
Mineral property sold	-	-	-	-	-	-	-	-
Option proceeds reclassified	-	-	-	-	-	-	-	-
Written down during the period	-	-	-	-	-	-	-	-
Balance, end of period	1,173,85	20,07	4,882	10,114	27,890	26,352	8,821	1,271,988
<b>OPTION PROCEEDS:</b>								
Balance, beginning of period	(21,78)	(29,99)	-	(7,212)	(19,000)	(25,948)	-	(103,930)
Additions	-	-	-	-	(7,750)	-	-	(7,750)
Mineral property sold	-	-	-	-	-	-	-	-
Option proceeds reclassified	-	-	-	-	-	-	-	-
Balance, end of period	(21,78)	(29,99)	-	(7,212)	(26,750)	(25,948)	-	(111,680)
<b>Cumulative Mineral Property Cos</b>	<b>\$ 1,168,07</b>	<b>\$ 15,07</b>	<b>\$ 7,217</b>	<b>\$ 2,902</b>	<b>\$ 1,140</b>	<b>\$ 404</b>	<b>\$ 8,821</b>	<b>\$ 1,203,633</b>

# CARIBOO ROSE RESOURCES LTD.

Notes to the Financial Statements

May 31, 2009

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## 1. OPERATIONS

Cariboo Rose Resources Ltd. (the "Company") was incorporated in the Province of British Columbia on August 28, 2006. Its principal business activities are the acquisition and exploration of gold, copper and other precious and base metal properties.

These financial statements have been prepared on the basis that the Company is a going concern, which presumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing through the issue of treasury shares and/or from debt, and on meeting the requirements, from time to time, of any lenders. These financial statements do not reflect any adjustments or reclassifications which would be necessary if the Company was unable to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and reflect the following significant accounting policies:

### Cash and cash equivalents

Cash and cash equivalents consist of cash balances and investments in highly liquid short-term deposits.

### Financial Instruments

The Company's financial assets, other than cash and cash equivalents, and financial liabilities are classified as follows:

- Accounts receivable are classified as "loans and receivables" and are measured at amortized cost. The recorded amounts approximate fair value.
- Investments are classified as "available for sale" and are measured at fair value. Unrealized gains and losses are recorded in other comprehensive loss (income) until the instrument is either sold or suffers an impairment that is other than temporary. Fair values of investments which are traded on a recognized exchange are reported at the bid prices on the last day they were traded.
- Accounts payable and accrued liabilities are classified as "other financial liabilities" and are measured at amortized cost. The recorded amounts approximate fair value.

Transaction costs directly attributable to the acquisition or issue of a financial asset or liability are added to the carrying amount of the financial asset or financial liability, and are amortized to operations using the effective interest rate method.

### Comprehensive Loss (Income)

Comprehensive loss (income) is the change in net assets arising from transactions and other events and circumstances from non-owner sources. Financial assets that are classified as available for sale will have revaluation gains and losses included in other comprehensive loss (income) until the asset is removed from the balance sheet. At present, the Company's only available for sale financial assets are its investments.

# CARIBOO ROSE RESOURCES LTD.

Notes to the Financial Statements

May 31, 2009

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded using the declining balance method at the following annual rates:

Office equipment	20%
Computer equipment	30%

### Mineral Property Interests

The Company is currently in the exploration stage and accounts for its mineral properties, whereby costs relative to the acquisition of, exploration for and development of these properties are capitalized by property. All sales and option proceeds received are first credited against the costs of the related property, with any excess credited to operations. No gains or losses are recognized on the partial sale or dispositions of properties except in circumstances which result in significant disposition of the reserves. Once commercial production has commenced, these net costs are charged to future operations using the unit-of-production method based on estimated recoverable reserves by property. The net costs related to abandoned properties are charged to operations.

The Company reviews the carrying values of its mineral properties whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value.

### Future Reclamation Costs

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mineral property interests, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and amortized to operations over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

### Share-based Compensation

The Company grants options to purchase shares under the terms described in Note 10.

When options to purchase shares are granted to directors, officers and employees, the fair value of the options on the date of the grant is recognized as a compensation expense, with a corresponding increase in contributed surplus, over the period during which the related options vest. When options to purchase shares are granted to non-employees in return for goods or services, the fair value of the options is recognized as an expense, with a corresponding increase in contributed surplus, in the period in which the goods or services are received or are expected to be received.

The consideration received on the exercise of options is credited to share capital and the previously recorded compensation related to the options is transferred from contributed surplus to share capital to fully reflect the consideration for the shares issued.

# CARIBOO ROSE RESOURCES LTD.

Notes to the Financial Statements

May 31, 2009

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Flow-through Shares

The Company has issued flow-through shares to finance some of its exploration activities. These shares were issued for cash in exchange for the Company giving up the tax benefits arising from the exploration expenditures, in accordance with tax legislation. The Company records these share issuances by crediting share capital for the full value of cash consideration received, recognizing the related future income tax liability as a share issue cost and recording a recovery of future income taxes in operations when the tax benefits are renounced to the investors.

### Exploration Tax Credits

The Company may receive refundable exploration tax credits and grants from provincial jurisdictions in Canada equal to a specified rate of qualifying exploration expenditures incurred on properties located within that jurisdiction. The Company records these exploration tax credits and grants as a reduction of qualifying exploration expenditures as it incurs the related expenditures.

### Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Using this method, future income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements of the Company and their respective tax bases, and for losses and other deductions carried forward, using enacted or substantially enacted income tax rates. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in operations in the period in which the change occurs. A future income tax asset is recognized when the probability of realization of the asset is more likely than not.

### (Loss) Income per Share

The basic (loss) income per share is computed by dividing the net (loss) income by the weighted average number of common shares outstanding during the year. The diluted income per share reflects the potential dilution of common share equivalents, such as outstanding share purchase options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the "treasury stock method" is used for the assumed proceeds upon the exercise of share purchase options and warrants that are used to purchase common shares at the average market price during the year.

### Income Recognition

Interest from cash and investments is recorded on an accrual basis when collection is reasonably assured.

### Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions about future events that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant estimates used in these financial statements include, among others, the determination of the net recoverable value of assets, share based compensation, and future income tax assets and liabilities.

# CARIBOO ROSE RESOURCES LTD.

Notes to the Financial Statements

May 31, 2009

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Comparative Amounts

Certain prior period amounts have been reclassified to conform to the classifications adopted in the current year's presentation.

## 3. RESTATEMENT

The issue of flow-through shares in 2008 resulted in the recording of an estimated future income tax liability of \$62,969. Renunciation of the expenses associated with these flow through shares in February 2008 resulted in a recovery of this future income tax liability, which should have been credited to operations in the year ended February 29, 2008. Accordingly, the Company has included \$62,969 in future income tax recoveries in the statement of loss for the year ended February 29, 2008 and has made the following additional changes to the previously reported amounts in the financial statements.

	Previously Reported	Future Income Tax Recovery	Restated
Consolidated Balance Sheets			
Future income liability	\$ 62,969	\$ (62,969)	\$ -
Deficit	(295,448)	62,969	(232,479)
Consolidated Statements of Operations			
Future income tax recovery	\$ -	\$ 62,969	\$ 62,969
Net loss	71,974	(62,969)	9,005
Consolidated Statements of Deficit and Accumulated Other Comprehensive Loss			
Net loss	\$ 71,974	\$ (62,969)	\$ 9,005
Deficit, end of year	(295,448)	62,969	(232,479)
Consolidated Statements of Cash Flows			
Net loss	\$ 71,974	\$ (62,969)	\$ 9,005
Future income tax recovery	-	62,969	62,969

## 4. NEW ACCOUNTING STANDARDS

On March 1, 2008, the Company adopted three new accounting standards described in Section 1535 *Capital Disclosures*, Section 3862 *Financial Instruments – Disclosures* and Section 3863 *Financial Instruments – Presentation* of the Handbook of the Canadian Institute of Chartered Accountants (the "CICA"). The requirements of these new standards are:

### Capital Disclosures

Section 1535 requires the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, whether the entity has complied with any external capital requirements and, if it has not complied, the consequences of such non-compliance.

As a result of the adoption of this standard, additional disclosure on the Company's capital management has been included in Note 12 to the financial statements.

# CARIBOO ROSE RESOURCES LTD.

Notes to the Financial Statements

May 31, 2009

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## 4. NEW ACCOUNTING STANDARDS (continued)

### Financial Instruments - Disclosures and Financial Instruments – Presentation

Sections 3862 and 3863 replace Handbook Section 3861 *Financial Instruments - Disclosure and Presentation*, revising its disclosure requirements and carrying forward its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 requires disclosure which enable users to evaluate the significance of financial instruments for the entity's financial position and performance, the nature and extent of and exposure to risks arising from financial instruments and how the entity manages those risks. As a result of the adoption of this standard, additional disclosure on these risks has been included in Note 13 to the financial statements.

Section 3863 establishes standards for the presentation and classification of financial instruments and non-financial derivatives. The adoption of this standard did not have any impact on the classification or presentation of the Company's financial instruments.

### Future Accounting Changes

The Accounting Standards Board of the CICA ratified a strategic plan in 2006 that will result in Canadian GAAP, as used by the Company, evolving and being converged with International Financial Reporting Standards ("IFRS") over a transitional period to be completed by 2011. The International Accounting Standards Board also has projects currently under way that should result in new pronouncements which will be included in the convergence process. The Company is conducting a detailed assessment of the requirements of IFRS, with the intention of identifying differences, if any, in accounting policies, selecting the policies which are appropriate for the Company, identifying the appropriate disclosure in financial statements prepared under IFRS and developing an implementation plan to complete the transition to IFRS by January 1, 2011.

## 5. PROJECT DEPOSITS

The project deposits represent term deposits in favour of regulatory authorities held as site restoration deposits. These deposits will be released to the Company upon satisfactory reclamation of the properties.

## 6. MINERAL PROPERTY INTERESTS

### Canadian Creek Project, Whitehorse Mining District, Yukon

The Company holds an 85% interest in the Ana claims and a 100% interest in the Aztec, Koffee, Nice and Maya claims in the Whitehorse Mining District, subject to a requirement to pay 10% of all option payments and monetary benefits received and to an underlying 5.0% net profits interest in certain claims on the properties. Another company owns a 15% joint venture interest in the Ana claims, which will be reduced if it does not pay its proportionate share of exploration and other payments on the property.

On June 11, 2009 Alder Resources Ltd. entered into an option agreement under which it can earn a 60% interest in the project by making \$250,000 of cash payments, issuing 200,000 shares to the Company and incurring \$2.5 million of exploration on the property.

# CARIBOO ROSE RESOURCES LTD.

Notes to the Financial Statements

May 31, 2009

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## 6. MINERAL PROPERTY INTERESTS (continued)

### **Carruthers Pass, Omineca Mining Division, British Columbia**

The Company has an option from Phelps Dodge Corporation of Canada Limited ("Phelps Dodge") to earn a 100% interest in the 3,250 hectare Carruthers Pass property. The Company can exercise the option by completing \$750,000 (approximately \$500,000 completed) in exploration expenditures and issuing \$120,000 (\$80,000 paid to date) in shares or cash on or before May 15, 2011. Phelps Dodge has a 2.5% net smelter royalty interest, which may be reduced to 1% with a cash payment of \$1,500,000. Phelps Dodge retains certain back-in and other royalty privileges in respect to the property.

The Company had entered into an option agreement with Hawthorne Gold Corp. ("Hawthorne") whereby Hawthorne may earn a 60% interest in the Carruthers Pass property by making staged issuances of cash or shares totalling \$140,000 (\$25,000 received) and incurring \$1,000,000 (approximately \$100,000 completed) in exploration expenditures over a five-year period. Hawthorne terminated the option agreement by notice on on April 25, 2009.

### **Cowtrail Property, Cariboo Mining Division, British Columbia**

The Company has granted an option to Dajin Resources Corp. ("Dajin") to earn a 65% interest in the Cowtrail property. Dajin can exercise the option by completing \$1,000,000 (approximately \$626,000 completed) in exploration expenditures and issuing 50,000 shares and paying \$110,000 in cash (\$60,000 paid to date) on or before November 30, 2010.

### **Pat Claims, Cariboo Mining Division, British Columbia**

On June 25, 2007 the Company granted an option to Alder Resources Ltd. ("Alder") to earn a 60% interest in the Pat claims. Alder can exercise the option by completing \$1,200,000 in exploration expenditures, issuing 200,000 shares (50,000 now issued) and paying \$150,000 in cash (\$35,000 paid to date) on or before June 25, 2011. On March 31, 2008, the Company and Alder agreed to an extension of the agreement whereby the requirement to complete \$100,000 in exploration expenditures was extended to June 25, 2009 from June 25, 2008 in exchange for issuing 25,000 (issued) additional Alder shares to the Company.

On January 26, 2009, Alder assigned all its rights under the option agreement to Astorius Resources Ltd. ("Astorius"). Astorius can exercise the option by completing \$1,200,000 in exploration expenditures, and issuing 150,000 shares and paying \$115,000 in cash on or before July 9, 2011. The Company has also extended the requirement to complete \$100,000 in exploration expenditures to September 30, 2009.

### **Woodjam Property, Cariboo Mining Division, British Columbia**

Fjordland Exploration Inc. ("Fjordland") has a 60% interest, and the Company a 40% interest, in the Woodjam property and on March 19, 2006, both companies entered into a joint venture with the Company to further explore the property.

On June 3, 2009 the Company announced that it and Fjordland had signed an interim letter agreement granting Gold Fields Limited ("Gold Fields") an option to earn a 51% interest in the property by making \$350,000 of cash payments and incurring \$7.0 million of exploration expenditures over three years. On completion of this program, Gold Fields may extend the option by a further four years to increase their interest to 70 % by spending a further \$12.0 million on exploration.

# CARIBOO ROSE RESOURCES LTD.

Notes to the Financial Statements

May 31, 2009

## 7. EQUIPMENT

	2009			2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment	\$ 828	\$ 83	\$ 745	\$ -
Computer equipment	477	381	96	285
	<u>\$ 1,305</u>	<u>\$ 464</u>	<u>\$ 841</u>	<u>\$ 285</u>

## 8. FUTURE RECLAMATION COSTS

The Company has accrued the estimated reclamation costs associated with exploration activities on its mineral property interests. The timing of these obligations is not currently known. The eventual amounts and timing of the reclamation costs will depend on a number of factors, including exploration success, and future development and mining of the resource.

## 9. RELATED PARTY TRANSACTIONS

During the period, geological services totaling \$9,938 (2008 - \$5,788) were provided to the Company by Mincord Exploration Consultants Ltd. ("Mincord"), a geological service company owned by two directors of the Company. Mincord's relationship with the Company is non-exclusive and without retainer, and Mincord is used on a project by project basis. Services provided include the hiring of field and professional personnel, rental of vehicular, camp and technical equipment, transportation and mobilization costs. The amounts for geological and exploration services also include payments for services on properties managed by the Company on behalf of joint venturers. These transactions were measured at the exchange amounts agreed to by the parties.

## 10. SHARE CAPITAL

### Authorized

Unlimited common shares without par value

Unlimited preferred shares without par value

Issued and fully paid common shares	Number of Shares	Amount
Balance, February 29, 2008	24,228,577	2,227,591
Issued for cash on private placements	1,250,000	200,000
Issued for mineral properties	20,000	5,000
Fair value assigned to warrants issued on private placement	-	(93,231)
Share issue costs	-	(29,805)
		<u>2,309,555</u>
Balance, February 28, 2009	<u>25,498,577</u>	<u>\$ 2,309,555</u>

### Share Purchase Options

The Company issues options to directors, officers, and employees of the Company, and persons who provide ongoing services to the Company, under an incentive stock option plan. Under the plan, the Company has reserved up to 10% of issued share capital for the grant of options. Options will normally vest at the date of

# CARIBOO ROSE RESOURCES LTD.

Notes to the Financial Statements

May 31, 2009

## 10. SHARE CAPITAL (continued)

grant for directors, officers and employees and at the rate of 25% on the date of the grant and 25% every three months thereafter for consultants. Options will expire no later than five years from the grant date, except that they will expire within thirty days when the holder is no longer qualified to hold the option (other than for cause, when the option will expire immediately). Details of outstanding common share purchase options are as follows:

	2009	
	Number of Shares	Weighted Average Exercise Price
Balance, beginning of year	2,545,000	\$ 0.19
Granted	-	-
Exercised	-	-
Expired	(75,000)	0.20
Balance, end of year	2,470,000	\$ 0.19

The contractual weighted average remaining life of the outstanding options at February 28, 2009 is 3.14 years (2008 - 3.83 years).

### Warrants

Details of outstanding warrants are as follows:

	2009		2008	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of year	500,000	\$ 0.35	500,000	\$ 0.35
Issued	1,250,000	0.20	-	-
Exercised	-	-	-	-
Expired	(500,000)	(0.35)	-	-
Outstanding, end of quarter	1,250,000	\$ 0.20	500,000	\$ 0.35

Issue Date	Number of Shares	Exercise Price Per Share	Expiry Date
June 17, 2008	1,250,000	\$ 0.20	June 17, 2009

All of the 1,250,000 warrants expired, unexercised, on June 17, 2009.

The Company determines the fair value of the options granted and warrants issued using the Black-Scholes option pricing model. The following weighted average assumptions were used in valuing the options granted and warrants issued:

	2009	2008
Average risk-free interest rate	3.13%	4.65%
Expected share price volatility	91%	82%
Expected average period until exercise	2.05 years	1.5 years
Expected dividend yield	-	-

# CARIBOO ROSE RESOURCES LTD.

Notes to the Financial Statements

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## 10. SHARE CAPITAL (continued)

### Contributed Surplus

The total compensation expense and contributed surplus included in these financial statements for vested options granted to directors, officers and employees, and for warrants issued is as follows:

Balance, February 28, 2007	\$ 125,566
Share-based compensation expense	14,394
Fair value assigned to warrants issued on private placement	27,828
Balance, February 29, 2008	167,788
Share-based compensation expense	31,254
Fair value assigned to warrants issued on private placement	93,231
Balance, February 28, 2009	\$ 292,273

## 11. INCOME TAXES

The Company's future income tax assets and liabilities arise from the following items:

	2009	2008
Future income tax assets (liabilities) arising from:		
Losses deductible against future taxable income	\$ 71,890	\$ 47,533
Investments	8,994	736
Equipment	(14)	(40)
Valuation allowance	(80,870)	(48,229)
Net future income tax assets (liabilities)	\$ -	\$ -

As at February 28, 2009, the Company has available losses of approximately \$233,000 for deduction against future years' taxable income. If unused, these losses will expire in varying amounts over twenty years, commencing in 2027. In addition to these tax losses, the Company has resource related expenditures of approximately \$1.2 million, net of renounced exploration expenditures, which can be used to offset future Canadian taxable income and can be carried forward indefinitely.

The future benefits which may arise from these losses have not been recorded in these financial statements.

## 12. 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 development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable level.

In the management of capital, the Company includes the components of shareholders' equity and any loans payable.

The Company manages its 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 debt, or acquire or dispose of assets.

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## 12. MANAGEMENT OF CAPITAL (continued)

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and any updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company currently has sufficient capital resources to meet its administrative overhead expenses through its current operating period and is confident it can raise additional funds to undertake all of its planned exploration and development activities. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activities. Management believes it will be able to raise capital as required in the long term, but recognizes that there will be risks involved that may be beyond their control.

## 13. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, market risk, and interest rate risk.

### Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and cash equivalents are held through large Canadian financial institutions. The Company's receivables consist mostly of GST, mineral property expenditures recoverable and Mineral Exploration Tax Credits due from the federal government of Canada. As such, the Company considers this risk to be minimal.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk as a result of holding fixed rate cash equivalent investments of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash equivalent investments is limited because these investments are generally highly liquid securities with short-term maturities.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined in Note 12. Accounts payable and accrued liabilities are due within the current operating period.

### Market risk

The Company is exposed to market risk related to the fluctuation in the market price of its investments. Although considered available for sale, the Company's investments have been acquired as a result of property transactions and, to a large extent, represent strategic investments in related mining companies and their properties. The Company closely monitors market values to determine the most appropriate course of action.