

# **CARIBOO ROSE RESOURCES LTD.**

(An Exploration Stage Company)

Interim Financial Statements  
For The Six Months Ended August 31, 2008

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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.

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management.

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.

**CARIBOO ROSE RESOURCES LTD.**

Balance Sheets

Unaudited – Prepared by Management

	August 31, 2008	February 29, 2008
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 952,968	\$ 1,100,497
Accounts receivable	232,386	58,784
Investments	54,500	57,225
Prepaid Expenses	<u>1,074</u>	<u>151,074</u>
	1,240,928	1,367,580
<b>Project Deposits (Note 3)</b>	10,000	15,000
<b>Equipment</b>	383	285
<b>Mineral Property Interests (Note 5)</b>	<u>1,384,452</u>	<u>879,438</u>
	<u>\$ 2,635,763</u>	<u>\$ 2,262,303</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 6)	278,799	\$ 92,978
<b>Future Reclamation Costs (Note 4)</b>	15,000	15,000
<b>Future Income Tax Liability (Note 8)</b>	<u>62,969</u>	<u>62,969</u>
	<u>356,768</u>	<u>170,947</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 7)</b>	2,432,591	2,227,591
<b>Contributed Surplus (note 7)</b>	199,584	167,788
<b>Accumulated Other Comprehensive Loss</b>	(19,050)	(8,575)
<b>Deficit</b>	<u>(334,130)</u>	<u>(295,448)</u>
	<u>2,278,995</u>	<u>2,091,356</u>
	<u>\$ 2,635,763</u>	<u>\$ 2,262,303</u>

**APPROVED BY THE BOARD**

"D.D. Sharp"	Director
"G. L. Garratt"	Director

**CARIBOO ROSE RESOURCES LTD.**

Statement of Loss and Comprehensive Loss

Unaudited – Prepared by Management

	Three months ended <u>August 31,</u> <u>2008</u>	Three months ended <u>August 31,</u> <u>2007</u>	Six months ended <u>August 31,</u> <u>2008</u>	Six months ended <u>August 31,</u> <u>2007</u>
<b>EXPENSES</b>				
Consulting	\$ 4,942	\$ 5,500	\$ 9,917	\$ 12,833
Dues and licences	333	350	920	1,950
Bank charges	78	64	216	153
Investor relations	5,136	4,142	9,309	13,550
Legal and audit	2,483	389	2,483	389
Office	1,579	1,238	2,768	2,474
Rent	6,200	4,355	9,274	8,598
Salaries and benefits	4,309	4,906	7,401	10,062
Telephone	600	794	1,135	1,435
Transfer and filing fees	<u>6,818</u>	<u>3,840</u>	<u>8,095</u>	<u>5,348</u>
<b>Loss before the following</b>	<b>32,478</b>	<b>25,578</b>	<b>51,518</b>	<b>56,792</b>
<b>OTHER INCOME</b>				
Interest income	<u>(5,190)</u>	<u>(9,514)</u>	<u>(12,836)</u>	<u>(42,227)</u>
<b>NET LOSS</b>	<b>27,288</b>	<b>16,064</b>	<b>38,682</b>	<b>14,565</b>
<b>OTHER COMPREHENSIVE (GAIN)</b>				
<b>LOSS</b>				
Unrealized (gain) loss on investments	<u>15,900</u>	<u>3,900</u>	<u>10,475</u>	<u>(12,900)</u>
<b>COMPREHENSIVE LOSS</b>	<b>43,188</b>	<b>19,964</b>	<b>49,157</b>	<b>1,665</b>
<b>BASIC AND FULLY DILUTED</b>	<b>0.002</b>	<b>0.001</b>	<b>0.002</b>	<b>0.000</b>
<b>(GAIN) LOSS PER SHARE</b>				
<b>WEIGHTED AVERAGE NUMBER OF</b>	<b><u>24,479,555</u></b>	<b><u>21,338,577</u></b>	<b><u>24,989,066</u></b>	<b><u>21,338,577</u></b>
<b>SHARES OUTSTANDING</b>				

**CARIBOO ROSE RESOURCES LTD.**

Consolidated Statement of Deficit and Other Comprehensive Loss

Unaudited – Prepared by Management

	Three months ended Aug 31, 2008	Three months ended Aug 31, 2007	Six months ended Aug 31, 2008	Six months ended Aug 31, 2007
<b>DEFICIT, BEGINNING OF PERIOD</b>	\$ 306,842	\$ 221,975	\$ 295,448	\$ 223,474
Net (gain) loss	27,288	16,064	38,682	14,565
<b>DEFICIT, END OF PERIOD</b>	<b>\$ 334,130</b>	<b>\$ 238,039</b>	<b>\$ 334,130</b>	<b>\$ 238,039</b>
<b>ACCUMULATED OTHER COMPREHENSIVE LOSS (GAIN), BEGINNING OF PERIOD</b>	3,150	(16,800)	8,575	-
Unrealized (gain) loss on investments – current period	15,900	3,900	10,475	(12,900)
<b>ACCUMULATED OTHER COMPREHENSIVE (GAIN) LOSS, END OF PERIOD</b>	<b>19,050</b>	<b>(12,900)</b>	<b>19,050</b>	<b>(12,900)</b>

**CARIBOO ROSE RESOURCES LTD.**

Statement of Cash Flows

Unaudited – Prepared by Management

	Three months ended Aug 31, 2008	Three months ended Aug 31, 2007	Six months ended Aug 31, 2008	Six months ended Aug 31, 2007
<b>Cash provided by (used in)</b>				
<b>Operating Activities</b>				
Net Gain (Loss)	\$ (43,188)	\$ (19,964)	\$ (49,157)	\$ (1,665)
Items not affecting cash				
Contributed Surplus	31,796	-	31,796	-
<b>Change in non-cash working capital components</b>				
Term Deposits	-	(5,267)	5,000	(506,713)
Accounts Receivable	(173,912)	15,000	(173,602)	15,000
Prepaid Expenses	150,000	-	150,000	(150,000)
Investments – Short Term	15,900	10,300	2,725	13,903
Accounts payable and accrued liabilities	<u>154,143</u>	<u>(3,994)</u>	<u>185,821</u>	<u>30,325</u>
	<u>134,739</u>	<u>(3,925)</u>	<u>152,583</u>	<u>(599,150)</u>
<b>Investing Activities</b>				
Exploration expenditures	(180,819)	(96,866)	(505,014)	(153,787)
Office equipment	-	-	-	-
Computer Software	(71)	(32)	(98)	(154)
Property option sales proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash provided by investing activities	<u>(180,890)</u>	<u>(96,898)</u>	<u>(505,112)</u>	<u>(153,941)</u>
<b>Financing Activities</b>				
Issue of shares, net of share issue costs	<u>205,000</u>	<u>(18,000)</u>	<u>205,000</u>	<u>128,033</u>
Cash provided by financing activities	<u>205,000</u>	<u>(18,000)</u>	<u>205,000</u>	<u>128,033</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>158,848</b>	<b>(118,823)</b>	<b>(147,529)</b>	<b>(625,058)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<u>794,120</u>	<u>787,018</u>	<u>1,100,497</u>	<u>1,293,253</u>
<b>CASH, END OF PERIOD</b>	<u>\$ 952,968</u>	<u>\$ 668,195</u>	<u>\$ 952,968</u>	<u>\$ 668,195</u>

**CARIBOO ROSE RESOURCES LTD.**  
Statement of Mineral Property Expenditures  
Unaudited – Prepared by Management

	<u>For the three months ended Aug 31, 2008</u>			<u>For the six months ended Aug 31, 2008</u>		
	<u>Woodjam</u>	<u>Other*</u>	<u>Total</u>	<u>Woodjam</u>	<u>Other*</u>	<u>Total</u>
<b><u>Acquisition Costs</u></b>						
Balance, beginning of period	\$ 16,000	\$ 27,325	\$ 43,325	\$ 5,000	\$ 42,325	\$ 47,325
Incurring during the period	<u>5,000</u>	<u>-</u>	<u>5,000</u>	<u>11,000</u>	<u>(15,000)</u>	<u>(4,000)</u>
Balance, end of period	<u>21,000</u>	<u>27,325</u>	<u>48,325</u>	<u>16,000</u>	<u>27,325</u>	<u>43,325</u>
<b><u>Exploration Costs</u></b>						
Professional fees, field crews	38,182	3,060	41,242	126,292	5,520	131,812
Vehicle, equipment rental	3,315	-	3,315	17,026	80	17,106
Geological	11,796	6,697	18,493	72,347	6,733	79,080
Transportation and fuel	994	-	994	4,032	152	4,184
Field equipment	40	198	238	892	198	1,090
Communications	502	-	502	595	295	890
Food and accommodation	6,773	264	7,037	21,840	264	22,104
Drilling	285,993	-	285,993	411,310	-	411,310
Freight	897	-	897	2,151	-	2,151
Assaying	5,199	-	5,199	9,248	-	9,248
Other	<u>9,336</u>	<u>-</u>	<u>9,336</u>	<u>30,198</u>	<u>15</u>	<u>30,213</u>
Total Expenditures for the period	363,025	10,219	373,244	695,931	13,257	709,188
Balance, beginning of period	1,173,855	98,133	1,271,988	840,949	95,095	936,044
Mineral exploration tax credit	(172,425)	-	(172,425)	-	-	-
Mineral property sold	-	-	-	-	-	-
Option proceeds reclassified	-	-	-	-	-	-
Written down during the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of period	<u>1,364,455</u>	<u>108,352</u>	<u>1,472,807</u>	<u>1,536,880</u>	<u>108,352</u>	<u>1,645,232</u>
<b><u>Option Proceeds</u></b>						
Balance, beginning of period	(21,780)	(89,900)	(111,680)	(21,780)	(82,150)	(103,930)
Additions	-	(25,000)	(25,000)	-	(32,750)	(32,750)
Mineral property sold	-	-	-	-	-	-
Option proceeds reclassified	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of period	<u>(21,780)</u>	<u>(114,900)</u>	<u>(136,680)</u>	<u>(21,780)</u>	<u>(114,900)</u>	<u>(136,680)</u>
<b>Cumulative Mineral Property Costs</b>	<u>\$ 1,531,100</u>	<u>\$ 20,777</u>	<u>\$ 1,384,452</u>	<u>\$ 1,531,100</u>	<u>\$ 20,777</u>	<u>\$ 1,551,877</u>

- Other mineral properties include Canadian Creek, Carruthers Pass, Pat, Chilanko and Cowtrail.

**CARIBOO ROSE RESOURCES LTD.**  
Statement of Mineral Property Expenditures  
Unaudited – Prepared by Management

	<u>For the three months ended Aug 31, 2007</u>			<u>For the six months ended Aug 31, 2007</u>		
	<u>Woodjam</u>	<u>Other*</u>	<u>Total</u>	<u>Woodjam</u>	<u>Other*</u>	<u>Total</u>
<b><u>Acquisition Costs</u></b>						
Balance, beginning of period	\$ -	\$ 30,000	\$ 30,000	\$ -	\$ 39,990	\$ 39,990
Incurred during the period	<u>-</u>	<u>1,754</u>	<u>1,754</u>	<u>-</u>	<u>(8,236)</u>	<u>(8,236)</u>
Balance, end of period	<u>-</u>	<u>31,754</u>	<u>31,754</u>	<u>-</u>	<u>31,754</u>	<u>31,754</u>
<b><u>Exploration Costs</u></b>						
Professional fees, field crews	34,109	4,080	38,189	54,584	8,301	62,885
Vehicle, equipment rental	4,432	804	5,236	7,755	804	8,559
Geological	21,149	-	21,149	55,413	-	55,413
Transportation and fuel	1,155	464	1,619	1,894	464	2,358
Field equipment	446	195	641	1,180	195	1,375
Communications	45	21	66	53	22	75
Food and accommodation	1,366	2,041	3,407	2,894	2,041	4,935
Drilling	31,190	-	31,190	31,190	-	31,190
Freight	314	274	588	314	274	588
Assaying	33	1,911	1,944	33	1,911	1,944
Other	<u>(8,937)</u>	<u>20</u>	<u>(8,917)</u>	<u>(7,341)</u>	<u>43</u>	<u>(7,298)</u>
Total Expenditures for the period	85,302	9,810	95,112	147,969	14,055	162,024
Balance, beginning of period	573,578	81,286	654,864	510,911	77,041	587,952
Mineral exploration tax credit	-	-	-	-	-	-
Mineral property sold	-	-	-	-	-	-
Option proceeds reclassified	-	-	-	-	-	-
Written down during the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of period	<u>658,880</u>	<u>91,096</u>	<u>749,976</u>	<u>658,880</u>	<u>91,096</u>	<u>749,976</u>
<b><u>Option Proceeds</u></b>						
Balance, beginning of period	(21,779)	(50,437)	(72,216)	(21,779)	(50,437)	(72,216)
Additions	-	-	-	-	-	-
Mineral property sold	-	-	-	-	-	-
Option proceeds reclassified	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of period	<u>(21,779)</u>	<u>(74,884)</u>	<u>(247,928)</u>	<u>(21,779)</u>	<u>(50,437)</u>	<u>(72,216)</u>
<b>Cumulative Mineral Property Costs</b>	<u>\$ 637,101</u>	<u>\$ 72,413</u>	<u>\$ 709,514</u>	<u>\$ 637,101</u>	<u>\$ 72,413</u>	<u>\$ 709,514</u>

- Other mineral properties include Canadian Creek, Carruthers Pass, Pat, Chilanko and Cowtrail.

## **CARIBOO ROSE RESOURCES LTD.**

Notes to Financial Statements  
August 31, 2008

### **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.

The Company entered into a plan of arrangement with Wildrose Resources Ltd. (“Wildrose”) on November 30, 2006 to acquire cash and certain mineral properties for shares of the Company. Pursuant to the arrangement, each issued and outstanding common share of Wildrose was exchanged for one new common share and one reorganization share of Wildrose. Each reorganization share was exchanged by the shareholders of Wildrose for one common share of the Company. Wildrose then redeemed and cancelled all of the reorganization shares held by the Company in exchange for \$1,000,000 in cash and the Woodjam, Carruthers Pass, Canadian Creek, Cowtrail and Pat mineral properties which, in accordance with generally accepted accounting principles, were transferred at their recorded value in Wildrose of \$473,089. As a result of this plan of arrangement, holders of common shares of Wildrose now hold common shares in both the Company and Wildrose. In addition, upon exercise of outstanding share purchase warrants issued by Wildrose prior to November 30, 2006, the Company will receive 20 per cent of the proceeds and issue an equal number of shares as Wildrose to the warrant holders.

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 from loans, 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 operations.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

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

#### **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 or grants as it incurs the related exploration expenditures.

#### **Financial Assets and Financial Liabilities**

The Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants for the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income during the fiscal year ended February 29, 2008. The fair value of the Company’s investments, which are classified as available-for-sale, was \$70,400 at May 31, 2008. The comprehensive income for the quarter is the difference of \$5,425 between the current fair value and the fair value for marketable securities at the end of the previous fiscal year.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Financial Assets and Financial Liabilities (continued)**

The Company's financial assets and financial liabilities are classified as follows:

- Accounts receivable and receivables from related parties are classified as "loans and receivables". They are measured at amortized cost. At February 29, 2008 the recorded amounts approximate fair value.
- Investments are classified as "available for sale". Available for sale assets and liabilities are measured at fair value with unrealized gains and losses recorded in other comprehensive 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. At May 31, 2008 the recorded amount approximates fair value.

Transaction costs directly attributable to the acquisition or issue of a financial asset or financial 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.

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. To reduce credit risk, cash is on deposit at major financial institutions.

The Company's financial instruments include investments which are publicly traded and therefore are subject to the market risks that affect all publicly traded securities. Some of these investments are thinly traded which could result in lower quoted market values.

The Company's financial instruments may include bankers' acceptances, treasury bills, and bonds. These instruments may bear a fixed rate of interest and a fixed maturity date. If the Company is required to liquidate them prior to the maturity date, there is a risk that interest rates will have increased such that the market value of the instrument is less than the expected value.

### **Comprehensive Income**

Comprehensive income is composed of the Company's excess of revenue over expenses and other comprehensive income. Other comprehensive income represents changes in net assets during a period arising from non-owner sources and, for the Company, would principally include unrealized gains and losses on available for sale financial assets. The Company's comprehensive income, components of other comprehensive income, and accumulated other comprehensive income are presented in the statements of comprehensive income.

### **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 income. No gains or losses are recognized on the partial sale or dispositions of properties except in circumstances which result in significant disposition of 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 is not recoverable.

The amounts shown for mineral properties and related costs represent acquisition, holding and exploration costs and do not necessarily represent present or future recoverable values. The recoverability of these amounts is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the necessary financing to successfully complete their development and to meet the requirements, from time to time, of lenders who are providing this financing and upon future profitable production.

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Future Reclamation Costs

The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. The Company conducts its operations so as to protect public health and the environment, and believes its operations are materially in compliance with all applicable laws and regulations. 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 is amortized as an expense 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.

### Equipment

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

Office furniture	20%
Computer equipment	30%
Technical equipment	20%

### 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, using enacted or substantially enacted income tax rates. The effect of a change in income tax rates on future 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.

### Share-based Compensation

The Company grants options to purchase shares under the terms described in Note 7.

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 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 share purchase 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.

### Income Recognition

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

### 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 and recognizing the related future income tax liability as a share issue cost when the tax benefits are renounced to the investors.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Loss per Share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss 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.

### **Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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, amongst others, the recoverability of accounts receivable and investments and the estimated future operating results and net cash flows from mineral properties.

## **3. 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.

## **4. 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.

## **5. MINERAL PROPERTY INTERESTS**

Effective November 30, 2006, certain mineral properties of Wildrose Resources Ltd. were transferred to the Company pursuant to a plan of arrangement (Note 1). The properties transferred included Canadian Creek, Woodjam, Carruthers Pass, Cowtrail and Pat.

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

The Company holds an 86% 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. A third Company owns approximately 16% of the Ana claims, which will be reduced if it does not pay its proportionate share of exploration and other payments on the property.

This project was optioned to Veraz Petroleum Ltd. Veraz terminated the option on February 27, 2008.

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

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

## 5. MINERAL PROPERTY INTERESTS (continued)

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

The Company has an option from Phelps Dodge Corporation of Canada Limited to earn a 100% interest in the 3,250 hectare Carruthers Pass property. The Company can exercise the option by completing \$750,000 in exploration expenditures and issuing \$100,000 worth of shares or cash on or before May 15, 2009. Phelps Dodge has reserved 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 has 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 and incurring \$1.0 million in exploration expenditures over a five-year period.

### 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 in exploration expenditures, and issuing 50,000 shares and paying \$110,000 in cash 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, and issuing 200,000 shares and \$150,000 in cash on or before June 25, 2011.

## 6. RELATED PARTY TRANSACTIONS

During the three months ended August 31, 2008, geological services totaling \$5,188 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 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.

## 7. SHARE CAPITAL

### Authorized

Unlimited common shares without par value  
Unlimited preferred shares without par value

<b>Issued and fully paid</b>	<b>Number of Shares</b>	<b>Amount</b>
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
Balance, February 29, 2008	25,498,577	\$ 2,432,591

### 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 2,145,000 shares for the issue of options. The exercise price of the options will be no less than the closing market price of the shares on the business day immediately preceding the date on which the option is granted. Options will normally vest at the date of 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

## 7. SHARE CAPITAL (continued)

### Share Purchase Options (continued)

within thirty days when the holder is no longer qualified to hold the option (other than for cause, when the option will expire immediately).

The following options were outstanding at the date of these financial statements:

	Number of Shares	Weighted Average Exercise Price
Balance, February 29, 2008	2,175,000	\$0.20
Granted	45,000	0.16
Exercised	-	-
Expired	(75,000)	0.20
<b>Balance, August 31, 2008</b>	<b>2,145,000</b>	<b>\$0.20</b>

The contractual weighted average remaining life of the outstanding options at May 31, 2008 is 3.61 years.

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 during the period:

	2008	2007
Average risk-free interest rate	4.65%	4.1%
Expected share price volatility	82%	113%
Expected average period until exercise	1.5 years	3 years
Expected dividend yield	-	-

The weighted average grant date fair value of options granted during the period was \$0.20 (2007- \$0.20).

## Warrants

The following warrants for the purchase of a total of 1,750,000 common shares were outstanding at the date of these financial statements:

Beginning of Period	Number of Shares				Price Per Share	Expiry Date
	Issued	Exercised	Expired	End of Period		
500,000	-	-	-	500,000	\$0.35	November 23, 2008
-	1,250,000	-	-	1,250,000	\$0.20	June 17, 2009
500,000	1,250,000	-	-	1,750,000		

## 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 \$199,584. No share-based compensation expense was incurred in the current year to date.

## 8. INCOME TAXES

The Company's future income tax assets and liabilities are composed of the following items:

	Year Ended Feb. 29, 2008
Future income tax assets (liabilities) arising from:	
Losses deductible against future taxable income	47,533
Expenses renounced on flow-through share subscriptions	(62,969)

Amounts deductible for tax purposes in excess of accounting deductions	634
Future income tax assets (liabilities)	(14,802)
Valuation allowance	(48,167)
<b>Net future income tax assets (liabilities)</b>	<b>\$ (62,969)</b>

The reconciliation of the provision for income taxes is:

	<b>Year Ended Feb. 29, 2008</b>
Loss before income taxes	\$ 71,974
Statutory federal and provincial income tax rates	31.5%
Recovery of income taxes based on statutory income tax rates	\$ 22,672
Increase (decrease):	
Effect of current period losses not recognized	(26,550)
Net effect of non-deductible expenses	3,878
<b>Provision for income taxes</b>	<b>\$ -</b>

As at February 29, 2008, the Company has available losses of approximately \$151,000 for deduction against future years' taxable income. If unused, these losses will expire in varying periods with a maximum limit of twenty years.