YANKEE HAT MINERALS LTD.

AUDITED ANNUAL FINANCIAL STATEMENTS

For the years ended July 31, 2008 and 2007

BDO Dunwoody LLP
Chartered Accountants

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Auditors' Report

To the Shareholders of
Yankee Hat Minerals Ltd.

We have audited the balance sheets of Yankee Hat Minerals Ltd. as at July 31, 2008 and 2007 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements present fairly, in all material respects, the financial position of the company as at July 31, 2008 and 2007 and the results of its ope rations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, British Columbia
November 27, 2008

YANKEE HAT MINERALS LTD.

Balance Sheets

	July 31, 2008	July 31, 2007
ASSETS		
CURRENT		
Cash and cash equivalents	$ 119,895	$ 373,832
Amounts receivable (note 6e)	311,064	-
Accrued interest receivable	-	1,436
Goods and Services Tax recoverable	59,699	123,967
Prepaid expenses	18,907	37,614
	509,565	536,849
Equipment (note 4)	77,513	10,007
Exploration Data (note 4)	70,000	-
Resource properties (note 6)	5,270,830	3,263,023
	$ 5,927,908	$ 3,809,879
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (note 9)	$ 1,112,247	$ 326,214
Short term loans payable (note 5)	305,000	-
	1,417,247	326,214
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (notes 6, 7 and 12)	15,711,481	13,411,072
CONTRIBUTED SURPLUS (notes 7 and 8)	894,020	306,052
COMMITMENT TO ISSUE SHARES (note 6f)	135,000	-
DEFICIT	(12,229,840)	(10,233,459)
	4,510,661	3,483,665
	$ 5,927,908	$ 3,809,879

Nature of Operations (note 1)
Basis of Presentation and Ability to Continue as a Going Concern (note 2)
Commitments (note 6)
Subsequent Events (notes 6 and 7)

APPROVED BY THE DIRECTORS:

"Terence Schorn" Director
Terence Schorn

"Bradley Kitchen" Director
Bradley Kitchen

The accompanying notes are an integral part of these financial statements.

YANKEE HAT MINERALS LTD.

Statements of Operations and Deficit

For the years ended July 31, 2008 and 2007

	For the years ended July 31, 2008	2007
EXPENSES		
Amortization	$ 5,934	$ 5,470
Commissions and finder's fees	25,830	-
Consulting (note 9)	121,927	44,168
Filing and transfer agent fees	59,525	36,090
Investor relations	126,701	130,860
Management fees (note 9)	242,750	164,500
Occupancy costs (note 9)	23,350	12,960
Office administration and miscellaneous (note 9)	87,894	48,318
Professional fees (note 9)	152,940	114,393
Stock based compensation (note 7)	586,885	184,195
Travel	57,279	7,109
	1,491,015	748,063
OTHER (INCOME) AND EXPENSES		
Operator fees	(10,549)	-
Interest income	(1,581)	(27,446)
Property investigation costs	131,216	-
Resource properties written off (note 6)	386,280	344,794
NET LOSS BEFORE INCOME TAX PROVISION	(1,996,381)	(1,065,411)
RECOVERY OF FUTURE INCOME TAX ASSET (note 11)	-	471,139
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(1,996,381)	(594,272)
DEFICIT, BEGINNING OF YEAR	(10,233,459)	(9,639,187)
DEFICIT, END OF YEAR	$ (12,229,840)	$ (10,233,459)
BASIC AND DILUTED NET LOSS PER SHARE	$ (0.04)	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	51,710,643	38,705,043

The accompanying notes are an integral part of these financial statements.

YANKEE HAT MINERALS LTD.

Statements of Cash Flows

For the years ended July 31, 2008 and 2007

	For the years ended July 31, 2008	2007
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	$ (1,996,381)	$ (594,272)
Operating items not involving cash:		
Amortization	5,934	5,470
Resource property written-off	386,280	344,794
Stock based compensation	586,885	184,195
Recovery of future income tax assets	-	(471,139)
	(1,017,282)	(530,952)
Change in non-cash operating working capital items:		
Amounts receivable	(311,064)	-
Accrued interest receivable	1,436	1,414
Goods and Services Tax recoverable	64,268	(86,047)
Prepaid expenses	18,707	(28,436)
Accounts payable and accrued liabilities	180,063	13,688
Short term loans payable	305,000	-
	(758,872)	(630,333)
FINANCING ACTIVITIES		
Issuance of common shares for cash	1,766,500	2,208,329
Share issuance costs	(101,730)	(169,960)
	1,664,770	2,038,369
INVESTING ACTIVITIES		
Acquisition of equipment	(73,440)	(636)
Resource property acquisition costs	(771,722)	(145,000)
Deferred exploration costs	(314,673)	(1,536,327)
	(1,159,835)	(1,681,963)
NET DECREASE IN CASH	(253,937)	(273,927)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	373,832	647,759
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 119,895	$ 373,832
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ -	$ -
Income taxes paid	$ -	$ -
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash	$ 99,895	$ 297,332
Term deposits	16,500	76,500
Reclamation bonds	3,500	-
	$ 119,895	$ 373,832

Non-cash transactions (note 13)

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

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

2. BASIS OF PRESENTATION AND ABILITY TO CONTINUE AS A GOING CONCERN

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business for the Company's next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At July 31, 2008, the Company had not yet achieved profitable operations, has a working capital deficiency of $907,602, has accumulated losses of $12,229,840 since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies.

Resource Property Interests

The Company accounts for resource property costs in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3061, "Property, plant and equipment" ("CICA 3061"), and abstract EIC-126, "Accounting by Mining Enterprises for Exploration Costs" ("EIC-126") of the Emerging Issues Committee. CICA 3061 provides for the capitalization of the acquisition and exploration costs of a resource property where such costs are considered to have the characteristics of property, plant and equipment. EIC-126 provides that a mining enterprise is not precluded from considering exploration costs to have the characteristics of property, plant and equipment when it has not established resource reserves objectively and therefore does not have a basis for preparing a projection of the estimated future net cash flow from the property.

The acquisition costs of mineral properties and all direct exploration and development expenditures are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following the commencement of production or written-off if the properties are sold, allowed to lapse, or abandoned.

Cost include the cash consideration and the fair market value of shares as they are issued, if any, on the acquisition of mineral properties. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. The recorded amounts of mineral claim acquisition costs and their related deferred exploration and development costs represent actual expenditures incurred and are not intended to reflect present or future values.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Resource Property Interests, continued

CICA 3061 also provides that property, plant and equipment be written down when the long-term expectation is that the net carrying amount will not be recovered. EIC-126 states that a mining enterprise which has not objectively established resource reserves and therefore does not have a basis for preparing a projection of the estimated future cash flow from a property is not obliged to conclude that the capitalized costs have been impaired. However, EIC-126 references certain conditions that should be considered in determining subsequent write-downs, such as changes or abandonment of a work program or poor exploration results, and management reviews such conditions to determine whether a write-down of capitalized costs is required. When the carrying value of a property exceeds its net recoverable amount, provision is made for the impairment in value.

The Company reviews capitalized costs on its mineral properties for impairment on an annual basis and will recognize impairment in value based upon exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property.

Long-Lived Assets Impairment

Long-lived assets are continually reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Asset Retirement Obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and asset retirement obligations. Accordingly, adoption of CICA Handbook Section 3110 had no impact on the financial statements. The Company does not have any asset retirement obligations as at July 31, 2008 and 2007.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided on a declining balance basis over their estimated useful lives at the following annual rates:

Computer equipment	- 45%
Exploration equipment	- 20%
Motor vehicle	- 30%

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Exploration Data

Exploration data represents the cost of certain identifiable intangible assets at the date of acquisition. Exploration data is amortized on a declining balance over its estimated useful life at an annual rate of 6%. The data was acquired immediately prior to July 31, 2008 and accordingly no amortization was provided.

Basic and Diluted Earnings (Loss) Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

For the years ended July 31, 2008 and 2007, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totaling 15,019,420 (2007: 17,559,053) were not included in the computation of loss per share because their effect was anti-dilutive.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements include, but are not limited to, recoverability of receivables, accounting for stock-based compensation, expected economic lives of and the estimated future operating results and net cash flows from mineral properties and plant and equipment and valuation allowances applied against future tax assets.

Valuation of the mineral properties and property, plant and equipment (long-lived assets) is based on management's best estimate of the future recoverability of these assets, which in turn, is based on estimates of mineral prices, reserves, mineral reserves and future operating costs. These estimates affect the carrying value of long-lived assets and the amortization of plant and equipment. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements from changes in such estimates in future periods could be significant.

Stock-Based Compensation

The Company follows CICA Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" to account for stock-based compensation expense using the fair value based method with respect to all stock based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2004. Stock options and direct awards of stock granted to employees and non-employees are recorded at fair value on the measurement date and the associated expense is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to common share capital.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Stock-Based Compensation, continued

Under the fair value based method, stock-based payments to non-employees 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. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the vesting period of the award and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date unless there is a specific contractual term.

Compensation cost attributable to awards to employees is measured at fair value at the grant date and recognized over the vesting period. Compensation cost attributable to awards to employees that call for settlement in cash or other assets is measured at fair value and recognized over the vesting period. Changes in fair value between the grant date and the measurement date result in a change in the measure of compensation cost. Compensation cost is generally recognized on a straight-line basis over the vesting period.

Flow-Through Common Shares

Under the terms of flow-through share agreements, the related expenditures are renounced to the subscribers of such shares. In March 2004, the CICA issued Emerging Issue Committee Abstract No. 146, Flow-through Shares, which clarifies the recognition of previously unrecorded future income tax assets caused by renouncement of expenditures relating to flow-through shares. For flow-through shares issued after March 19, 2004, the Company records the tax effect related to the renounced deductions as a reduction of income tax expense (recovery of future income tax asset) in the statement of operations and as a reduction in share capital in the balance sheet on the date that the Company renounces the deductions for investors.

Foreign Currency Translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the average exchange rate for the period except for amortization which is translated at the historical rate. Exchange gains and losses arising on translation are included in the statement of operations.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all short-term highly-liquid investments with an original maturity to the holder of three months or less as cash and cash equivalents on the accompanying balance sheet.

Adoption of New Accounting Pronouncements and Recent Developments

Accounting policies implemented effective August 1, 2007

On August 1, 2007, the Company adopted CICA Handbook Section 1530 "Comprehensive Income", Section 1506 “Accounting Changes”, Section 3251 "Equity", Section 3855 "Financial Instruments - Recognition and Measurement" and Section 3861 "Financial Instruments - Disclosure and Presentation".

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income comprises items recognized in comprehensive income, but excluded from net income calculated in accordance with Canadian GAAP.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Adoption of New Accounting Pronouncements and Recent Developments, continued

Accounting policies implemented effective August 1, 2007, continued

Section 3855 establishes standards for measuring and recognizing financial assets and financial liabilities and non-financial derivatives in the balance sheet. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial instruments are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is sold or impaired at which time the amounts would be recorded in net earnings; non-financial derivatives are measured at fair value with changes in fair value recorded in net earnings unless cash flow hedge accounting is applied, in which cash changes in fair value are recorded in other comprehensive income.

Section 3861 sets out standards which address the presentation of financial instruments and non-financial derivates, and identifies the related information that should be disclosed. These standards also revise the requirements for entities to provide accounting policy disclosures, including disclosure of the criteria for designating as held-for-trading those financial assets or liabilities that are not required to be classified as held-for-trading; whether categories of normal purchases and sales of financial assets are accounted for at trade date or settlement date; the accounting policy for transaction costs on financial assets and financial liabilities classified as other than held-for-trading; and provides several new requirements for disclosure about fair value.

Upon adoption of these new standards, the Company classified its cash and cash equivalents as held-for-trading, which is measured at fair value; receivables as loans and receivables, which are measured at amortized cost; accounts payable and accrued liabilities, short term loans payable, and acquisitions payable are classified as other financial liabilities, which are measured at amortized cost. As required, prior periods have not been revised. Adoption of these new standards did not have a material effect on the Company's financial position at August 1, 2007.

Effective August 1, 2007, the Company adopted CICA Handbook Section 1506 "Accounting Changes" which establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies and estimates, and correction of errors. Under the new standard, accounting changes should be applied retroactively unless otherwise permitted or where impracticable to determine. As well, voluntary changes in accounting policies are made only when required by a primary source of GAAP or the change results in more relevant and reliable information. The Company has determined that the application of this section did not have any impact on the financial statements.

Accounting policies implemented effective August 1, 2008

On June 1, 2007, the Emerging Issues Committee of the CICA issued abstract No. 166, Accounting Policy Choice for Transaction Costs ("EIC-166"). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial liabilities that are classified as other than held-for-trading to its initial carrying cost measured upon the adoption of CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement ("Section 3855"). Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective for the year ended July 31, 2008. The Company has chosen to recognize all transaction costs in operations on all financial instruments that have been designated as other than held for trading. The adoption of this policy had no material effect on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES, continued

Adoption of New Accounting Pronouncements and Recent Developments, continued

Accounting policies to be implemented effective August 1, 2008, continued

Two new CICA Handbook sections, 3862, "Financial Instruments – Disclosure" and 3863, "Financial Instruments – Presentation", will replace Section 3861, "Financial Instruments – Disclosure and Presentation". These new sections incorporate many of the disclosure requirements in the existing section, but place an increased emphasis on disclosure about risk, including both qualitative and quantitative information about the risk exposures arising from financial instruments.

Section 1400, "General Standards of Financial Statement Presentation", has been updated to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this section is not expected to result in any changes on the disclosure within the financial statements.

Section 1535, "Capital Disclosures" establishes disclosure requirements about the Company's objectives, policies and processes for managing capital, as well as quantitative information about the capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements and, if not in compliance, the consequences of such non-compliance. The Company has determined that the adoption of this policy had no material effect on the Company's financial statements.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February, 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP and the date 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 the restatement for comparative purposes of amounts reported by the Company for the year ended July 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. EQUIPMENT AND EXPLORATION DATA

	As at July 31, 2008		
	Cost $	Accumulated Amortization $	Net Book Value $
Computer Equipment	20,672	16,391	4,280
Exploration Equipment	49,755	4,545	45,211
Motor Vehicle	29,425	1,403	28,022
	99,852	22,339	77,513
Exploration Data	70,000	-	70,000

4. EQUIPMENT AND EXPLORATION DATA, continued

	As at July 31, 2007		
	Cost $	Accumulated Amortization $	Net Book Value $
Computer Equipment	20,672	13,763	6,909
Exploration Equipment	5,740	2,642	3,098
	26,412	16,405	10,007

5. SHORT TERM LOANS PAYABLE

Short term loans payable consist of $34,000 (2007: $nil) that is unsecured, non-interest bearing with no specific terms of repayment, and $271,000 (2007: $nil) that is unsecured, bearing interest at 12% per annum with no specified terms of repayment.

6. RESOURCE PROPERTIES

	Balance, July 31, 2007 $	Acquisition Costs $	Deferred Exploration Costs $	Recoveries $	Written-off $	Balance, July 31, 2008 $
Achtung and Birdtung	-	5,000	-	-	-	5,000
Fran Property	3,039,487	116,500	197,748	-	-	3,353,735
George's Lake Property	-	137,500	248,780	-	(386,280)	-
Lancer Property	-	288,889	-	-	-	288,889
Selwyn Properties	-	44,823	116,536	(17,730)	-	143,629
Tungsten Properties	-	135,000	-	-	-	135,000
Union Mine Property	210,036	15,092	7,193	-	-	232,321
WAU Property	-	233,333	325,000	-	-	558,333
Whitehorse Copper Property	-	128,000	425,923	-	-	553,923
Reclamation bonds	13,500	-	-	(13,500)	-	-
	3,263,023	1,104,137	1,321,180	(31,230)	(386,280)	5,270,830

6. RESOURCE PROPERTIES, continued

	Balance, July 31, 2006 $	Acquisition Cost $	Deferred Exploration Cost $	Written-off $	Balance, July 31, 2007 $
Fran Property	1,327,459	92,750	1,619,278	-	3,039,487
Lever Lake Property	264,814	20,000	-	(284,814)	-
Thelon Basin Property	49,980	10,000	-	(59,980)	-
Union Mine Property	-	116,000	94,036	-	210,036
Reclamation bonds	13,500	-	-	-	13,500
	1,655,753	238,750	1,713,314	(344,794)	3,263,023

a) Achtung and Birdtung Properties:

On June 30, 2008, the company entered into two separate option agreements to earn an undivided 100% interest in two mineral properties, one in northern British Columbia and the other in southern Yukon Territory. The property vendor will retain a 2% net smelter return royalty along with the right to collect surface gemstones and crystals.

The Achtung property is comprised of four mineral tenures and the Birdtung property is comprised of two mineral tenures.

In consideration, the company agreed to:

i) pay $5,000 (paid) upon signing of the agreements;
ii) pay an additional $5,000 and issue 66,666 common shares by November 1, 2008;
iii) pay an additional $10,000 and issue 66,666 common shares by November 1, 2009;
iv) pay an additional $20,000 and issue 133,334 common shares by November 1, 2010;
v) pay an additional $20,000 and issue 133,334 common shares by November 1, 2011;
vi) pay an additional $40,000 and issue 266,666 common shares by November 1, 2012; and
vii) pay an additional $100,000 and issue 266,666 common shares by November 1, 2013.

Upon satisfaction of these terms, the Company will receive full title to the property subject to the NSR. The company has not yet carried out substantial exploration activity on these properties. Amounts due November 1, 2008 have not been paid. The Company has commenced renegotiations with the optionors to amend the payment terms.

b) Fran Property:

By agreement dated March 31, 2004, the Company has earned a 70% interest in three mineral claims located in the Omineca Mining Division, Province of British Columbia and had the right to earn an additional 30% interest. With the March 31, 2008 cash and share payment, the Company has earned 100% of the property.

6. RESOURCE PROPERTIES, continued

b) Fran Property:, continued

In consideration, the Company agreed to:

i) pay $30,000 (paid) and issue 50,000 common shares on or before October 28, 2004 (issued);
ii) pay $30,000 (paid) and issue 75,000 common shares on March 31, 2005 (issued);
iii) pay $40,000 (paid) and issue 75,000 common shares on March 31, 2006 (issued);
iv) pay $80,000 (paid) and issue 75,000 common shares on March 31, 2007 (issued);
v) pay $100,000 (paid) and issue 150,000 common shares on March 31, 2008 (issued) and an additional $30,000 by each subsequent anniversary as an advance against future royalty payments; and
vi) a 2% net smelter return royalty.

The Company may reduce the royalty by 1% by paying $2,000,000 in cash.

During the year ended July 31, 2007, the Company staked an additional 12 mineral claims.

c) George's Lake Property:

By a Letter of Intent dated November 9, 2007, the Company is preparing to enter into an option agreement to earn up to a 70% interest in eight mineral claims located in La Ronge, Saskatchewan.

In consideration, the Company agreed to incur a total of $1,500,000 in expenditures on the mineral claims as follows:

i) $750,000 on or before December 31, 2008 to earn a 50% interest in the mineral claims;
ii) an additional $375,000 on or before December 31, 2009 to earn an additional 10% interest in the mineral claims; and
iii) an additional $375,000 on or before December 31, 2010 to earn an additional 10% interest in the mineral claims.

The Georges Lake gold property is subject to an existing 0.5% net smelter return royalty and a 10% carried interest owned by an unrelated party. The closing of the transaction was subject to the completion of a definitive agreement to be negotiated within 90 days of the effective date of the Letter of Intent, receipt of regulatory approval and other due diligence as deemed necessary by the Company.

This Letter of Intent was entered into with a related company. The Company is related by virtue of a common director.

During the year ended July 31, 2008, the George's Lake claims lapsed and the claims were re-staked in the name of the vendor of the property.

As of July 31, 2008, the Company's management has decided not to enter into a binding option agreement with the vendor of the George's Lake property. As a result of this decision, the carrying value of the George's Lake property of $386,280 was written off during the year ended July 31, 2008.

6. RESOURCE PROPERTIES, continued

d) Lancer Property:

On May 7, 2008, the Company received final approval on an agreement to acquire up to a 100% interest (subject to a 2.5% net smelter return royalty) in two contiguous rare earth element properties located in south central Yukon. The REE property and the Lancer property have been optioned from two separate vendors, through this one agreement, and are both subject to a 2% net smelter return royalty to the vendors. The REE and Lancer properties consist of 32 mineral claims located in the Watson Lake region of the Yukon Territory.

Under the terms of the agreement, to earn the 100% interest, the Company is required to issue a total of 6,666,666 common shares according to the following schedule:

i) issue 2,222,222 common shares upon regulatory approval of the agreement (issued);
ii) issue 2,222,222 common shares by February 10, 2009; and
iii) issue 2,222,222 common shares on February 10, 2010.

e) Selwyn Properties:

The Company entered into an assignment agreement dated July 18, 2008 to purchase a 40% interest in a group of 299 mineral claims for a total of $44,823, net of reimbursements. These claims are located in several property groups throughout mid-central Yukon Territory. The claims include the Molly, Joey, Suki, Tommy, Sydney and Winston properties, staked in cooperation with a Japanese government corporation (“JOGMEC”), which purchased the remaining 60% interest.

The Company entered into an agreement dated August 1, 2008 and amended September 25, 2008 with JOGMEC to continue exploration of these properties for economic deposits of minerals with a focus on the discovery of Tungsten deposits. The Company is the operator of this exploration program, and expends funds on exploration activities. JOGMEC reimburses 60% of the monies expended to the Company plus a 10% operator fee on their share of the costs. At July 31, 2008, $311,064 was receivable under this agreement, which was received subsequently.

f) Tungsten Properties:

On July 31, 2008, the Company received TSX Venture exchange approval on an agreement to purchase five Tungsten properties located in the Yukon Territory including Boot, Hidden, Track, Meloy and Obvious. Each of the properties is subject to a 1% net smelter return royalty, except for the Track property which is subject to a 2% royalty.

Under the terms of the agreement, to earn the 100% interest, the Company will issue a total of 10,000,000 common shares to the vendor according to the following schedule:

i) issue 1,000,000 common shares upon regulatory approval of the agreement (issued subsequent to July 31, 2008). As at July 31, 2008 an obligation to issue shares valued at $135,000 was recorded. The value of the common shares was determined by the trading price of the Company’s shares on the date they were subsequently issued;
ii) issue 2,000,000 common shares by December 31, 2008;
iii) issue 3,000,000 common shares by December 31, 2009; and
iv) issue 4,000,000 common shares by December 31, 2010.

6. RESOURCE PROPERTIES, continued

f) Tungsten Properties:, continued

The agreement also specifies that in order to earn the 100% interest, the Company will undertake exploration expenditures of a total of $5,000,000 according to the following schedule:

i) $1,000,000 by December 31, 2008;
ii) $1,500,000 by December 31, 2009; and
iii) $2,500,000 by December 31, 2010.

The Company has not yet undertaken a material exploration program on any of these properties.

g) Union Mine Property:

By agreement dated September 11, 2006, the Company acquired an option to earn a 100% interest in 27 mineral claims located in the Greenwood Mining Division, Province of British Columbia.

In consideration, the Company agreed to:

i) pay $30,000 (paid) and issue 175,000 common shares on the fifth business day after the granting of regulatory approval (issued);
ii) pay $15,000 on or before September 11, 2007 (paid);
iii) pay $15,000 on or before September 11, 2008;
iv) pay $15,000 on or before September 11, 2009;
v) pay $15,000 on or before September 11, 2010;
vi) incur exploration expenditures of not less than $100,000 on or before October 31, 2008 (incurred). In the event the exploration expenditures spent are less than $100,000 the Company may pay the difference before October 31, 2008.

This agreement is subject to a 1.5% net smelter return royalty, subject to a maximum of $1,000,000.

By agreement dated September 8, 2006, the Company acquired an undivided 100% interest in one mineral claim located in the Greenwood Mining Division, Province of British Columbia. In consideration, the Company agreed to pay $5,000 (paid) and issue 100,000 common shares (issued). This agreement is subject to a 1.5% net smelter return royalty.

By agreement dated September 11, 2006, the Company acquired an undivided 100% interest in eleven mineral claims located in the Greenwood Mining Division, British Columbia. In consideration, the Company agreed to issue 125,000 common shares (issued). This agreement is subject to a 1.5% net smelter return royalty, subject to a maximum of $250,000.

By agreement dated September 11, 2006, the Company acquired an undivided 100% interest in four mineral claims located in the Greenwood Mining Division, British Columbia. In consideration, the Company agreed to issue 50,000 common shares on the fifth business day after the granting of regulatory approval (issued).

The amount due on September 11, 2008 has not been paid. The Company has commenced renegotiations with the optionors to amend the payment terms.

6. RESOURCE PROPERTIES, continued

h) WAU Property:

On May 13, 2008, the Company received TSX Venture exchange approval on an agreement to acquire up to a 51% interest in a tungsten-polymetallic property located in central Yukon.

Under the terms of the agreement, to earn a 50% interest, the Company will issue a total of 6,666,666 common shares according to the following schedule:

i) issue 2,222,222 common shares upon regulatory approval of the agreement (issued);
ii) issue 2,222,222 common shares by May 13, 2009; and
iii) issue 2,222,222 common shares on May 13, 2010.

The company will also have to complete a total of $2,000,000 in exploration expenditures on the property in accordance with the following schedule:

i) $500,000 on or before December 31, 2008;
ii) An additional $500,000 on or before December 31, 2009; and
iii) An additional $1,000,000 on or before December 31, 2010.

After the Company completes these obligations, it will then have the option to acquire an additional 1% interest in the Property for a total interest of 51% in exchange for a $1,000,000 cash payment to the optioner. During the fiscal year ended July 31, 2008, the Company contributed $325,000 to an exploration work program on the property.

i) Whitehorse Copper Property (Formerly Lobo Del Norte):

On June 24, 2008, the Company received final approval on an agreement to acquire up to a 100% interest (subject to a 2% net smelter return royalty) in the Whitehorse Copper Property. This property consists of 27 mineral claims and is located in the Whitehorse copper belt 20 kilometers southwest of Whitehorse, Yukon.

The terms of the letter of intent call for total consideration of $1,050,000 in cash and 2,700,000 common shares to be paid according to the following schedule:

i) $30,000 upon execution of the letter of intent (paid);
ii) $170,000 and 700,000 shares (issued) upon receipt of regulatory approval for the transaction including completion of a NI 43-101 report on the property;
iii) $350,000 and 1,000,000 shares upon June 24, 2009; and
iv) $500,000 and 1,000,000 shares upon June 24, 2010.

The company will also have to complete a total of $1,250,000 in exploration expenditures on the property in accordance with the following schedule:

i) $100,000 on or before June 24, 2008 (expended);
ii) An additional $250,000 on or before June 24, 2009 (expended);
iii) An additional $400,000 on or before June 24, 2010; and
iv) An additional $500,000 on or before June 24, 2011.

6. RESOURCE PROPERTIES, continued

i) Whitehorse Copper Property (Formerly Lobo Del Norte):, continued

Also, the Company, at its option, will issue 2,000,000 common shares or $2,000,000 in cash in accordance with the following performance milestones:

i) 1,000,000 common shares or $1,000,000 cash upon completion of a feasibility study; and
ii) 1,000,000 common shares or $1,000,000 cash upon commencement of commercial production.

The Company will have earned a 50% interest in the property once the company has incurred a total of $350,000 of exploration expenditures and a 100% interest after incurring an additional $700,000 of expenditures on the property.

The cash amount due upon regulatory approval has not been paid. The Company has commenced renegotiations with the vendor to amend the payment terms.

7. SHARE CAPITAL – Notes 6 and 12

a) Authorized:

Unlimited number of common and preferred shares

b) Issued:

	For the year ended July 31, 2008		For the year ended July 31, 2007	
	Number of Shares	Amount $	Number of Shares	Amount $
Balance, beginning of period	47,900,872	13,411,072	31,581,262	11,741,813
Issued for cash:				
- private placements	11,643,334	1,746,500	15,671,276	2,180,830
- exercise of stock options	200,000	20,000	275,000	27,500
Reclassification from contributed surplus on exercise of stock options	-	21,815	-	8,278
Issued for acquisition of resource properties	5,294,444	636,722	525,000	93,750
Receivable on sale of shares	-	-	(151,666)	-
Recovery of future income tax asset	-	-	-	(471,139)
Share issuance costs	-	(124,628)	-	(169,960)
Balance, end of period	65,038,650	15,711,481	47,900,872	13,411,072

7. SHARE CAPITAL – Notes 6 and 12, continued

b) Issued:, continued

i) During the year ended July 31, 2008, the Company completed a flow-through private placement for 7,666,667 common shares at $0.15 per share for gross proceeds of $1,150,000, of which 443,333 common shares were issued to directors and officers of the Company and a company controlled by a director of the Company. The Company paid finder's fees in cash in connection with this placement of $60,745.

ii) During the year ended July 31, 2008, the Company completed a private placement for 3,976,667 units at $0.15 per unit for gross proceeds of $596,500. Each unit consisted of one common share of the Company and one half of a share purchase warrant entitling the holder to purchase one common share at $0.22 per share for up to one year from the date of closing. The Company paid finder's fees in cash of $40,985 and issued 262,033 finder's warrants . Each warrant enables the holder to purchase one common share at $0.15 per share exercisable to December 31, 2008.

iii) During the year ended July 31, 2008, the Company issued 5,294,444 common shares valued at $636,722 for acquisition of resource properties. The value of the common shares issued on acquisition of resource properties was determined by the trading price of the Company's shares on the date they were issued.

iv) During the year ended July 31, 2008, the Company issued 200,000 shares at $0.10 per share on the exercise of stock options for total proceeds of $20,000. In addition, a reclassification of $21,815 from contributed surplus to share capital was recorded on the exercise of these options.

v) During the year ended July 31, 2007 the Company completed a flow-through private placement for 6,277,775 units at $0.18 per unit for cash proceeds of $1,130,000. Each unit consisted of one flow-through common share of the Company and one share purchase warrant entitling the holder to purchase one non flow-through common share at $0.30 per share if exercised within the first year up to and including September 27, 2007, and at $0.40 per share if exercised within the second year, from September 28, 2007 up to and including September 27, 2008. The Company paid a finder's fee and a due diligence fee in cash in connection with this placement, totaling $104,412.

vi) During the year ended July 31, 2007 the Company completed a flow-through private placement for 1,393,501 units at $0.18 per unit for cash proceeds of $250,830. Each unit consists of one flow-through common share of the Company and one share purchase warrant entitling the holder to purchase one additional share of the Company at $0.30 per share up to and including December 5, 2007 and thereafter at $0.40 per share up to and including December 5, 2008. The Company paid $13,086 in cash as a finder's fee.

vii) During the year ended July 31, 2007 the Company completed a private placement for 8,000,000 units at $0.10 per unit for cash proceeds of $800,000. Each unit consists of one common share of the Company and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one additional share of the Company at $0.15 per share up to and including July 10, 2008. The Company paid a total of $18,850 in cash as finders' fees.

viii) During the year ended July 31, 2007 the Company issued 525,000 common shares with a fair value of $93,750 for acquisition of resource properties. The fair value of common shares issued on acquisition of resource properties was determined by the trading price of the Company's shares on the date they were issued.

All proceeds from the above private placements were allocated to share capital with no amounts allocated to the attached warrants.

7. SHARE CAPITAL – Notes 6 and 12, continued

c) Stock Options

Under the Company's stock option plan, the Company may grant options to purchase common shares up to a maximum number permitted by the TSX Venture Exchange to directors, officers and employees. Options granted at the market price, less permitted discounts on the grant date, vest according to privileges set at the time the option is granted and must expire no later than five years from the date of grant. The options outstanding below are fully vested except as noted.

As at July 31, 2008, the following stock options are outstanding and are exercisable into an equal number of common shares:

Number of Options	Exercise Price	Expiry
240,000[(1)]	$0.18	September 21, 2008 (expired subsequently)
1,500,000	$0.14	July 27, 2009
100,000	$0.16	January 21, 2010
625,000	$0.15	March 16, 2010
375,000[(1)]	$0.15	July 1, 2010
330,000	$0.12	October 13, 2011
750,000	$0.10	June 21, 2012
550,000	$0.15	March 16, 2013
4,470,000		

[(1)] These options vest as to 25% on the date of grant and 25% every three months thereafter

At July 31, 2008, the stock options outstanding have a weighted average remaining contractual life of 2.24 years (2007: 0.51 years).

During the year ended July 31, 2008, share purchase options were granted to directors, officers and consultants to purchase 1,790,000 common shares at $0.15 per share. A total of 240,000 of these options expire August 28, 2008, 625,000 expire March 17, 2010, 375,000 expire on July 1, 2010, and the remaining 550,000 expire on March 17, 2013. The Company applies the fair value method of accounting for stock-based compensation awards. During the year ended July 31, 2008, stock-based compensation expense was $586,885 (2007: $184,195) which was calculated based on the vesting provisions relating to options granted during the years ended July 31, 2008 and 2007.

The fair value of stock options was determined using the Black-Scholes Option Pricing Model with assumptions as follows:

	Year ended July 31, 2008	Year ended July 31, 2007
Risk-free interest rate	2.7% - 4.18%	3.89 – 4.18%
Estimated volatility	69% - 98%	101 – 154%
Expected life of options	1 year – 5 years	2 – 5 years
Expected dividend yield	0%	0%

The weighted average fair value of options granted during the year ended July 31, 2008 is $0.07 (2007: $0.15).

7. SHARE CAPITAL – Notes 6 and 12, continued

c) Stock Options, continued

A summary of the movements in stock options during the year ended July 31, 2008 and 2007 are as follows:

	Year ended July 31, 2008		Year ended July 31, 2007	
	Shares #	Weighted Average Exercise price	Shares #	Weighted Average Exercise price
Stock options outstanding, beginning of year	5,260,000	$0.13	1,925,000	$0.14
Granted	1,790,000	$0.15	3,910,000	$0.13
Exercised	(200,000)	$0.10	(275,000)	$0.10
Expired or cancelled	(2,380,000)	$0.14	(300,000)	$0.15
Stock options outstanding, end of year	4,470,000	$0.14	5,260,000	$0.13
Stock options exercisable, end of year	4,095,000	$0.14	1,803,333	$0.14

d) Share Purchase Warrants

As at July 31, 2008 the following share purchase warrants are outstanding that are exercisable into an equal number of common shares:

Number of Warrants	Exercise Price	Expiry
6,277,775 (1) (2)	$0.40	September 27, 2008
627,777 (1)	$0.18	September 27, 2008
1,393,501 (2)	$0.40	December 5, 2008
2,250,367	$0.22	December 31, 2008
10,549,420		

(1) Subsequent to July 31, 2008, these warrants expired unexercised.

(2) These warrants entitle the holder to purchase a unit consisting of one share and one warrant exercisable at $0.30 per share for the first year and $0.40 per share for the second year.

7. SHARE CAPITAL – Notes 6 and 12, continued

e) Share Purchase Warrants, continued

A summary of the movements in share purchase warrants during the year ended July 31, 2008 and 2007 are as follows:

	Year ended July 31, 2008			Year ended July 31, 2007		
	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Share purchase warrants outstanding, beginning of year	12,299,053	$0.30	0.35	3,166,667	$0.30	-
Expired	4,000,000	$0.15	-	(3,166,667)	$0.30	-
Exercised	-	-	-	-	-	-
Issued	2,250,367	$0.21	0.42	12,299,053	$0.25	0.35
Share purchase warrants outstanding, end of year	10,549,420	$0.29	0.39	12,299,053	$0.25	0.35

During the year ended July 31, 2008, a fair value of $22,898 (2007: $nil) was recognized in the financial statements as finder's fees in connection with the private placement in which finders were issued 262,033 (2007: none) warrants. The fair value of the warrants was determined using the Black-Scholes Option Pricing Model with assumptions as follows:

	Year ended July 31, 2008	Year ended July 31, 2007
Risk-free interest rate	3.78%	-
Estimated volatility	70%	-
Expected life of options	1 year	-
Expected dividend yield	0%	-

The weighted average fair value of finder's warrants issued during the year ended July 31, 2008 is $0.04 (2007: $nil).

8. CONTRIBUTED SURPLUS

Balance, August 1, 2006	$ 130,136
Stock-based compensation	184,195
Reclassification to share capital on exercise of stock options	(8,279)
Balance, July 31, 2007	306,052
Stock-based compensation	586,885
Finders' warrants issued	22,898
Reclassification to share capital on exercise of stock options	(21,815)
Balance, July 31, 2008	$ 894,020

9. RELATED PARTY TRANSACTIONS – Note 6

Related parties are directors and companies controlled by the directors. The following transactions were incurred:

	Year Ended July 31, 2008	2007
Management fees, to officers of the Company	$ 122,000	$ -
Management fees, to companies controlled by directors or officers of the Company	76,500	164,500
Management fees, to former officers of the Company	36,250	-
Consulting fees, to companies controlled by directors or officers of the Company	-	20,000
Professional fees, to an officer of the Company	26,750	-
Exploration fees, to a company with a common director	196,450	-
Administrative fees, to a relative of a former director of the Company	14,000	5,353
Occupancy costs, to a company with a common director	5,671	12,960
	$ 477,621	$ 202,813

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Accounts payable and accrued liabilities includes $715,622 (2007 - $Nil) due to companies with directors in common with the Company.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.

11. INCOME TAX

The reconciliation of income tax benefit computed at statutory rates to the reported income tax benefit is as follows:

	2008	2007
Income (loss) before income taxes	$ (1,996,381)	$ (1,065,411)
Statutory income tax rate	32.51%	34.12%
Expected tax recovery on loss	$ (649,000)	$ (364,000)
Differences due to recognition of items for tax purposes		
Share issue costs	(32,000)	-
Stock-based compensation	191,000	70,000
Effect of reduction in statutory income tax rate	379,000	-
Non-capital losses carry forward	210,000	230,000
Recovery of valuation allowance on exploration expenditures renounced	-	(407,139)
Change in valuation allowance	(99,000)	-
Actual income tax recovery	$ -	$ 471,139

11. INCOME TAX, continued

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2008	2007
Future income tax assets (liabilities)		
Non-capital loss carry-forwards	$ 833,000	$ 996,000
Capital loss carry-forwards	322,000	423,000
Share issue costs	64,000	67,000
Exploration and development expenses	(114,000)	(282,000)
Capital assets	6,000	6,000
Valuation allowance for future income tax assets	(1,111,000)	(1,210,000)
	$ -	$ -

The Company has a non-capital tax loss carry forward of $3,202,000 available to reduce future taxable income. The loss expires as follows:

	$
2009	334,000
2010	196,000
2014	192,000
2015	434,000
2026	396,000
2027	559,000
2028	1,091,000
	3,202,000

The Company has capital losses of $2,477,000 to be applied against future capital gains. These losses can be carried forward indefinitely.

The Company has Canadian Exploration and Development Expenditures totaling $4,833,000 that are available to reduce future taxable income.

The tax benefits of these losses are not reflected in these financial statements.

During the year ended July 31, 2008, the Company issued 7,666,667 (2007: 7,671,276) flow-through shares for proceeds of $1,150,000 (2007: $1,380,830). The proceeds from these share issues must be used for qualifying exploration expenditures, which will be renounced by the Company in favour of the investors purchasing such shares, and such expenditures are not available to the Company. As at July 31, 2008, cash included funds to be used for qualifying exploration expenditures. During the year ended July 31, 2008, the Company renounced $nil (2007: $1,380,830) of qualifying expenditures. The Company recorded a recovery of future income tax assets with a corresponding reduction in share capital of $nil (2007: $471,139) with respect to the renunciation.

12. NON-CASH TRANSACTIONS

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statements of cash flows. The following transactions have been excluded from the statement of cash flows.

During the year ended July 31, 2008, the Company issued shares valued at a total of $636,722 and recorded an obligation to issue shares of $135,000 for resource property acquisition costs. Of this, $16,500 was in relation to the Fran property, $288,889 was in relation to the Lancer property, $135,000 was in relation to the Tungsten property, $233,333 was in relation to the WAU property and the remaining $98,000 was in relation to the Whitehorse Copper property. The fair value of common shares issued on acquisition of resource properties was determined by the trading price of the Company's shares on the date they were issued. Unpaid deferred exploration and mineral property acquisition costs in accounts payable and accrued liabilities amounted to $535,970. Unpaid exploration data costs in accounts payable and accrued liabilities amounted to $70,000. Upon exercise of stock options, $21,815 was reclassified from contributed surplus to share capital.

During the year ended July 31, 2007, the Company issued 450,000 common shares valued at $93,750 pursuant to the acquisition of resource properties. The fair value of common shares issued on acquisition of resource properties was determined by the trading price of the Company's shares on the date they were issued. Deferred exploration costs in accounts payable and accrued liabilities amounted to $176,988. Upon exercise of stock options, $8,279 was reclassified from contributed surplus to share capital.

13. CONCENTRATION RISK

Credit and Liquidity risk

The Company does not believe it is subject to any significant credit or liquidity risk.

Currency risk

The Company does not believe it is exposed to significant currency risk as funds are held in Canadian currency and there are no significant foreign currency transactions.

Interest rate risk

The Company is exposed to the risk that the value of financial instruments will change due to movement in market interest rates. The Company does not hold interest-bearing debt with long-term maturities and therefore does not believe that interest rate risk is significant. The Company does not use derivative instruments to reduce its interest rate risk as the Company's management believes that the likely financial impact of interest rate changes does not justify using derivatives.