

**ROCHER DEBOULE MINERALS CORP.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**JULY 31, 2008**

**and**

**JULY 31, 2007**

# **DE VISSER GRAY LLP**

## **CHARTERED ACCOUNTANTS**

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### **AUDITORS' REPORT**

To the Shareholders of Rocher Deboule Minerals Corp.

We have audited the consolidated balance sheets of Rocher Deboule Minerals Corp. as at July 31, 2008 and 2007 and the consolidated statements of operations, 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 consolidated 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 operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"De Visser Gray LLP"

### **CHARTERED ACCOUNTANTS**

Vancouver, British Columbia  
November 21, 2008

**ROCHER DEBOULE MINERALS CORP.**

Consolidated Balance Sheets

As at July 31,

	<u>2008</u>	<u>2007</u>
<b>A S S E T S</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 156,861	\$ 466,206
Amounts receivable	58,274	14,869
Prepaid expenses	2,600	74,205
	<u>217,735</u>	<u>555,280</u>
Equipment (Note 3)	16,188	234
Reclamation bond	10,500	5,000
Mineral property interests (Note 4)	<u>3,019,014</u>	<u>1,029,168</u>
	<u>\$ 3,263,437</u>	<u>\$ 1,589,682</u>
<b>L I A B I L I T I E S</b>		
<b>Current</b>		
Accounts payable and accruals	\$ 411,059	\$ 373,116
Due to related parties	38,610	-
	<u>449,669</u>	<u>373,116</u>
<b>S H A R E H O L D E R S ' E Q U I T Y</b>		
Share capital (Note 5)	9,236,080	6,543,550
Contributed surplus (Note 5)	910,850	-
Deficit	<u>(7,333,162)</u>	<u>(5,326,984)</u>
	<u>2,813,768</u>	<u>1,216,566</u>
	<u>\$ 3,263,437</u>	<u>\$ 1,589,682</u>

**Continuance** (Note 1)**Contingencies** (Note 7)**Subsequent events** (Note 8)

Approved on Behalf of the Board of Directors:

"Larry W. Reaugh"

Director

"Ed Lee"

Director

See notes to the financial statements

**ROCHER DEBOULE MINERALS CORP.**  
Consolidated Statements of Operations and Deficit  
For the Years Ended July 31,

	<u>2008</u>	<u>2007</u>
<b>Administrative Expenses</b>		
Amortization	\$ 2,875	\$ 3,935
Bank charges and interest	2,503	1,127
Consulting fees	213,059	6,350
Management fees	58,988	23,566
Office rental and services	158,464	27,060
Professional fees	163,850	40,205
Shareholder communications	289,122	71,059
Property taxes	-	988
Office rent	7,394	2,965
Repairs and maintenance	1,320	2,857
Filing and transfer agent fees	38,797	44,327
Telephone	15,210	3,159
Travel	60,007	1,436
Wages and benefits	202,823	38,496
Loss on foreign exchange	21,228	164
Stock compensation expense	<u>808,650</u>	<u>-</u>
<b>Loss before interest income</b>	(2,044,290)	(267,694)
Interest income	<u>38,112</u>	<u>4,643</u>
<b>Net Loss for the Year</b>	(2,006,178)	(263,051)
<b>Deficit – Beginning of Year</b>	<u>(5,326,984)</u>	<u>(5,063,933)</u>
<b>Deficit – End of Year</b>	<u>\$ (7,333,162)</u>	<u>\$ (5,326,984)</u>
<b>Basic and Diluted Loss Per Share</b>	<u>\$ (0.07)</u>	<u>\$ (0.01)</u>
<b>Weighted Average Number of Shares Outstanding</b>	<u>28,463,852</u>	<u>19,007,078</u>

See notes to the financial statements

**ROCHER DEBOULE MINERALS CORP.**

## Consolidated Statements of Cash Flows

For the Years Ended July 31,

	<u>2008</u>	<u>2007</u>
<b>Cash Provided by (Used for):</b>		
<b>Operating Activities</b>		
Net loss for the year	\$ (2,006,178)	\$ (263,051)
Items not requiring cash:		
Amortization	2,875	3,935
Stock-based compensation	808,650	-
	<u>(1,194,653)</u>	<u>(259,116)</u>
Net change in non-cash working capital items:		
Accounts receivable	(43,405)	(13,649)
Accounts payable and accruals	37,210	(71,467)
Bonus payable	-	(13,800)
Due to related parties	38,610	(38,531)
Loans payable	-	(46,000)
Prepaid expenses	71,605	(73,705)
	<u>(1,090,633)</u>	<u>(516,268)</u>
<b>Investing Activities</b>		
Purchase of equipment	(18,829)	-
Reclamation bonding	(5,500)	(5,000)
Mineral property expenditures	(1,786,613)	(343,599)
	<u>(1,810,942)</u>	<u>(348,599)</u>
<b>Financing Activities</b>		
Issuance of share capital, net	2,592,230	1,016,743
<b>(Decrease) / Increase in Cash</b>	(309,345)	151,876
<b>Cash – Beginning of Year</b>	466,206	314,330
<b>Cash – End of Year</b>	\$ <u>156,861</u>	\$ <u>466,206</u>

**\*Supplementary disclosure of non-cash investing and financing activities:**

Shares issued pursuant to mineral property agreements	\$ 202,500	\$ 648,050
Shares issued for settlement of debt	\$ -	\$ 701,676
Fair value of broker warrants granted	\$ 102,200	\$ -
Accounts payable related to mineral property expenditures	\$ 733	\$ -

See notes to the financial statements

**ROCHER DEBOULE MINERALS CORP.**  
**Notes to the Consolidated Financial Statements**  
July 31, 2008 and 2007

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**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated on July 8, 1987 and on September 1, 2006 changed its name from Ameridex Minerals Corp to Rocher Deboule Minerals Corp. and commenced trading on the TSX Venture Exchange, NEX Board. During the current fiscal year, the Company's application for Tier 2 (from NEX) was accepted by the TSX Venture Exchange. The Company's trading symbol is RD.

The Company is in the exploration stage of developing mineral property interests.

The Company has incurred losses since its inception and at July 31, 2008 has a working capital deficiency of \$231,934 and an accumulated operating deficit of \$7,333,162 (2007 - \$5,326,984). The Company does not generate cash flow from operations to fund its exploration activities and has therefore relied principally upon the issuance of equity securities for financing. The Company intends to continue relying upon the issuance of these securities to finance its operations and exploration activities to the extent such instruments are issuable under terms acceptable to the Company. Accordingly, the Company's financial statements are presented on a going concern basis, which assumes that the Company will continue to realize its assets and discharge its liabilities in the normal course of operations. If future financing is unavailable, the Company may not be able to meet its ongoing obligations, in which case the realizable values of its assets may decline materially from current estimates.

Refer to note 8.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of presentation**

These consolidated financial statements include the accounts of the company and its wholly owned subsidiary, incorporated in the State of Nevada U.S. All significant intercompany transactions have been eliminated.

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses incurred during the periods. Actual results could differ from those estimated.

**Mineral properties and deferred costs**

The cost of mineral properties and their related direct exploration costs are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful life of the properties following the commencement of production, or written-off if the properties are sold or abandoned.

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

### **Mineral properties and deferred costs** *(continued)*

Cost includes the cash consideration and the fair market value of any shares issued on the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

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

Administrative costs are expensed as incurred.

### **Cost of maintaining mineral properties**

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

### **Fair value of financial instruments**

The Company's financial instruments consist of current assets and current liabilities, exclusive of prepaid expenses. The fair values of the current assets and liabilities approximate their carrying amounts due to the short-term nature of these instruments.

### **Share capital**

Share capital issued for non-monetary consideration is recorded at the fair market value of the shares based on their trading price on the TSX Venture Exchange on the date the agreement to issue the shares was entered into as determined by the Board of Directors of the Company.

Costs incurred to issue shares are deducted from share capital.

### **Equipment**

Equipment is amortized over its estimated useful economic life using the declining balance method at annual rates ranging from 20% to 100%. In the year of acquisition, one half the rate is applied.

### **Stock-based compensation**

The Company follows the Recommendation of the Canadian Institute of Chartered Accountants to account for stock-based compensation. These Recommendations require that all stock based awards made be measured using a fair value-based method, with the related expense recognized as the awards vest with the recipients.

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

### **Future income taxes**

The Company accounts for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. Such an allowance has been applied to all potential income tax assets of the Company.

### **Environmental expenditures**

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. The overall future impact of such regulations is neither determinable nor predicable at the present time.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs will be recognized when the ultimate liability is reasonably determinable, and will be charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

### **Foreign currency translation**

The Company translates its foreign operations for monetary assets and liabilities at the rate of exchange in effect as at the balance sheet date and for non-monetary assets and liabilities at their historical exchange rates. Revenues and expenses are translated at the average rates prevailing for the year, except for amortization that is translated at the historical rate of the related assets.

Foreign exchange gains and losses from the translation of foreign operations are recognized in the current period.

### **Loss per share**

Loss per share has been calculated using the weighted-average number of common shares outstanding during each fiscal year. Diluted loss per share has not been calculated as it is anti-dilutive.

### **New accounting policies**

Effective July 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income; Section 3251 Equity, Section 3855, Financial Instruments – Recognition and Measurement; and Section 3865, Hedges, retroactively without restatement. These new CICA Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition of financial instruments and on the use of hedge accounting.

(a) Section 1530 – Comprehensive Income: 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 refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of this Handbook Section has no impact on opening deficit.



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

### **New accounting policies** *(continued)*

(b) Section 3855 – Financial Instruments – Recognition and Measurement: Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet, and whether fair value or cost-based measures are used to measure the recorded amounts. Financial instruments must be classified into one of these 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 in the balance sheet 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 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 income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

The Company has designated its cash and short-term investments as held-for-trading, which are measured at fair value and accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and due to/from related parties are classified as other financial liabilities. The Company had neither available-for-sale or held-to-maturity instruments during the year ended July 31, 2008.

(c) Section 3865 – Hedges: Section 3865 is applicable when an entity chooses to designate a hedging relationship for accounting purposes. It specifies how hedge accounting is applied and what disclosures are necessary when it is applied. The adoption of this standard has no present impact as the Company is not currently engaged in any hedging activity.

### **Comparative figures**

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

### **Asset retirement obligations**

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred and when a reasonable estimate of the fair value can be made based on expected future cash outflows discounted to present value.

The associated asset retirement costs are capitalized as part of the carrying amount of long lived assets. The liability is accreted over the estimated time period until settlement of the obligation and the asset is depreciated over its estimated remaining useful life. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability and the related capitalized asset retirement cost. The Company has no asset retirement obligations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Accounting policies not yet adopted

#### Capital disclosures

The CICA issued a new accounting standard, Section 1535, Capital Disclosures (“Section 1535”), which requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate the entity’s objectives, policies and processes for managing capital. Section 1535 specifies the disclosure of (i) an entity’s objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The new standard will be adopted by the Corporation effective August 1, 2008.

#### Financial instruments

The CICA issued two new accounting standards, section 3862, Financial Instruments – disclosures (“Section 3862”), and Section 3863, Financial Instruments – Presentation (“Section 3863”), which replace Section 3861. Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments. Section 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. These new standards will be adopted by the Corporation effective August 1, 2008.

#### Impact of adopting sections 1535, 3682 and 3863

Upon the adoption of the new standards, the Corporation will provide increased disclosure regarding management of capital, the nature and extent of risk arising from financial instruments and how the Corporation manages those risks.

#### International financial reporting standards

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to the fiscal years beginning on or after January 1, 2011, and in April 2008. The AcSB issued for comment its omnibus Exposure Draft, Adopting IFRS in Canada. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators.

The Corporation is currently in the process of developing an IFRS Conversion Plan and evaluating the impact of the transition to the IFRS.

## 3. EQUIPMENT

				2008	2007
	Amortization		Accumulated	Net	Net
	Rate	Cost	Amortization	Book	Book
				Value	Value
Office Equipment	20%	\$ 1,426	\$ 1,269	\$ 157	\$ 196
Motor Vehicle	30%	18,828	2,824	16,004	-
Computer Equipment	30%	1,851	1,824	27	38
Software	100%	7,444	7,444	-	-
		<u>\$ 29,549</u>	<u>\$ 13,361</u>	<u>\$ 16,188</u>	<u>\$ 234</u>

#### 4. RESOURCE PROPERTIES

##### **Rocher Deboule Omineca Mining Division, Hazelton, B.C.**

The Company's 8,051 hectare property is located nine kilometers south of New Hazelton, BC, and is comprised of claims acquired by staking in 2001, and certain additional claims acquired in 2007 by the cash payment of \$60,000 and the issuance of 130,000 common shares.

	<u>Balance, July 31, 2006</u>	<u>Expenditures</u>	<u>Balance, July 31, 2007</u>	<u>Expenditures</u>	<u>Balance, July 31, 2008</u>
Acquisition and staking	\$ 11,295	\$ 107,005	\$ 118,300	\$ 10,584	\$ 128,884
Assays and analysis	1,136	355	1,491	33,547	35,038
Camp and supplies	66	-	66	57,828	57,894
Drilling	-	-	-	146,826	146,826
Geological and geophysical	21,463	182,962	204,425	214,597	419,022
Geologist travel and accommodation	1,930	-	1,930	6,001	7,931
Freight and transport	1,629	-	1,629	71,524	73,153
	<u>\$ 37,519</u>	<u>\$ 290,322</u>	<u>\$ 327,841</u>	<u>\$ 540,907</u>	<u>\$ 868,748</u>

##### **Artillery Mountains Mohave County, Arizona, U.S.A.**

During fiscal 2008 the Company completed the terms of its option to acquire 236 unpatented lode mining claims located in the southeastern corner of Mohave County, Arizona, USA, by the issuance of 1,000,000 common shares and the payment of US \$96,000. The property is subject to a 2% Net Smelter Returns ('NSR') royalty with an option to purchase 1% of the NSR for US \$ 2,000,000.

	<u>Balance, July 31, 2006</u>	<u>Expenditures</u>	<u>Balance, July 31, 2007</u>	<u>Expenditures</u>	<u>Balance, July 31, 2008</u>
Acquisition and staking	\$ -	\$ 679,103	\$ 679,103	\$ 49,331	\$ 728,434
Assays and analysis	-	1,426	1,426	89,391	90,817
Drilling	-	-	-	669,054	669,054
Geological and geophysical	-	16,987	16,987	164,034	181,021
Geologist travel and accommodation	-	1,388	1,388	25,429	26,817
Property maintenance	-	-	-	30,022	30,022
	<u>\$ -</u>	<u>\$ 698,904</u>	<u>\$ 698,904</u>	<u>\$ 1,027,261</u>	<u>\$ 1,726,165</u>

4. **RESOURCE PROPERTIES** *(continued)*

**BC Manganese**

**Alberni and Clinton Mining Division, B.C.**

The Company acquired by staking the Black Prince, Junction Creek and Olson exploration properties located in the Alberni and Clinton Mining Divisions of British Columbia.

	<u>Balance, July 31, 2006</u>	<u>Expenditures</u>	<u>Balance, July 31, 2007</u>	<u>Expenditures</u>	<u>Balance, July 31, 2008</u>
Acquisition and staking	\$ -	\$ 1,477	\$ 1,477	\$ -	\$ 1,477
Geological and geophysical	-	946	946	-	946
	<u>\$ -</u>	<u>\$ 2,423</u>	<u>\$ 2,423</u>	<u>\$ -</u>	<u>\$ 2,423</u>

**Tam Property**

**Liard Mining Division, B.C.**

During the current year the Company obtained an option to acquire this property located in the Liard Mining Division of British Columbia by making total payments of \$300,000 and issuing 500,000 common shares in stages prior to August, 2011 (\$25,000 paid to date).

	<u>Balance, July 31, 2006</u>	<u>Expenditures</u>	<u>Balance, July 31, 2007</u>	<u>Expenditures</u>	<u>Balance, July 31, 2008</u>
Acquisition and staking	\$ -	\$ -	\$ -	\$ 182,500	\$ 182,500
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,500</u>	<u>\$ 182,500</u>

**Lonnie Brent**

**Omineca Mining, B.C.**

During the current year the Company acquired the mineral claims comprising this property located in the Omineca Mining Division of British Columbia by staking and also by the issuance of 100,000 common shares and the cash payment of \$10,000.

	<u>Balance, July 31, 2006</u>	<u>Expenditures</u>	<u>Balance, July 31, 2007</u>	<u>Expenditures</u>	<u>Balance, July 31, 2008</u>
Acquisition and s taking	\$ -	\$ -	\$ -	\$ 55,000	\$ 55,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,000</u>	<u>\$ 55,000</u>

**Canal Flats**

**Golden Mining Division, B.C.**

During the current year the Company obtained an option to acquire a property located in the Golden Mining Division of British Columbia by the payment of \$10,000 and the requirement to issue 50,000 shares (unissued) prior to December 31, 2008.

	<u>Balance, July 31, 2006</u>	<u>Expenditures</u>	<u>Balance, July 31, 2007</u>	<u>Expenditures</u>	<u>Balance, July 31, 2008</u>
Acquisition and s taking	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 10,000</u>

4. **RESOURCE PROPERTIES** (continued)

**Boundary Macklin Coal Field  
Manville Group, Saskatchewan, Canada**

The Company acquired these coal permits in Lower Cretaceous Mannville Group in Saskatchewan by the payment of \$170,000 and the requirement to issue 2,500,000 shares prior to December 31, 2008. Subsequent to year end the Company did not proceed with this acquisition. Refer to note 8 (c).

	<u>Balance, July 31, 2006</u>	<u>Expenditures</u>	<u>Balance, July 31, 2007</u>	<u>Expenditures</u>	<u>Balance, July 31, 2008</u>
Acquisition and s taking	\$ -	\$ -	\$ -	\$ 174,178	\$ 174,178
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,178</u>	<u>\$ 174,178</u>
<b>TOTALS</b>	<u><b>\$ 37,519</b></u>	<u><b>\$ 991,649</b></u>	<u><b>\$ 1,029,168</b></u>	<u><b>\$ 1,989,846</b></u>	<u><b>\$ 3,019,014</b></u>

5. **SHARE CAPITAL**

a) Authorized

100,000,000 common shares without par value

b) Issued and Outstanding

	<b>Number of Shares</b>	<b>Amount</b>	<b>Contributed Surplus</b>
Balance, July 31, 2006	3,734,131	\$ 3,824,881	\$ -
Private placement	10,000,000	1,000,000	-
Shares for debt settlement	7,016,761	701,676	-
Exercise of warrants	2,565,000	384,750	-
Shares for mineral properties	1,130,000	648,050	-
Cost of issuance - cash		(15,807)	-
Balance, July 31, 2007	<u>24,445,892</u>	<u>\$ 6,543,550</u>	<u>\$ -</u>
Exercise of warrants	7,403,333	1,110,500	-
Shares for mineral properties	450,000	202,500	-
Private placement	3,562,200	1,602,990	-
Cost of issuance - cash	-	(121,260)	-
Broker warrants granted – fair value	-	(102,200)	102,200
Stock based compensation	-	-	808,650
Balance, July 31, 2008	<u><u>35,861,425</u></u>	<u><u>\$ 9,236,080</u></u>	<u><u>\$ 910,850</u></u>

5. **SHARE CAPITAL** *(continued)*

c) During the current fiscal year, the Company completed a brokered private placement for 3,562,200 units at a price of \$0.45 per unit for aggregate proceeds of \$1,602,900. Each unit consists of one common share and one transferable common share warrant. Each warrant entitles the holder to purchase one common share for a period of two years at an exercise price of \$0.90 per share. The Company paid cash commission of 6% of the gross proceeds of the sale of the units and issued agents warrants equal to 10% of the number of units sold under the offering. Each agents warrant shall be exercisable to acquire one unit of the company on the same terms as the offering.

d) **Stock options**

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Remaining Life</b>	<b>Expiry Date</b>
Balance at July 31, 2007	-	\$ -		
Granted	2,075,000	0.55		March 1, 2010
Exercised	-	-		
Expired	-	-		
Balance at July 31, 2008	<u>2,075,000</u>	<u>\$ 0.55</u>	4.10 years	

The grant date fair value of options granted during the year ended July 31, 2008, was \$0.50 (2007 – nil).

The Company granted incentive stock options to purchase an aggregate of 2,075,000 shares in the capital stock of the Company. The option was granted for a period of five years commencing September 4, 2007 at \$0.55 per share. During the fiscal year under fair value based method, \$808,650 in compensation expense was recorded for options vested to directors, officers, employees and consultants. The fair value of the stock options granted was estimated on the date of the grant using Black-Scholes option pricing model using the assumptions shown in the following table.

	<b>2008</b>
Dividend yield	0%
Expected volatility	173.35%
Risk-free interest rate	4.08%
Expected live	3 years

## 5. SHARE CAPITAL (continued)

### e) Warrants

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life	Expiry Date
Balance at July 31, 2007	7,435,000	\$ 0.15		September 5, 2007
Granted – Private Placement	3,562,200 <sup>(1)</sup>	0.90		February 28, 2010
Granted - Broker warrants	356,220	0.90		February 28, 2010
Exercised	(7,403,333)	0.15		
Expired	(31,667)	0.15		
Balance at July 31, 2008	<u>3,918,420</u>	<u>\$ 0.90</u>	1.58 years	

(1) 3,562,200 purchase warrants were re-priced to \$0.45 on September 30, 2008.

The grant date fair value of broker warrants granted to agents during the year ended July 31, 2008 was \$0.29 per warrant (2007 - \$nil).

The fair value of broker warrants granted was estimated on the date of the grant using Black-Scholes option pricing model using the following assumptions shown in the following table.

	<u>2008</u>
Dividend yield	0%
Expected volatility	110.78%
Risk-free interest rate	2.65%
Expected live	2 years

## 6. INCOME TAXES

A reconciliation of income taxes at statutory rates is as follows:

	<u>2008</u>	<u>2007</u>
	\$	\$
Loss for the year	(2,006,178)	(263,051)
Expected income tax recovery	(640,429)	(89,742)
Net adjustment for deductible and non-deductible amounts	209,001	(332)
Unrecognized benefit of non-capital losses	431,428	90,074
	<u>-</u>	<u>-</u>

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

	<u>2008</u>	<u>2007</u>
Future income tax assets:	\$	\$
Mineral properties	115,500	720,000
Non-capital loss carry-forwards	634,100	355,000
Equipment	7,400	14,000
	<u>757,000</u>	<u>1,089,000</u>
Valuation allowance	(757,000)	(1,089,000)
Net future income tax assets	<u>-</u>	<u>-</u>

## **6. INCOME TAXES** *(continued)*

The Company has non-capital losses of approximately \$1.9 million (2007 - \$1.0 million), which are available to reduce future taxable income and which expire between 2008 and 2028. The Company also has mineral property expenditure pools of \$3.4 million (2007 - \$3.1 million) available to reduce taxable income in future years, subject to certain restrictions. The Company has not recognized any future benefit relating to these tax losses and resource deductions as it is not considered likely that they will be utilized.

## **7. CONTINGENCIES**

- a) A former lawyer for the Company is claiming for past legal fees, for which the Company has accrued \$358,742 in accounts payable, an amount which the Company disputes and intends to settle for a lesser amount or through legal action.
- b) The Company had a contingent liability for \$271,584 under a guarantee to a creditor from a prior business venture. No claim has ever been made under this guarantee and management believes it is not enforceable.

## **8. SUBSEQUENT EVENTS**

In addition to items mentioned elsewhere in these notes, the following occurred during the period subsequent to July 31, 2008:

- a) The Company terminated the property option on the Tam property, situated in the Liard Mining Division, located approximately 500 miles north of Liard Hot Springs, British Columbia.
- b) The Company closed its non-brokered private placement of 3,255,000 units at a price of \$0.20 per unit for aggregate proceeds of \$651,000. Each unit is comprised of one common share in the capital of the Company plus two year share purchase warrant. Each warrant entitles the holder to purchase one common share at a price of \$ 0.30 per share prior to October 7, 2010.
- c) The Company has announced the cancellation by the Saskatchewan government of the coal applications announced in the Company's July 16, 2008 press release. The property referred lies in the area of the Province set aside for the Crown. The Company will receive refund of all fees paid to the Saskatchewan government, totaling approximately \$66,647.
- d) The Company completed the assembly of its target properties in the Artillery Peak manganese district of Arizona. The Company now controls properties acquired through staking, a 100% acquisition, two joint ventures and two purchase agreements. The entire manganese district comprises 112 patented and 254 unpatented lode mining claims.
- e) The Company granted incentive stock options to purchase an aggregate of 4,050,000 shares in the capital stock of the Company.