Financial Statements

Plato Gold Corp.

For the Years Ended December 31, 2008 and 2007

INDEX

PLATO GOLD CORP

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and other financial information for this annual report were prepared by the management of Plato Gold Corp., reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors.

Management is responsible for the preparation of the financial statements and believes that they fairly represent the Company's financial position and the results of operations in accordance with Canadian generally accepted accounting principles. Management has included amounts in the Company's financial statements based on estimates, judgements, and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's books and records.

"Anthony J. Cohen"
President and CEO

"Greg K. W. Wong"
CFO

Toronto, Ontario
April 23, 2009

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AUDITORS' REPORT

To the Shareholders of
Plato Gold Corp.

We have audited the balance sheets of Plato Gold Corp. as at December 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 December 31, 2008 and 2007 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Smith Nixon LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
February 13, 2009

Plato Gold Corp.

Balance Sheets
As at December 31

	2008	2007
Assets		
Current Assets		
Cash	$ 52,967	$ 790,724
Other receivables	403,023	6,735
Deposits and prepaid expenses	4,775	-
	460,765	797,459
Mineral Properties and Deferred Exploration Costs (note 5)	3,645,980	2,869,553
Property, Plant and Equipment (note 6)	2,217	3,167
	$ 4,108,962	$ 3,670,179
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 311,842	$ 131,433
Note payable (note 7)	121,565	-
	433,407	131,433
Future Tax Liability (note 12)	93,943	-
	527,350	131,433
Shareholders' Equity		
Share Capital (note 8)	4,291,691	4,151,864
Warrants (note 9)	523,929	552,867
Stock Options (note 10)	542,927	501,042
Contributed Surplus (note 11)	381,211	214,555
Deficit	(2,158,146)	(1,881,582)
	3,581,612	3,538,746
	$ 4,108,962	$ 3,670,179

The accompanying notes form an integral part of these financial statements.
Approved on behalf of the Board

"Anthony J. Cohen", Director "Robert Van Tassell", Director

Plato Gold Corp.

Statements of Operations and Deficit
For the Years Ended December 31

	2008	2007
Revenue		
Interest income	$ 8,040	$ 10,666
Expenses		
Amortization	950	1,356
Consulting fees	114,775	129,350
Insurance	12,584	19,335
Interest and financing costs	36,111	1,429
Investor relations	49,589	30,000
Office and general	9,441	10,413
Professional fees	144,827	116,270
Publicity and advertising	10,870	11,900
Rent	24,000	22,641
Salaries and benefits	155,864	147,207
Stock-based compensation (note 10)	66,010	198,687
Transfer and filing fees	35,245	32,575
	660,266	721,163
Loss Before the Undernoted Item	(652,226)	(710,497)
Write-down of mineral properties and deferred exploration costs	-	(300)
Loss before Income Taxes	(652,226)	(710,797)
Future Income Tax Recoveries	375,662	365,459
Net loss for the Year	(276,564)	(345,338)
Deficit - Beginning of Year	(1,881,582)	(1,536,244)
Deficit - End of Year	$ (2,158,146)	$ (1,881,582)
Loss per Share - basic and diluted	$ -	$ (0.01)
Weighted Average Number of Common Shares Outstanding - basic and diluted	55,947,918	42,925,155

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

Plato Gold Corp.

Cash Flow Statements
For the Years Ended December 31

		2008		2007
Cash Flows from Operating Activities				
Net loss	$	(276,564)	$	(345,338)
Items not affecting cash				
Amortization		950		1,356
Stock-based compensation		66,010		198,687
Write-down of mineral properties		-		300
Future income tax recoveries		(375,662)		(365,459)
		(585,266)		(510,454)
Changes in non-cash working capital				
Other receivables		(178)		36,526
Deposits and prepaid expenses		(4,775)		34,976
Accounts payable and accrued liabilities		64,566		(32,545)
		(525,653)		(471,497)
Cash Flows from Financing Activities				
Proceeds from private placements		779,050		1,720,800
Share issuance costs		(71,025)		(154,269)
Due to related parties		-		(102,537)
Proceeds from note payable		125,000		-
Financing costs		(3,435)		-
		829,590		1,463,994
Cash Flows from Investing Activities				
Mineral properties and deferred exploration costs - net		(1,213,125)		(844,276)
Quebec Government exploration rebate		171,431		223,626
		(1,041,694)		(620,650)
Change in cash		(737,757)		371,847
Cash - beginning of year		790,724		418,877
Cash - end of year	$	52,967	$	790,724
Non-cash financing and investing activities				
Stock options granted to agent	$	8,085	$	107,397
Stock options granted to directors, officers and employees	$	-	$	198,687
Shares issued for acquisition of mineral properties	$	15,000	$	10,000

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

1. Nature of Operations

Plato Gold Corp. (the "Company") is an Ontario corporation formed by amalgamation on May 30, 2005.

The Company is a public junior gold exploration company with three projects. The first project is the Timmins Gold Project in Northern Ontario which includes five properties (Guibord, Harker, Harker-Garrison, Holloway and Marriott) in what is sometimes referred to as the Harker/Holloway gold camp located east of Timmins. The second project, the Val d'Or Project in Northern Quebec, includes 7 properties (Nordeau Bateman, Vauquelin, Pershing Denain, Vauquelin Pershing, Vauquelin Horseshoe, Hop O'My Thumb and Once Upon a Time). The third project, the Lolita Project in San Cruz, Argentina, includes three adjoining concessions in Southern Argentina where active exploration activities are underway by other international junior exploration companies.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain economic mineral reserves. Consequently, at December 31, 2008 the Company considers itself to be an exploration stage company.

2. Significant Accounting Policies

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

a) Basis of Presentation - Going Concern

These financial statements have been prepared on a going concern basis in accordance with GAAP. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced recurring losses and has experienced negative cash flows from operations over a number of years. As at December 31, 2008, the Company had $52,967 of cash. The Company expects to raise additional financing to meet its commitments regarding the mineral properties. However, the recent market turmoil and global economic slowdown has negatively affected the ability of the Company to secure equity financing through private placements.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of $2,158,146 as at December 31, 2008. The Company's continued existence is dependent upon its ability to raise additional capital and develop profitable operations. Management believes that it has the ability to raise the required additional funding. While management has been historically successful in raising the necessary capital, it cannot provide assurance that it will be able to execute on its business strategy or be successful in future financing activities.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments may be necessary in the carrying value of assets and liabilities and the balance sheet classifications used. These adjustments may be material.

2. Significant Accounting Policies (continued)

b) Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of operations during the reporting period. Significant estimates and assumptions include those related to the recoverability of resource properties, valuation of options and warrants and the ability to continue as a going concern. While management believes that the estimates and assumptions are reasonable, actual results could differ from those estimates.

c) Mineral properties and deferred exploration costs

The Company records its interests in mineral properties and deferred exploration expenditures at cost. Acquisition costs of resource properties together with direct exploration and development expenditures thereon are deferred in the accounts. When production is attained, these costs will be amortized on a units-of-production basis. If the properties are abandoned, sold or considered to be impaired in value, the costs of the properties and related deferred expenses will be written down at that time. When deferred expenditures on individual producing properties exceed the estimated net realizable value of undiscounted proven reserves, the properties are written down to the estimated fair value.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Senior management regularly reviews the carrying amount of mineral properties and deferred exploration and development costs to assess whether there has been any impairment in value.

d) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the declining-balance method at the following rates per annum:

Computer equipment	30%
Furniture and fixtures	30%

Additions during the year are amortized using the half year rule.

e) Flow-through Financing

The Company has financed a portion of its exploration activities through the issuance of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investors. Proceeds received on the issuance of such shares have been credited to capital stock. Related exploration expenditures have been charged to mineral properties and deferred exploration costs. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation reduce share capital.

2. Significant Accounting Policies (continued)

f) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using the substantively enacted tax rates expected to apply when these temporary differences are reversed. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

g) Stock-Based Compensation

The Company has one stock option plan that is described in note 10.

The Company uses the fair value method to account for stock options granted. Under the fair value method, the Company recognizes estimated compensation expense related to stock options over the vesting period of the options granted, with the related credit being allocated to stock options under shareholders' equity. Upon exercise of these stock options, amounts previously credited to stock options under shareholders' equity are reversed and credited to share capital.

h) Other Stock-Based Payments

The Company accounts for other stock-based payments based on the fair value of services granted or the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions as at the measurement date, whichever is the more reliably measurable.

i) Foreign Currency Translation

The Company translates monetary assets and liabilities at the rate of exchange in effect at the balance sheet date and non monetary assets and liabilities at historical exchange rates. Income and expenses are translated at average rates in the month they occur. Gains and losses on translation are recorded in loss from operations.

j) Asset Retirement Obligations

The Company is subject to the provisions of the Canadian Institute of Chartered Accounants ("CICA") Handbook Section 3110, Asset Retirement Obligations, which require the estimated fair value of any asset retirement obligations to be recognized as a liability in the period in which the related environmental disturbance occurs and the present value of the associated future costs can be reasonably estimated. As at December 31, 2008 and 2007 the company has not incurred and is not committed to any asset retirement obligations in respect of its mineral exploration properties.

k) Impairment of Long-Lived Assets

The Company periodically evaluates the recoverability of its long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when estimated future cash flows resulting for the use of an asset and its eventual disposition is less than it carrying amount.

2. Significant Accounting Policies (continued)

l) Loss Per Share

Loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. As the Company had a loss in each of the two years presented, basic and diluted loss per share are the same, as the exercise of all options and warrants would be anti-dilutive.

m) Related Party Transactions

All transactions with related parties are in the normal course of business and are measured at the exchange amount.

n) Financial Instruments

All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in the statement of operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses, included in the statement of comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

Cash	Held for trading
Accounts payable and accrued liabilities	Other liabilities
Note payable	Other liabilities

Transaction costs are expensed as incurred for financial instruments classified as held for trading. For other financial instruments, transaction costs are capitalized on initial recognition.

o) Comprehensive Income

The Company had no other comprehensive income or loss transactions during the years ending December 31, 2008 and 2007. Accordingly, a statement of comprehensive income has not been prepared.

3. New Accounting Policies

a) Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and, if it has not complied, the consequences of such non-compliance. Section 1535 is effective for the Company as of January 1, 2008. The Company has included these disclosures in note 15 to these financial statements.

b) Financial Instruments

CICA Handbook Section 3862, Financial Instruments - Disclosures, and CICA Handbook Section 3863, Financial Instruments - Presentation replace CICA Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing disclosure requirements while leaving presentation requirements unchanged. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Sections 3862 and 3863 were effective for the Company as of January 1, 2008. The Company has included these disclosures in note 14 to these financial statements

c) General Standards of Financial Statement Presentation

The CICA amended Handbook section 1400, Going concern, to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The Company has included the disclosure in note 2(a).

4. Future Accounting Changes

International Financial Reporting Standards (“IFRS”)

The CICA plans to converge Canadian Generally accepted Accounting Principles with IFRS which will be applicable to publicly accountable enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of IFRS on its financial statements.

Goodwill and Intangible Assets

The CICA approved Handbook Section 3064, “Goodwill and Intangible Assets” which replaces the existing Handbook Sections 3062, “Goodwill and Other Intangible Assets” and 3450, “Research and Development Costs”. The standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets. The Company is currently assessing the impact of this new accounting standard on its financial statements.

5. Mineral Properties and Deferred Exploration Costs

	December 31, 2008				
	Timmins Gold Project	Val d'Or Project	Lolita Project	Other	Total
Acquisition costs	$ 855	$ 192,950	$ 3,063	$ -	$ 196,868
Diamond drilling	6,455	884,123	-	-	890,578
Geochemical	-	59,375	-	-	59,375
Geology	-	152,305	-	-	152,305
Other	8,904	35,938	-	-	44,842
Current expenditures	16,214	1,324,691	3,063	-	1,343,968
Less Quebec Government exploration rebate	-	(567,541)[1]	-	-	(567,541)
Net current expenditures	16,214	757,150	3,063	-	776,427
Balance - beginning of year	1,458,947	1,365,220	45,386	-	2,869,553
Write-down of mineral properties	-	-	-	-	-
Balance - end of year	$ 1,475,161	$ 2,122,370	$ 48,449	$ -	$ 3,645,980

[1] Rebate includes an amount receivable of $396,110.

5. Mineral Properties and Deferred Exploration Costs (continued)

	December 31, 2007				
	Timmins Gold Project	Val d'Or Project	Lolita Project	Other	Total
Acquisition costs	$ 56,007	$ 81,238	$ 22,943	$ -	$ 160,188
Diamond drilling	6,359	347,682	-	-	354,041
Geochemical	-	33,148	-	-	33,148
Geology	1,387	103,266	22,443	-	127,096
Other	1,878	5,708	-	-	7,586
Current expenditures	65,631	571,042	45,386	-	682,059
Less Quebec Government exploration rebate	-	(223,626)	-	-	(223,626)
Net current expenditures	65,631	347,416	45,386	-	458,433
Balance - beginning of year	1,393,316	1,017,804	-	300	2,411,420
Write-down of mineral properties	-	-	-	(300)	(300)
Balance - end of year	$ 1,458,947	$ 1,365,220	$ 45,386	$ -	$ 2,869,553

a) Timmins Gold Project

The Timmins Gold Project is comprised of five properties along the Destor-Porcupine Fault Zone located east of Timmins. The properties are comprised of 4 leases and 117 claims for a total of 2,416 hectares in the region. Four properties are subject to a 2% net smelter returns royalty to a former director of the Company. The other property is subject to a 2% net metal royalty to the former owner.

b) Val d'Or Project

i) Globex Option

On August 8, 2006, the Company entered into an option agreement with Globex Mining Enterprises Inc. ("Globex") to acquire a 100% interest in mineral claims known as the Nordeau East and Nordeau West Property in Vauquelin Township, Quebec, and a 60% interest in certain contiguous mineral claims known as the Bateman Claims in Vauquelin Township, Quebec ("Nordeau Bateman Properties").

5. Mineral Properties and Deferred Exploration Costs (continued)

b) Val d'Or Project (continued)

i) Globex Option (continued)

As part of the original agreement, in order to acquire the interests in the Nordeau Bateman Properties , the Company agreed to pay Globex cash payments totalling $500,000 by December 31, 2007 (extended to June 30, 2008), of which $200,000 was paid in 2006 and $25,000 in 2007; issue 1,000,000 common shares to Globex at a deemed price of $0.16 per share (issued in 2006); incur exploration expenditures of $6,000,000 by December 31, 2008 and complete a bankable feasibility study by December 31, 2009. Globex would retain a 2% net metal royalty on all mineral productions as well as a 10% Net Profit Interest after the Company has first recouped out of the Net Profits from operations $5,000,000 of all monies expended for preproduction costs and/or operating costs.

On April 22, 2008, the Company amended the agreement so that the cash payments totalling $500,000 are due December 31, 2009. Further compensation payments of $75,000 will be due before December 31, 2010 and $100,000 before December 31, 2011, of which $150,000 was paid as of December 31, 2008. The amended total cash payment under the agreement is $675,000, of which $375,000 has been paid as of December 31, 2008.

As further compensation, the Company agreed to issue an additional 500,000 shares by December 31, 2008, 500,000 shares by December 31, 2009, 500,000 shares by December 31, 2010 and 500,000 shares by December 31, 2011. The amended total shares to be issued is 3,000,000 of which 1,500,000 have been issued as of December 31, 2008.

In addition, the exploration expenditure obligation of $6,000,000 (unchanged) has been extended to December 31, 2011, of which $638,932 was incurred in 2006, $474,092 in 2007 and $1,084,412 in 2008. A total of $2,197,436 (excluding 10 percent administration) has been spent to December 31, 2008. The bankable feasibility study has been extended to December 31, 2012.

ii) Manseau Option

On January 31, 2008, the Company entered into an option agreement to acquire a 100% interest in 19 claims in Cadillac and Bousquet Townships, Quebec, known as Once Upon a Time. The Company issued 125,000 shares and paid $10,000 as an initial payment and is obligated to issue an additional 225,000 shares, pay $15,000 and spend $1,000,000 on the project by January 31, 2011. Upon receipt of the annual Quebec Government rebate, the Company will pay in staged amounts a total of $135,000 representing 13.5% of the exploration expenditures to January 31, 2011. The agreement provides for a 2% Net Smelter Royalty which the Company can purchase for $1,000,000 prior to production and $2,000,000 after production.

5. Mineral Properties and Deferred Exploration Costs (continued)

b) Val d'Or Project (continued)

ii) Manseau Option (continued)

On December 1, 2008, the obligation dates for the expenditures on exploration work, the issuance of common shares, payments, and the further payment due upon receipt of the annual Quebec Government rebate, were all extended by one year. Spending and payment requirements are extended to January 31, 2012. Of the total spending requirement of $1,000,000, the amounts of $200,000, $300,000 and $500,000 will be spent on or before January 31, 2010, January 31, 2011 and January 31, 2012 respectively.

As at December 31, 2008, the Company has spent $14,000 of exploration expenditures.

iii) Staked Claims

As at December 31, 2008, the Company's staked claims consist of 5 properties known as Vauquelin, Pershing Denain (subject to a 2% net metal royalty), Vauquelin Pershing, Vauquelin Horseshoe and Hop O'My Thumb which are located in Vauquelin Township.

All 7 properties in the Val d'Or Project comprise 297 claims covering 5,925 hectares.

c) Lolita Project

On August 27, 2007, the Company entered into an agreement to acquire a 75% interest in 29,904 hectares known as the Lolita Property in Argentina. The Company is required to incur US$50,000 in initial expenditures before June 19, 2009. After the initial expenditures, a Joint Work Program for up to US$500,000 will be jointly developed and be financed 75% by the Company and 25% by the other party. The other party is obliged to fund 25% of the Joint Work Program or have its interest diluted on a pro-rata basis to a carried interest of 2%. The other party will retain a 2% net smelter royalty, which can be bought back by the Company for US$500,000.

As at December 31, 2008, the Company has incurred US$29,359 in initial expenditures.

6. Property, Plant and Equipment

	2008			2007		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer equipment	$ 2,879	$ 2,195	$ 684	$ 2,879	$ 1,902	$ 977
Furniture and fixtures	5,256	3,723	1,533	5,256	3,066	2,190
	$ 8,135	$ 5,918	$ 2,217	$ 8,135	$ 4,968	$ 3,167

7. Note Payable

On December 31, 2008, the Company borrowed $139,000 at an effective interest rate of 14.93% (coupon rate of 5%) per annum payable on the earlier of September 30, 2009 or receipt of the 2008 Quebec government exploration rebate. Financing fees of $17,435 which were paid to obtain this note, have been recorded as deferred financing costs against the liability and will be charged to interest expense over the term of the note.

8. Share Capital

a) Authorized:

Unlimited common shares
Unlimited preferred shares

b) Common Shares Issued and Outstanding:

	Number	Amount
Balance - December 31, 2006	37,709,019	$ 3,436,910
Issued for:		
Private placements	15,734,541	1,070,413
Mineral property acquisition	100,000	10,000
Tax effect of renunciation of flow-through shares	-	(365,459)
Balance - December 31, 2007	53,543,560	4,151,864
Issued for:		
Private placements	10,636,556	594,432
Mineral property acquisition	625,000	15,000
Tax effect of renunciation of flow-through shares	-	(469,605)
Balance - December 31, 2008	64,805,116	$ 4,291,691

c) 2008 Shares Issued

During the year ended December 31, 2008, the Company:

i) Issued 125,000 common shares with a fair value of $10,000 pursuant to an option agreement.

ii) Issued 2,555,556 flow-through units for cash proceeds of $250,000 pursuant to a private placement.

Each unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.15 per common share until July 31, 2010, at which time the warrants expire.

The fair values of the warrants were estimated at $49,199 and this amount has been allocated to the warrant component of the units.

8. Share Capital (continued)

c) 2008 Shares Issued (continued)

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	2.83%
Expected life	2.0 years
Expected volatility	78%

In conjunction with the financing, share issuance costs of $9,458 were paid. Compensation options were issued to acquire a total of 100,000 units exercisable at $0.10 per unit until July 31, 2010. The fair values of the options were estimated at $3,152 less $800 of issuance costs.

iii) Issued 2,500,000 flow-through units for cash proceeds of $250,000 pursuant to a private placement.

Each unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.15 per common share until September 4, 2010, at which time the warrants expire.

The fair values of the warrants were estimated at $50,782 and this amount has been allocated to the warrant component of the units.

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	2.73%
Expected life	2.0 years
Expected volatility	77%

In conjunction with the financing, share issuance costs of $12,338 were paid.

iv) Issued 2,126,000 flow-through units for cash proceeds of $106,300 pursuant to a private placement.

Each unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 per common share until November 12, 2010 at which time the warrants expire.

The fair values of the warrants were estimated at $16,753 and this amount has been allocated to the warrant component of the units.

8. Share Capital (continued)

c) 2008 Shares Issued (continued)

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	2.62%
Expected life	2.0 years
Expected volatility	123%

In conjunction with the financing, share issuance costs of $20,748 were paid. $7,718 of these share issuance costs were allocated to warrants. Compensation options were issued to acquire a total of 212,600 units exercisable at $0.05 per unit until November 12, 2010. The fair values of the options were estimated at $4,933.

v) Issued 455,000 flow-through units for cash proceeds of $22,750 pursuant to a private placement.

Each unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 per common share until November 19, 2010 at which time the warrants expire.

The fair values of the warrants were estimated at $3,497 and this amount has been allocated to the warrant component of the units.

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	2.62%
Expected life	2 years
Expected volatility	123%

In conjunction with the financing, share issuance costs of $16,495 were paid. $4,958 of these share issuance costs were allocated to warrants.

vi) Issued 3,000,000 flow-through units for cash proceeds of $150,000 pursuant to a private placement.

Each unit consists of one flow-through common share and one non flow-through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.10 per common share until December 24, 2010 at which time the warrants expire.

The fair values of the warrants were estimated at $9,553 and this amount has been allocated to the warrant component of the units.

8. Share Capital (continued)

c) 2008 Shares Issued (continued)

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	2.62%
Expected life	2.0 years
Expected volatility	164%

In conjunction with the financing, share issuance costs of $12,800 were paid. $3,800 of these share issuance costs were allocated to warrants.

vii) Issued 500,000 common shares with a fair value of $5,000 pursuant to an option agreement.

viii) Renounced Canadian exploration expenditures of $1,619,326 to the investors who had subscribed for the Company's flow-through shares in 2007 ("the renunciation"), resulting in a taxable temporary difference between the tax value and the carrying value of the Company's resource expenditures and creating a future income tax liability and a reduction to share capital.

d) 2007 Shares Issued

During the year ended December 31, 2007, the Company:

i) Issued 2,727,270 flow-through units for cash proceeds of $300,000 pursuant to a private placement.

Each unit consists of one flow-through common share and one non-flow through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per common share until February 19, 2008, and thereafter at $0.30 until February 19, 2009 at which time the warrants expire.

The fair values of the warrants were estimated at $88,724 and this amount has been allocated to the warrant component of the units.

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	4.24%
Expected life	2.0 years
Expected volatility	120%

8. Share Capital (continued)

d) 2007 Shares Issued (continued)

ii) Issued 1,000,000 units for cash proceeds of $100,000 pursuant to a private placement.

Each unit consists of one common share and one warrant. Each warrant will entitle the holder to purchase one common share at $0.15 until February 19, 2008 and thereafter $0.25 until February 19, 2009 at which time the warrants expire.

The fair values of the warrants were estimated at $32,715 and this amount has been allocated to the warrant component of the units.

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	4.24%
Expected life	2.0 years
Expected volatility	120%

In conjunction with the 2,727,270 flow-through units and the 1,000,000 units financing, share issuance costs of $60,239 were paid. Compensation options were issued to acquire a total of 372,727 units exercisable at $0.10 per unit until February 19, 2009. The fair values of the options were estimated at $53,917 and this amount has been allocated to the option component of the units. $10,000 of these share issuance costs have been allocated to warrants and $14,500 have been allocated to options.

iii) Issued 2,727,271 flow-through units for cash proceeds of $300,000 pursuant to a private placement.

Each unit consists of one flow-through common share and one non-flow-through common share purchase warrant. Each warrant will entitle the holder to purchase one common share at $0.20 until June 18, 2008 and thereafter $0.30 until June 18, 2009 at which time the warrants expire.

The fair values of the warrants were estimated at $82,281 and this amount has been allocated to the warrant component of the units.

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	4.24%
Expected life	2.0 years
Expected volatility	120%

8. Share Capital (continued)

d) 2007 Shares Issued (continued)

In conjunction with this financing, share issuance costs of $38,530 were paid. Compensation options were issued to acquire a total of 272,727 units exercisable at $0.11 per unit until June 18, 2009. The fair values of the options were estimated at $28,604 and this amount has been allocated to the option component of the units. $16,400 of these share issuance costs have been allocated to warrants and $7,600 have been allocated to options.

iv) Issued 100,000 common shares as payment for Timmins Gold Project claims.

v) Issued 9,280,000 flow-through units for cash proceeds of $1,020,800 pursuant to a private placement.

Each unit consists of one flow-through share and one non-flow-through common share purchase warrant. Each warrant will entitle the holder to purchase one common share at $0.20 until December 12, 2008 and thereafter $0.30 until December 12, 2009 at which time the warrants expire.

The fair values of the warrants were estimated at $255,001 and this amount has been allocated to the warrant component of the units.

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	4.24%
Expected life	2.0 years
Expected volatility	120%

In conjunction with this financing, share issuance costs of $55,500 were paid. Compensation options were issued to acquire a total of 248,181 units exercisable at $0.11 per unit until December 12, 2009. The fair values of the options were estimated at $24,876 and this amount has been allocated to the option component of the units. $15,000 of these share issuance costs have been allocated to warrants and $6,700 have been allocated to options.

vi) Renounced Canadian exploration expenditures of $1,011,792 to the investors who had subscribed for the Company's flow-through shares in 2006 ("the renunciation"), resulting in a taxable temporary difference between the tax value and the carrying value of the Company's resource expenditures and creating a future income tax liability and a reduction to share capital.

As at December 31, 2007, the Company has sufficient unused tax losses and deductions ("losses") to offset the future income tax liability resulting from the renunciation and no future income tax assets have been previously recognized on such losses; therefore, future income tax recoveries of $365,459 related to these losses were recognized and recorded as income during the year ended December 31, 2007 to offset the future income tax liability.

9. Warrants

	Number	Amount	Weighted Average Exercise Price
Balance - December 31, 2006	4,083,332	$ 135,246	$ 0.23
Issued	15,734,541	417,621	0.30
Balance - December 31, 2007	19,817,873	552,867	0.28
Issued	10,636,556	106,308	0.12
Expired	(4,083,332)	(135,246)	(0.23)
Balance - December 31, 2008	26,371,097	$ 523,929	$ 0.23

As at December 31, 2008, the following common share purchase warrants ("warrants") were issued and outstanding:

a) 2,727,270 warrants entitling the holder to purchase one common share at $0.30 until February 19, 2009.

b) 1,000,000 warrants entitling the holder to purchase one common share at $0.25 until February 19, 2009.

c) 2,727,271 warrants entitling the holder to purchase one common share at $0.30 until June 18, 2009.

d) 9,280,000 warrants entitling the holder to purchase one common share at $0.30 until December 12, 2009.

e) 2,555,556 warrants entitling the holder to purchase one common share at $0.15 until July 31, 2010.

f) 2,500,000 warrants entitling the holder to purchase one common share at $0.15 until September 4, 2010.

g) 2,126,000 warrants entitling the holder to purchase one common share at $0.10 until November 12, 2010.

h) 455,000 warrants entitling the holder to purchase one common share at $0.10 until November 19, 2010.

i) 3,000,000 warrants entitling the holder to purchase one common share at $0.10 until December 24, 2010.

10. Stock Options

a) The Board of Directors has adopted a stock option plan for the Company (the "Plan"). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase shares to directors, officers, employees and consultants of the Company.

Under the Plan, the aggregate number of shares to be issued upon the exercise of options granted thereunder may not exceed 10% of the number of issued and outstanding shares at the time of granting the options. Options shall expire no later than five years after the date of grant.

The exercise price of options granted pursuant to the Plan shall be established based on the average closing price of the shares for the five days prior to the date of grant or such other method of pricing as may be acceptable to the stock exchange on which the shares are listed.

b) A summary of changes to stock options is as follows:

	Number	Amount	Weighted Average Exercise Price
Balance - December 31, 2006	4,229,933	$ 282,910	$ 0.158
Granted/vested	1,600,000	198,687	0.100
Agent's options granted	893,635	78,497	0.106
Expired	(621,600)	(59,052)	(0.250)
Balance - December 31, 2007	6,101,968	501,042	0.126
Granted/vested	600,000	66,010	0.100
Agent's options granted	312,600	7,285	0.066
Expired	(658,333)	(31,410)	(0.106)
Balance - December 31, 2008	6,356,235	$ 542,927	$ 0.122

c) During the year ended December 31, 2008, the Company:

i) Granted 350,000 stock options to a consultant to the Company as compensation for services. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.10 per share until March 28, 2013. Options vested upon grant. The estimated fair value of $19,820 is included in stock based compensation.

The fair value of stock options to the consultant was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	2.60%
Expected life	2.0 years
Expected volatility	118%

10. Stock Options (continued)

ii) Granted 250,000 stock options to an investor relations firm in exchange for services. Each option entitles the holder to purchase one share of the company's common stock at a price of $0.10 per share until August 26, 2010. 25% of these options are vested at the date of grant and the remainder vest at the rate of 25% every four months following the date of grant. The estimated fair value was $7,881, of which $3,940 is included in stock-based compensation. On January 12, 2009, these options expired.

The fair value of stock options to the investor relations firm was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	2.83%
Expected life	1.0 years
Expected volatility	119%

d) During the year ended December 31, 2007, the Company:

i) Granted 1,200,000 stock options to directors, officers and employees on December 18, 2007. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.10 per share until December 18, 2012. Options vested upon grant. The estimated fair value of $69,594 has been included in stock based compensation. As at December 31, 2008, 50,000 of these options expired.

The fair value of stock options to directors, officers and employees was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	4.24%
Expected life	2.0 years
Expected volatility	120%

ii) Granted 400,000 stock options to a consulting firm in exchange for public relations services. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.10 per share until June 4, 2009. 25% of these options are vested at the date of grant, and the remainder vest at the rate of 25% every six months following the date of grant. As at December 31, 2008, these options expired.

The fair value of stock options to the consulting firm was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	4.24%
Expected life	2.0 years
Expected volatility	120%

10. Stock Options (continued)

e) As at December 31, 2008 the following options were outstanding:

	Number of Options		
Exercise Price	**Unvested**	**Vested**	**Expiry Date**
$ 0.10		1,150,000	December 18, 2012
$ 0.11	-	272,727	June 18, 2009
$ 0.105	-	1,800,000	November 16, 2011
$ 0.11	-	248,181	December 12, 2009
$ 0.175	-	900,000	April 5, 2011
$ 0.10	-	372,727	February 19, 2009
$ 0.20	-	700,000	September 1, 2010
$ 0.10	-	350,000	March 28, 2013
$ 0.10	-	100,000	July 31, 2010
$ 0.10	125,000	125,000	August 26, 2010
$ 0.05	-	212,600	November 12, 2010
	125,000	6,231,235	

11. Contributed Surplus

	2008	2007
Balance - beginning of year	$ 214,555	$ 155,503
Expiry of warrants	135,246	-
Expiry of options	31,410	59,052
Balance - end of year	$ 381,211	$ 214,555

12. Income Taxes

a) Income tax recovery attributable to the loss differs from the amounts computed by applying the combined federal and provincial tax rates of 33.50% (2007 - 36.12%) to the pretax loss as a result of the following:

	2008	2007
Loss for the year before income taxes	$ (652,226)	$ (710,797)
Income tax recovery computed at statutory rates	(218,496)	(256,740)
Permanent differences		
Stock-based compensation	22,113	71,766
Renunciation to flow through shareholders	469,605	365,459
Difference in tax rates	72,870	-
Non-capital losses not recognized	-	184,974
Other	29,570	-
	$ 375,662	$ 365,459

b) The income tax effects of temporary differences that give rise to significant portions of the future income tax assets and future income tax liabilities as at December 31, 2008 and 2007 are presented below:

	2008	2007
Future income tax assets (liabilities):		
Canadian exploration expenses	$ (988,572)	$ (518,079)
Non-capital loss carryforwards	791,400	552,982
Share issuance costs	102,170	138,625
Property, plant and equipment	1,059	-
	(93,943)	173,528
Less: valuation allowance	-	(173,528)
Net future income tax liability	$ (93,943)	$ -

As at December 31, 2008 there was a future tax liability of $93,948 (2007 - nil). The tax effect of resource expenditures renounced to shareholders in 2008 of $469,605 has been deducted from share capital. A difference in the amount of $375,662 between the tax effect of resource expenditures renounced and future tax liability has been recognized in the income statement as a reversal of a prior year valuation allowance.

12. Income Taxes (continued)

c) As at December 31, 2008, the Company had non-capital loss carryforwards of approximately $2,728,000 which are available to reduce taxable income of future years and expire as follows:

2010	$ 46,000
2014	213,000
2015	68,000
2015	325,000
2026	590,000
2027	700,000
2028	786,000
	$ 2,728,000

The benefit of these losses has been recognized in these financial statements to offset the future income tax liability arising as a result of renunciation of resource expenditures.

d) As at December 31, 2008, the Company has cumulative Canadian exploration expenses of $nil (2007 - $317,000) and cumulative Canadian development expenses of $959,923 (2007 - $766,000) .

e) As at December 31, 2008, the Company has unused tax losses and deductions ("losses") to offset a portion of the future income tax liability resulting from the renunciation; therefore, future income tax recoveries of $375,662 related to these losses were recognized and recorded as income during the year ended December 31, 2008 to partially offset the future income tax liability, resulting in a net future tax liability of $93,948.

13. Related Party Transactions

During the year ended December 31, 2008 the Company:

a) incurred rent of $24,000 (2007 - $22,641) with a related company. The Company and the related company have an officer in common. This officer is also a director and shareholder of both companies.

b) incurred consulting fees of $81,648 (2007 - $75,600) with one of the Company's officers.

c) incurred consulting fees of $5,670 (2007 - $5,250) with one of the Company's directors.

d) incurred accounting fees of $91,634 (2007 - $80,095) with an accounting firm in which one of the Company's officers is a partner. As at December 31, 2008, accounts payable and accrued liabilities included $51,725 payable to this accounting firm (2007 - $62,452).

e) incurred directors fees of $21,600 (2007 - $20,000). As at December 31, 2008, accounts payable and accrued liabilities included $14,850 (2007 - $nil).

14. Financial Instruments

a) Fair Value

The carrying value of cash is measured at fair value as it is classified as held for trading. Accounts payable and accrued liabilities and the note payable are classified as other financial liabilities, which are measured at amortized cost. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

b) Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations when they become due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at December 31, 2008, the Company had a cash balance of $52,967 (2007-$790,724) to settle current liabilities of $433,407 (2007-$131,433). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms except for the note payable in the amount of $121,565 which is due on or before September 30, 2009. In addition, other receivables include a receivable from the Government of Quebec for a tax credit for mineral exploration of $396,110, which will be used to settle current liabilities.

The Company has no income and relies on equity financing to support its exploration program. Additional financing is required to fund the related operating expenses required to manage the Company through fiscal 2009. Management prepares budgets and ensures funds are available prior to commencement of any exploration program.

c) Credit Risk

Credit risk is the risk of loss assocated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk relates to cash and other receivables. Cash is held with a reputable financial institution and is closely monitored by management. Other receivables consist of goods and services tax due from the Federal Government of Canada and an exploration rebatae for mineral exploration expenses due from the Government of Quebec. The Company's maximum credit exposure is $403,023 at December 31, 2008. Management believes the credit risk with respect to other receivables is not significant.

15. Capital Disclosures

The Company's objective when managing capital is to raise sufficient funds to execute its exploration plan. At December 31, 2008, the Company's capital consists of equity in the amount of $3,581,612 (2007 - $3,538,746).

The properties in which the Company currently has an interest are in the exploration stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed.

The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company does not have any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year ended December 31, 2008.

16. Subsequent Events

On March 12, 2009, the Company announced an updated mineral resource estimate for its Nordeau West property, located near Val d'Or, Quebec.