Amended and Restated

ABACUS MINING & EXPLORATION CORPORATION
(An Exploration Stage Company)

Financial Statements
December 31, 2008 and 2007

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Abacus Mining & Exploration Corporation (An Exploration Stage Company) are the responsibility of the Company's management. The financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities. The Audit Committee reviews the results of the audit and the annual financial statements prior to their submission to the Board of Directors for approval.

The balance sheets as at December 31, 2008 and 2007 and the statements of operations, shareholders' equity and cash flows for the years ended December 31, 2008 and 2007 have been audited by Smythe Ratcliffe LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the financial statements.

"Douglas A. Fulcher"

Douglas A. Fulcher
President

Vancouver, British Columbia
February 9, 2009

SmytheRatcliffe
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ABACUS MINING & EXPLORATION CORPORATION
(An Exploration Stage Company)

We have audited the balance sheets of Abacus Mining & Exploration Corporation (An Exploration Stage Company) as at December 31, 2008 and 2007 and the statements of operations, shareholders' equity 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 its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
February 9, 2009, except as to note 14
which is as of March 5, 2009 and
note 13(b) which is as of December 15, 2009.

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ABACUS MINING & EXPLORATION CORPORATION **Amended and Restated**
(An Exploration Stage Company)
Balance Sheets
December 31

		2008		2007
		(restated – note 13)		(restated – note 13)
Assets				
Current				
Cash and cash equivalents	$	1,039,130	$	8,914,225
Marketable securities (note 5)		101,506		892,986
Amounts receivable		68,210		63,632
British Columbia Mining Exploration Tax Credit receivable (note 11)		3,242,240		46,692
Advances to contractor (note 10(a))		0		73,454
Prepaid expenses		108,944		33,900
		4,560,030		10,024,889
Mineral Interests (notes 6 and 13)		42,414,420		35,325,368
Equipment (note 7)		74,207		35,686
Reclamation Deposits		12,000		23,272
	$	47,060,657	$	45,409,215
Liabilities				
Current				
Accounts payable and accrued liabilities (note 10(a))	$	1,103,830	$	261,993
Future Income Tax (note 11)		1,435,474		0
		2,539,304		261,993
Shareholders' Equity				
Capital Stock (notes 8 and 13)		66,717,032		65,654,753
Contributed Surplus		2,988,881		2,410,798
Deficit		(25,184,177)		(23,375,295)
Accumulated Other Comprehensive Income (Loss)		(383)		456,966
		44,521,353		45,147,222
	$	47,060,657	$	45,409,215

Nature of Operations and Going Concern (note 1)
Commitment (note 12)
Subsequent Event (note 14)

Approved by the Board:

"Douglas A. Fulcher"
……………………………………………… Director
Douglas A. Fulcher

"Michael McInnis"
……………………………………………… Director
Michael McInnis

ABACUS MINING & EXPLORATION CORPORATION
(An Exploration Stage Company)
Statements of Operations
Years Ended December 31

		2008		2007
				(note 13)
General and Administrative Expenses				
Consulting	$	705,626	$	423,291
Contract wages		662,182		153,656
Stock-based compensation (note 8(f))		658,151		543,403
Travel and promotion		273,855		291,094
Legal		61,652		98,616
Rent		56,546		39,792
Investor relations		54,805		24,000
Accounting and audit		39,620		46,350
Office and miscellaneous		38,801		32,914
Regulatory fees		21,326		26,507
Insurance		17,657		16,003
Telephone		12,962		8,471
Transfer agent fees		10,308		13,200
Interest		6,624		10,207
Management fees		1,500		18,000
Amortization		17,419		9,850
Interest income		(130,668)		(443,382)
Loss Before Other Items and Income Tax		2,508,366		1,311,972
Other Items				
Impairment of marketable securities (note 5)		240,103		0
Write-off of reclamation bonds		11,272		0
Write-down of mineral interests (note 6)		0		25,167
Loss Before Income Tax		2,759,741		1,337,139
Future income tax recovery (note 11)		(950,859)		(1,081,359)
Net Loss for the Year	$	1,808,882	$	255,780
Loss Per Share, Basic and Diluted	$	(0.02)	$	0.00
Weighted Average Number of Common Shares Outstanding		112,171,987		96,033,292

ABACUS MINING & EXPLORATION CORPORATION **Amended and Restated**

(An Exploration Stage Company)
Statements of Shareholders' Equity
Years Ended December 31

	Number of Shares	Capital Stock	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
		(restated – note 13)				(restated – note 13)
Balance, December 31, 2006	80,348,494	$48,327,937	$1,525,470	$(23,119,515)	$ 0	$26,733,892
Adjustment to opening balance, net of future income taxes – change in accounting policy	0	0	0	0	318,904	318,904
	80,348,494	48,327,937	1,525,470	(23,119,515)	318,904	27,052,796
Net loss for year	0	0	0	(255,780)	0	(255,780)
Unrealized gain on available-for-sale securities, net of future income taxes of $28,399	0	0	0	0	138,062	138,062
Comprehensive loss						(117,718)
Issued for cash						
Private placements, net of issue costs (notes 8(b)(ii) and (iii))	26,704,509	18,409,031	0	0	0	18,409,031
Exercise of warrants	128,500	70,675	0	0	0	70,675
Exercise of options	352,500	56,400	0	0	0	56,400
Issued for debt	269,338	120,000	0			120,000
Fair value of options exercised	0	15,053	(15,053)	0	0	0
Fair value of agent options issued on private placement	0	(356,978)	356,978			0
Stock-based compensation	0	0	543,403	0	0	543,403
Income tax effect on flow-through share renouncement	0	(987,365)	0	0	0	(987,365)
Balance, December 31, 2007	107,803,341	65,654,753	2,410,798	(23,375,295)	456,966	45,147,222
Net loss for year	0	0	0	(1,808,882)	0	(1,808,882)
Unrealized loss on available-for-sale securities, net of future income taxes of $102,892	0	0	0	0	(688,587)	(688,587)
Adjustment for impairment on available-for-sale securities, net of future income taxes of $8,865	0	0	0	0	231,238	231,238
Comprehensive loss						(2,266,231)
Issued for cash						
Private placement, net of issue costs (note 8(b)(i))	11,512,666	3,220,212	0	0	0	3,220,212
Exercise of options	1,145,000	122,360	0	0	0	122,360
Issued for debt	834,672	120,000	0	0	0	120,000
Fair value of options exercised	0	104,994	(104,994)	0	0	0
Fair value of finders' warrants issued on private placements	0	(24,926)	24,926	0	0	0
Stock-based compensation	0	0	658,151	0	0	658,151
Income tax effect on flow-through share renouncement	0	(2,480,361)	0	0	0	(2,480,361)
Balance, December 31, 2008	121,295,679	$66,717,032	$2,988,881	$(25,184,177)	$ (383)	$44,521,353

See notes to financial statements.

ABACUS MINING & EXPLORATION CORPORATION

(An Exploration Stage Company)
Statements of Cash Flows
Years Ended December 31

	2008	2007 (note 13)
Operating Activities		
Net loss for the year	$ (1,808,882)	$ (255,780)
Items not involving cash		
Amortization	17,419	9,850
Stock-based compensation	658,151	543,403
Write-down of mineral interests	0	25,167
Write-off of reclamation bonds	11,272	0
Future income tax recovery	(950,859)	(1,081,359)
Impairment of marketable securities	240,103	0
	(1,832,796)	(758,719)
Changes in non-cash working capital items		
Amounts receivable	(4,578)	(36,695)
Accrued interest receivable	0	126,764
Prepaid expenses	(75,044)	(12,560)
Loan receivable	0	(10,190)
Accounts payable and accrued liabilities	414,092	128,951
	334,470	196,270
Cash Used in Operating Activities	(1,498,326)	(562,449)
Investing Activities		
Mineral interests	(9,663,401)	(13,414,626)
Equipment purchases	(55,940)	(15,270)
Cash Used in Investing Activities	(9,719,341)	(13,429,896)
Financing Activities		
Issuance of capital stock for cash	3,572,560	19,465,765
Share issuance costs	(229,988)	(929,659)
Cash Provided by Financing Activities	3,342,572	18,536,106
Increase (Decrease) in Cash During the Year	(7,875,095)	4,543,761
Cash and Cash Equivalents, Beginning of Year	8,914,225	4,370,464
Cash and Cash Equivalents, End of Year	$ 1,039,130	$ 8,914,225
Cash and Cash Equivalents Consist of:		
Cash	$ 27,467	$ 78,828
Temporary investments	1,011,663	8,835,397
	$ 1,039,130	$ 8,914,225

Supplemental disclosure with respect to cash flows (note 9)

1. NATURE OF OPERATIONS AND GOING CONCERN

Abacus Mining & Exploration Corporation (the "Company"), incorporated in British Columbia, is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Several adverse conditions cast substantial doubt on the validity of this assumption. The Company has incurred significant operating losses over the past several fiscal years, is currently unable to self-finance operations, has working capital of $3,456,200 (2007 - $9,762,896), an accumulated deficit of $25,184,177 (2007 - $23,375,295), limited resources, no source of operating cash flow and no assurances that sufficient funding will be available to conduct further exploration and development of its mineral interests. The Company's current working capital is not sufficient to meet its administrative overhead costs, flow-through obligations, and to continue exploration work on its mineral interests in 2009.

The application of the going concern concept is dependent upon the Company's ability to generate future profitable operations and receive continued financial support from its creditors and shareholders. Management is actively seeking to raise the necessary capital to meet its funding requirements and has undertaken available cost cutting measures. There can be no assurance that management's plan will be successful.

If the going concern assumption were not appropriate for these financial statements then adjustments would be necessary in the carrying value of assets and liabilities, the reported expenses and the balance sheet classifications used. Such adjustments could be material.

The business of mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to meet its administrative overhead and maintain its mineral interests. The recoverability of amounts shown for mineral interests is dependent on several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral interests.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash and highly-liquid temporary investments, which mature within ninety days from the original dates of acquisition and which are readily convertible into known amounts of cash.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Mineral interests

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. Costs accumulated relating to projects that are abandoned are written-off in the period in which a decision to discontinue the project is made.

All deferred mineral property expenditures are reviewed quarterly, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company’s assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

When it has been determined that a mineral property can be economically developed as a result of establishing proven and probable reserves, costs will be depleted using the unit-of-production method over the estimated life of the ore body based upon recoverable ounces to be mined from estimated proven and probable reserves.

The Company is still in the exploration stage and commercial production has not yet commenced. Hence, depletion has not been charged in these financial statements. Commercial production occurs when an asset or property is substantially complete and ready for its intended use.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Proceeds received on the sale or option of the Company’s property interest is recorded as a reduction of the mineral property cost. The Company recognizes in income those costs that are recovered on mineral property interests when amounts received or receivable are in excess of the carrying amount.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Asset retirement obligations ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present, the Company has determined that it has no material AROs to record in these financial statements.

(d) Equipment

Equipment is recorded at cost and amortized using the declining-balance method at an annual rate of 20% for office and other equipment, and 30% for computer equipment. Amortization on leasehold improvements is recorded on a straight-line basis over the term of the lease.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP 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 amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the collectability of amounts receivable, recovery of British Columbia Mining Exploration Tax Credit Receivable, balances of accrued liabilities, the fair value of financial instruments, the rates for amortization of equipment, the recoverability of mineral property interests, determination of asset retirement and environmental obligations, estimates of future income tax assets and liabilities, valuation allowance for future income tax assets and the determination of the variables used in the calculation of stock-based compensation. While management believes that these estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(f) Capital stock

Capital stock issued for non-monetary consideration is recorded at fair value pursuant to the agreement to issue shares as determined by the Board of Directors of the Company based on the trading price of the shares on the TSX Venture Exchange (the "Exchange"). Costs incurred for the issue of shares are deducted from capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Earnings / loss per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(h) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees, and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral interests, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

(i) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and losses carried forward. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Flow-through common shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. The proceeds from shares issued under flow-through share financing agreements are credited to capital stock and the tax benefits of the exploration expenditures incurred under these agreements are renounced to the purchaser of the shares. The tax impact to the Company of the renouncement is recorded on the date that the renunciation is filed with taxation authorities, through a decrease in capital stock and the recognition of a future tax liability.

When flow-through expenditures are renounced, a portion of the future income tax assets that were not previously recognized, due to the recording of a valuation allowance, are recognized as a recovery of future income taxes in the statement of operations.

(k) Warrants

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(l) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Financial instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition. When a decline in the fair value of an available-for-sale financial asset has been recognized in comprehensive income, and there is objective evidence that the impairment is other than temporary, the cumulative loss that had been previously recognized in accumulated other comprehensive income is removed from accumulated other comprehensive income and recognized in net income even though the financial asset has not been de-recognized.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments and amortized using the effective interest method.

The fair value of substantially all marketable securities is determined by quoted market prices. Gains or losses on securities sold are based on the specific identification method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments (Continued)

Comprehensive income or loss is defined as the change in equity from transactions and other events from sources other than the Company's shareholders that are excluded from the calculation of net income (loss) calculated in accordance with Canadian GAAP.

For the Company, such items consist primarily of unrealized gains and losses on marketable securities. The Company has included a calculation of other comprehensive income (loss) in the statements of shareholders' equity.

(m) Adoption of new accounting standards

Effective January 1, 2008, the Company adopted the following standards of the Canadian Institute of Chartered Accountants ("CICA") Handbook.

(i) Capital Disclosures (Section 1535)

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures 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.

As a result of the adoption of this standard, additional disclosure on the Company's capital management strategy has been included in note 4.

(ii) Financial Instruments - Disclosures and Presentation

Sections 3862 and 3863 replace Handbook Section 3861, "Financial Instruments – Disclosures and Presentation", revising its disclosure requirements, and carrying forward its presentation requirements. 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.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

As a result of the adoption of these standards, additional disclosures on the risks of certain financial instruments have been included in note 3.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Future accounting changes

(i) Amendments to Section 1400 – Going Concern

CICA Section 1400, "General Standards of Financial Statement Presentation", was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. When financial statements are not prepared on a going concern basis, that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern. The new requirements are effective for the Company for interim and annual financial statements beginning January 1, 2009. The Company is currently evaluating the impact of this new standard.

(ii) 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. The effective date for the Company is for interim and annual financial statements relating to the Company's 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 December 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.

3. FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents as held-for-trading; marketable securities as available-for-sale; amounts receivable and advances to contractor as loans and receivables; reclamation deposits as held-to-maturity; and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of cash and cash equivalents, amounts receivable, advances to contractor, reclamation deposits, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

3. FINANCIAL INSTRUMENTS (Continued)

(a) Credit risk

The Company manages credit risk, in respect of cash and cash equivalents, by purchasing highly liquid, short-term investment grade securities held at a major Canadian financial institution. In regards to amounts receivable, the Company is not exposed to significant credit risk as they are due from governmental agencies.

Concentration of credit risk exists with respect to the Company's cash and cash equivalents as all amounts are held at a single major Canadian financial institution. The Company's concentration of credit risk and maximum exposure thereto is as follows:

	2009	2008
Temporary investments	$ 1,011,663	$ 8,835,397
Bank accounts	27,467	78,828
Total	$ 1,039,130	$ 8,914,225

Temporary investments currently earn interest at 1.42% and mature on January 30, 2009. The credit risk associated with cash and cash equivalents is minimized
financial institutions with strong investment grade ratings by a primary ratings agency.

The Company has no asset backed securities.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet its liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company maintains sufficient cash and cash equivalents at December 31, 2008 in the amount of $1,039,130 and amounts receivable of $3,310,450 in order to meet short-term liabilities. At December 31, 2008, the Company had accounts payable and accrued liabilities of $1,103,830, which will be paid in fiscal 2009. The Company will require significant cash requirements to meet its administrative overhead costs and flow-through obligations and maintain its mineral interests in 2009. This will require the Company to obtain additional financing in 2009 to continue exploration work on the mineral interests.

3. FINANCIAL INSTRUMENTS (Continued)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate, foreign currency and other price risk.

(i) Interest rate risk

The Company's cash and cash equivalents consists of cash held in bank accounts and temporary investments that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2008. Future cash flows from interest income on cash and cash equivalents will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity.

(ii) Foreign currency risk

The Company is not exposed to significant foreign currency risk.

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign exchange risk. The Company is not exposed to significant other price risk.

4. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its properties contain economically recoverable reserves of ore and currently has not earned any revenues from its mineral property interests and, therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of capital stock. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as capital stock. Capital requirements are driven by the Company's exploration activities on its mineral property interests. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short-term obligations while maximizing liquidity and returns of unused capital.

4. CAPITAL MANAGEMENT (Continued)

Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this financing due to the current difficult conditions. The Company believes that it has sufficient funds and additional receivables to fund its working capital for the coming year.

5. MARKETABLE SECURITIES

The Company has investments in marketable securities of companies that have directors in common. These marketable securities have been classified as available for sale.

	2008		2007	
	Cost	Fair Value	Cost	Fair Value
1,682,049 (2007 - 1,682,049) common shares of Committee Bay Resources Ltd.*	$ 341,026	$ 100,923	$ 341,026	$ 891,486
8,333 (2007 - 8,333) common shares of Redstar Gold Corp.	1,000	583	1,000	1,500
Balance	$ 342,026	$ 101,506	$ 342,026	$ 892,986

* formerly Niblack Mining Corp. ("Niblack")

As at December 31, 2006, 600,000 of the Niblack common shares held by the Company were held in escrow and had a fair value equal to cost. The 1,000,000 common shares of Niblack were issued to the Company in 2005 as a bonus for lending funds to Niblack in the form of a loan receivable. The increase in fair value of marketable securities over cost, net of future income taxes of $65,595, was reflected as an adjustment to the December 31, 2006 balance of accumulated other comprehensive income.

During 2007, the 600,000 Niblack common shares were released from escrow and the Company acquired a further 682,049 Niblack common shares on conversion of a loan receivable. The difference between the fair value and cost of marketable securities was recorded in accumulated other comprehensive income, net of future income taxes of $93,994.

During 2008, Committee Bay Resources Ltd. ("Committee Bay") purchased all the issued and outstanding capital stock of Niblack by way of a plan of arrangement. The Company received one share of Committee Bay for each share of Niblack held. The unrealized loss on marketable securities has been recorded in accumulated other comprehensive income, at $688,587 net of future income taxes of $102,892. At December 31, 2008, an impairment loss of $240,103 was considered other than temporary and, accordingly, removed from accumulated other comprehensive income and recorded in net loss.

6. MINERAL INTERESTS

At December 31, 2008 and 2007, expenditures deferred on mineral property interests are as follows:

	Afton Mine Property					
	Afton	Rainbow	Iron Mask/ Ajax	DM/Audra	New Gold	Total
	(restated note 13)					(restated note 13)
Balance, December 31, 2007	$16,035,603	$2,770,388	$13,766,723	$1,308,184	$1,444,470	$35,325,368
Additions during year						
Acquisition costs	210,144	0	0	0	0	210,144
Exploration costs						
Drilling	0	0	2,359,666	0	3,375,050	5,734,716
Contract wages	0	2,534	923,419	21,674	584,220	1,531,847
Assays	0	8,457	422,308	34,398	489,635	954,798
Camp support and field supplies	0	108	246,562	108	156,008	402,786
Travel and accommodation	0	0	183,693	0	143,865	327,558
Equipment rental	0	0	42,104	0	26,060	68,164
Geological consulting	0	0	354,692	71,807	13,248	439,747
Preliminary economic assessment	0	0	180,216	0	0	180,216
Recording fees	0	731	16,857	731	0	18,319
Environmental impact assessment	0	0	503,316	15,908	0	519,224
Permitting	0	0	11,030	0	0	11,030
Access road	0	0	237	0	1,242	1,479
Expense recoveries	0	0	(115,429)	0	0	(115,429)
	0	11,830	5,128,671	144,626	4,789,328	10,074,455
Less: Recoveries	0	(12,569)	(1,793,130)	(63,378)	(1,326,470)	*(3,195,547)
Net additions during year	210,144	(739)	3,335,541	81,248	3,462,858	7,089,052
Balance, December 31, 2008	$16,245,747	$2,769,649	$17,102,264	$1,389,432	$4,907,328	$42,414,420

* British Columbia Mining Exploration Tax Credit Receivable (note 11).

6. MINERAL INTERESTS (Continued)

	Afton Mine Property					
	Afton	Rainbow	Iron Mask/ Ajax	DM/Audra	New Gold	Total
	(restated note 13)					(restated note 13)
Balance, December 31, 2006	$12,770,858	$2,527,122	$ 5,801,378	$ 730,542	$ 0	$21,829,900
Additions during year						
Acquisition costs	3,264,745	0	0	0	0	3,264,745
Exploration costs						
Drilling	0	214,804	5,510,535	400,224	1,072,035	7,197,598
Contract wages	0	9,110	878,782	17,812	124,912	1,030,616
Assays	0	3,905	443,513	123,664	0	571,082
Camp and field supplies	0	0	168,385	114	125,497	293,996
Travel and accommodation	0	352	392,570	1,407	94,411	488,740
Equipment rental	0	0	40,677	0	7,393	48,070
Geological consulting	0	213	36,610	5,592	19,041	61,456
Recording fees	0	0	18,472	0	0	18,472
Environmental impact assessment	0	15,816	481,824	31,631	0	529,271
Access road	0	0	17,611	0	8,185	25,796
Reports, drafting and maps	0	0	37,485	0	0	37,485
	0	244,200	8,026,464	580,444	1,451,474	10,302,582
Less: Recoveries	0	(934)	(35,952)	(2,802)	(7,004)	*(46,692)
Net additions during year	3,264,745	243,266	7,990,512	577,642	1,444,470	13,520,635
Write-down of mineral interests	0	0	(25,167)	0	0	(25,167)
	3,264,745	243,266	7,965,345	577,642	1,444,470	13,495,468
Balance, December 31, 2007	$16,035,603	$2,770,388	$13,766,723	$1,308,184	$1,444,470	$35,325,368

* British Columbia Mining Exploration Tax Credit Receivable (note 11).

6. MINERAL INTERESTS (Continued)

The Company has acquired or has an option to acquire mineral interests as follows:

(a) Iron Mask/Ajax, Rainbow, DM/Audra, New Gold JV and Afton Mine Property, Kamloops Mining Division, BC

During the year ended December 31, 2004, the Company exercised its options and acquired a 100% interest in the Iron Mask and Rainbow properties (a total of 53 mineral claims) for $200,000, the issuance of 850,000 common shares of the Company and incurring $1,500,000 in mineral exploration expenditures on the property. The properties are subject to two separate 1.5% net smelter royalties of which the Company may purchase each 1.5% net smelter royalty for $3,000,000. Certain of the mineral claims are subject to various net profit interests or net smelter royalties held by underlying vendors of those claims.

The DM/Audra claims are part of the Iron Mask project and are presented separately due to the underlying net profit interests. The acquisition costs for DM/Audra have been included as part of the Iron Mask acquisition costs in prior years.

On November 25, 2005, the Company signed an Asset Purchase Agreement with the optionor to purchase land, buildings, equipment, tailings pond and the back-in rights pursuant to the Rainbow and Iron Mask property agreements ("Afton"). Effective December 22, 2008, the parties amended the agreement to extend the date for the final payment to July 31, 2009. Total aggregate consideration for the transfer of the assets is payable as follows:

- 8,500,000 shares on the execution date (issued);
- 5,000,000 shares and $5,000,000 cash on or before November 26, 2006 (issued and paid); and
- 5,000,000 shares and $5,000,000 cash on or before July 31, 2009 ($3,000,000 paid).

Upon completion of all share issuances and cash payments, the optionor will transfer title (the "Transfer Date") of the assets to the Company, subject to any additional consideration. The final consideration is subject to a price adjustment clause if the ten-day weighted average closing price of the Company's common shares issued to the optionor is less than $18,500,000, the Company will pay the optionor additional consideration equal to 81.1% of the difference between $18,500,000 and the weighted average closing price of the Company's common shares. Any reclamation liabilities that may be attributable to the assets acquired will be assessed and recorded on the transfer date.

6. MINERAL INTERESTS (Continued)

(a) Iron Mask/Ajax, Rainbow, DM/Audra, New Gold JV and Afton Mine Property, Kamloops Mining Division, BC (Continued)

Pursuant to a letter of intent dated October 19, 2007, the Company entered into an option agreement with New Gold Inc. ("New Gold") to acquire a up to a 100% interest in additional claims surrounding the area of the Company's Ajax property. Under the terms of the option, from the date an exploration permit is obtained, the Company must incur $2,500,000 (incurred) in mineral exploration expenditures within 24 months and obtain an independent preliminary economic assessment within 30 months. Upon exercise of the option, New Gold has the option to form a joint venture on the property or revert to a 10% net profits interest royalty. In the event the joint venture is formed, the Company would hold a 60% interest in, and be the operator of, any open pit operation (to a maximum pit depth not exceeding 500 metres), while New Gold would hold a 60% interest in the joint venture, and be the operator of, any operation deeper than 500 metres.

On July 24, 2006, two purchase and sale agreements to acquire additional property adjoining the western edge of the Company's Rainbow property were completed. The first agreement, dated March 24, 2006 to acquire three mineral claims, required a cash payment of $20,000 (paid) and the issuance of 50,000 common shares (issued) of the Company. During 2007, title to one of the claims lapsed. The second agreement, dated March 20, 2006 to acquire two mineral claims, required a cash payment of $2,500 (paid) and the issuance of 10,000 common shares (issued) of the Company. During 2007, title to both of the claims lapsed resulting in a write-down of $25,167. Both vendors retain a 1% net smelter royalty of which the Company may reduce to 0.5% by payment of $500,000 to each vendor.

(b) Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(c) Realization of assets

The investment in and expenditures on mineral interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the obtaining of permits, the satisfaction of governmental requirements and possible aboriginal claims, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

6. MINERAL INTERESTS (Continued)

(d) Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

7. EQUIPMENT

		2008				
		Cost		Accumulated Amortization		Net
Computer equipment	$	111,911	$	71,468	$	40,443
Office equipment		44,238		22,145		22,093
Other equipment		19,092		15,272		3,820
Leasehold improvements		9,814		1,963		7,851
	$	185,055	$	110,848	$	74,207

		2007				
		Cost		Accumulated Amortization		Net
Computer equipment	$	82,920	$	60,348	$	22,572
Office equipment		29,492		18,465		11,027
Other equipment		16,703		14,616		2,087
	$	129,115	$	93,429	$	35,686

8. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares without par value

(b) Private placements

(i) On September 11, 2008, the Company closed a non-brokered private placement and issued 11,500,666 flow-through units at a price of $0.30 per unit for gross proceeds of $3,450,200. Each flow-through unit consists of one flow-through common share and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one non-flow-through common share until March 10, 2010 at a price of $0.50 per share.

Finders received cash commissions of $191,892 and were issued 12,000 units with the same terms and conditions as the units described above and 760,246 finders' warrants. Each finders' warrant entitles the holder to purchase one non-flow-through common share until March 10, 2010 at a price of $0.30 per share. The 760,246 finders' warrants were fair valued at $24,926 (note 8(d)).

Other cash share issuance costs of $38,096 were incurred by the Company in respect of this private placement, resulting in net cash proceeds received of $3,220,212.

(ii) On June 7, 2007, the Company closed a brokered private placement and issued 13,645,000 units at a price of $0.70 per unit and 11,250,000 flow-through units at a price of $0.80 per unit for gross proceeds of $18,551,500. Each unit consists of one common share and one-half of one common share purchase warrant. Each flow-through unit consists of one flow-through common share and one-half of one common share purchase warrant. Each of the 12,447,500 share purchase warrants above entitles the holder to purchase one additional common share until December 6, 2008 at a price of $1.25 per share.

The agents received a cash commission of $781,305 and were issued 739,000 units with the same terms and conditions as the units described above, and 2,489,500 agent options. Each agent option will entitle the agents to purchase one common share until December 6, 2008 at a price of $0.85 per share. The 2,489,500 options issued to the agents were fair valued at $351,268 (note 8(g)).

8. CAPITAL STOCK (Continued)

(b) Private placements (Continued)

(iii) The Company concurrently issued, on a non-brokered basis, 443,700 units at a price of $0.70 per unit and 595,750 flow-through units at a price of $0.80 per unit to raise gross proceeds of $787,190. Each unit consists of one common share and one-half of one common share purchase warrant. Each flow-through unit consists of one flow-through common share and one-half of one common share purchase warrant. Each of the 519,725 share purchase warrants above entitles the holder to purchase one additional common share until January 3, 2009 at a price of $1.25 per share.

Finders received a cash commission of $7,000 and were issued 31,059 units with the same terms and conditions as the units described above and 56,870 agent options. Each agent option will entitle the holder to purchase one additional common share until January 3, 2009 at a price of $0.85 per share. The 56,870 options issued to the agents were fair valued at $5,710 (note 8(g)).

Other cash share issuance costs of $141,354 were incurred by the Company in respect of these private placements, resulting in net cash proceeds received of $18,409,031.

(c) Renounced exploration expenditures

In February 2008, the Company renounced $9,539,850 (2007 - $2,893,801) of exploration expenditures under its flow-through share program, resulting in a future income tax liability of $2,480,361 (2007 - $987,365), which was deducted from capital stock.

(d) Share purchase warrants

The Company has, as at December 31, 2008 and 2007, share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Outstanding as at December 31, 2007	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at December 31, 2008
11,785,715	$0.85	February 16, 2008	0	0	(11,785,715)	0
2,357,143	$0.75	February 16, 2008	0	0	(2,357,143)	0
12,817,000	$1.25	December 6, 2008	0	0	(12,817,000)	0
535,254	$1.25	January 3, 2009 *	0	0	0	535,254
0	$0.50	March 10, 2010	5,756,332	0	0	5,756,332
0	$0.30	March 10, 2010	760,246	0	0	760,246
27,495,112			6,516,578	0	(26,959,858)	7,051,832

* These warrants expired unexercised on January 3, 2009.

8. CAPITAL STOCK (Continued)

(d) Share purchase warrants (Continued)

Outstanding as at December 31, 2006	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at December 31, 2007
184,000	$0.55	January 13, 2007	0	(128,500)	(55,500)	0
11,785,715	$0.85	February 16, 2008	0	0	0	11,785,715
2,357,143	$0.75	February 16, 2008	0	0	0	2,357,143
0	$1.25	December 6, 2008	12,817,000	0	0	12,817,000
0	$1.25	January 3, 2009	535,254	0	0	535,254
14,326,858			13,352,254	(128,500)	(55,500)	27,495,112

The fair value of the 760,246 finders' warrants, in the amount of $24,926 ($0.03 per warrant) and included as a reduction to capital stock, were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2008
Risk-free interest rate	2.71%
Expected dividend yield	0
Expected stock price volatility	54%
Expected life in years	1.5

(e) Stock options

The Company has a 20% fixed stock option plan, which allows the board of directors to grant options to directors, officers, employees and consultants. Under the terms of the option plan, a maximum of 16,178,267 options may be granted.

8. CAPITAL STOCK (Continued)

(e) Stock options (Continued)

Options to purchase common shares have been granted to directors, officers and consultants at exercise prices determined by reference to the market value on the date of the grant. As at December 31, 2008, the Company had stock options outstanding to directors, officers and consultants for the purchase of up to 10,280,000 common shares exercisable as follows:

Options Outstanding			Options Exercisable	
Number of Options	Exercise Price	Expiry Date	Number of Options	Exercise Price
1,135,000	$0.16	September 17, 2009	1,135,000	$0.16
1,450,000	$0.32	October 23, 2009	1,450,000	$0.32
800,000	$0.28	March 4, 2010	800,000	$0.28
500,000	$0.34	May 20, 2010	500,000	$0.34
1,935,000	$0.90	April 7, 2011	1,935,000	$0.90
400,000	$0.65	March 15, 2012	400,000	$0.65
485,000	$0.45	January 11, 2013	235,000	$0.45
925,000	$0.45	February 1, 2013	462,500	$0.45
1,000,000	$0.43	May 5, 2013	500,000	$0.43
1,650,000	$0.26	August 29, 2013	412,500	$0.26
10,280,000			7,830,000	

A summary of the status of the Company's stock options as at December 31, 2008 and 2007 and changes during the years then ended are as follows:

	2008		**2007**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	7,820,000	$0.42	7,772,500	$0.40
Granted	4,075,000	$0.37	400,000	$0.65
Exercised	(1,145,000)	$0.11	(352,500)	$0.16
Expired	(370,000)	$0.26	0	$0.00
Forfeited	(100,000)	$0.68	0	$0.00
Outstanding at end of year	10,280,000	$0.44	7,820,000	$0.42

8. CAPITAL STOCK (Continued)

(e) Stock options (Continued)

A summary of stock options outstanding at December 31, 2008 is as follows:

Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price
\$0.01 - \$0.25	1,135,000	0.71	\$0.16
\$0.26 - \$0.50	6,810,000	3.02	\$0.35
\$0.51 - \$0.75	400,000	3.21	\$0.65
\$0.76 - \$1.00	1,935,000	2.27	\$0.90
	10,280,000	2.63	\$0.44

(f) Stock-based compensation

During the year ended December 31, 2008, the Company granted stock options to consultants, directors and officers to acquire up to 4,075,000 common shares. The total fair value of these options was calculated at \$1,046,428, of which \$580,510 was recognized in 2008, \$441,479 will be recognized in 2009 and \$24,439 will be recognized in 2010.

During the year ended December 31, 2007, the Company granted stock options for consulting fees to a director to acquire up to an aggregate of 400,000 common shares at an exercise price of \$0.65 per share. The fair value of these stock options is recognized into stock-based compensation expense over the vesting period of the options. The total fair value of these options was calculated at \$207,040, of which \$129,399 was recognized in 2007 and \$77,641 was recognized in 2008.

The fair value of stock options granted, and which vested to directors, officers and consultants, is broken down as follows:

	2008	**2007**
Consultants	\$ 148,782	\$ 289,803
Directors/Officers	509,369	253,600
	\$ 658,151	\$ 543,403

8. CAPITAL STOCK (Continued)

(f) Stock-based compensation (Continued)

The fair value of stock options used to calculate stock-based compensation expense is estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2008	**2007**
Risk-free interest rate	3.19%	3.92%
Expected dividend yield	0	0
Expected stock price volatility	94.09%	116%
Expected option life in years	5	5

(g) Agent options

The Company granted agent options related to the sale of the Company's securities through the course of its private placement.

The Company has, as at December 31, 2008, agent options outstanding entitling the holders to acquire common shares as follows:

Outstanding as at December 31, 2007	Exercise Price	Expiry Date	Issued	Exercised	Expired	Outstanding as at December 31, 2008
2,489,500	$0.85	December 6, 2008	0	0	(2,489,500)	0
56,870	$0.85	January 3, 2009*	0	0	0	56,870
2,546,370			0	0	(2,489,500)	56,870

*These agent options expired unexercised on January 3, 2009.

The fair value of agent options in the amount of $356,978 and included as a reduction to capital stock in 2007, were estimated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2007
Risk-free interest rate	4.60%
Expected dividend yield	0
Expected stock price volatility	64%
Expected life in years	1.5

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

(a) During the year ended December 31, 2008, the Company issued 834,672 (2007 - 269,338) shares valued at $120,000 (2007 - $120,000) for settlement of certain accounts payable.

(b) Interest paid during the year amounted to $6,624 (2007 - $9,000).

(c) During 2007, the Company converted its loan receivable of $341,025 and accrued interest of $10,190 into 682,049 common shares of Niblack (note 6(b)).

(d) Included in accounts payable is $682,653 (2007 - $134,909) relating to mineral interests.

(e) Income taxes paid during the year amounted to $nil (2007 - $nil).

10. RELATED PARTY TRANSACTIONS

(a) The Company conducts the majority of its exploration activities through an exploration services contractor in which a director is a principal. The Company paid that contractor $8,744,828 (2007 - $9,777,401) for exploration costs and $1,212,194 (2007 - $314,430) to reimburse office and administrative costs that include $46,104 (2007 - $nil) of equipment purchased and contract wages of $920,902 (2007 - $153,646) of which $258,720 (2007 - $nil) has been allocated to exploration costs. As at December 31, 2008, there was $460,899 payable (2007 - $73,454 advanced) to that contractor.

(b) A management fee of $1,500 (2007 - $18,000) and rent of $3,014 (2007 - $36,164) were paid to a company in which a director is a principal. As at December 31, 2008, there was $nil (2007 - $4,514) due to that company and included in accounts payable.

(c) The Company shares office and administrative costs with a company with three directors in common. As at December 31, 2008, $2,146 (2007 - $2,146) was due from this company and included in amounts receivable.

(d) Consulting fees of $137,705 (2007 - $115,805) were paid to directors of the Company. As at December 31, 2008, $34,894 (2007 - $19,168) was payable to these directors.

All advances to and amounts due from (to) related parties have repayment terms similar to the Company's other accounts receivable (payable) and are without interest. All of the above transactions and balances 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.

11. INCOME TAXES

The Company has capital losses of approximately $11,173,000 available to be carried forward indefinitely to offset future taxable capital gains.

The Company has accumulated non-capital losses for Canadian tax purposes of approximately $5,600,000 that expire in various years to 2028 as follows:

2009	$	165,000
2010		257,000
2014		557,000
2015		537,000
2026		716,000
2027		1,119,000
2028		2,249,000
	$	5,600,000

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)				
Carrying value of mineral interests in excess of tax basis	$	(3,214,048)	$	(804,234)
Tax basis of equipment in excess of carrying value		28,950		26,769
Marketable securities		31,268		(78,512)
Share issue costs		293,638		377,658
Non-capital losses		1,455,986		1,007,148
Capital losses		1,452,461		1,592,120
		48,255		2,120,949
Valuation allowance for future income tax assets		(1,483,729)		(2,120,949)
Future income tax assets (liabilities), net	$	(1,435,474)	$	0

11. INCOME TAXES (Continued)

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

	2008	2007
Income tax benefit computed at Canadian statutory rates	$ (855,520)	$ (456,232)
Temporary differences not recognized in year	83,326	11,948
Stock-based compensation	204,027	185,409
Share issue costs	(131,975)	(129,563)
Other permanent differences not recognized in year	2,819	6,483
Change in timing differences	53,937	0
Change in tax rates	(324,636)	0
Marketable securities	94,028	(93,994)
Utilization of previously unrecognized future income tax assets	(76,865)	(987,365)
Unrecognized future income tax assets	0	381,955
	$ (950,859)	$ (1,081,359)

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds, less the qualified expenditures made to date, represent the funds received from flow-through share issuances, which have not been spent as at December 31, 2008 and which are allotted for such expenditures. As at December 31, 2008, the amount of flow-through proceeds remaining to be expended was $3,450,200.

The Company qualifies for a British Columbia mining tax credit as it has incurred qualified mineral exploration expenditures for determining the existence, location, extent or quality of a mineral resource in the province of British Columbia. The tax credit is calculated as 30% (for the area in which the Company operates) of qualified mineral exploration expenditures incurred during the year. At December 31, 2008, the British Columbia Mining Exploration Tax Credit receivable in the amount of $3,242,240 consists of receivables for the 2007 and 2008 years, which may change pursuant to an audit by the taxation authorities. Any changes will be reflected in future periods (note 6).

12. COMMITMENT

During 2007, the Company and related parties entered into a lease agreement for the rental of office premises for a six-year period, expiring March 31, 2013. The cost of the entire premises is shared primarily between the Company and four other companies related by a common director. The Company's proportionate share of minimum annual rental payments under this arrangement is payable as follows:

2009	$	23,642
2010		25,858
2011		26,597
2012		26,597
2013		6,649
	$	109,343

13. RESTATEMENTS

The restatement to the 2007 financial statements, as previously reported, results from the following accounting error corrections:

(a) Future income taxes

During 2007, a future income tax liability in the amount of $2,111,516 was incorrectly presented on the renunciation of $9,539,850 of exploration expenditures for flow-through common shares issued in 2007 instead of recording it on the date the renunciation was filed with the taxation authorities in 2008.

(b) Shares issued for mineral interests

During 2005 and 2006, the Company incorrectly recorded the 13,500,000 common shares issued in respect of the Asset Purchase Agreement (note 6(a)) at a value of $1 per common share, instead of at the fair value of the shares based on their trading price on the Exchange on the date the shares were issued, resulting in a $6,505,000 reduction to mineral interests and capital stock.

13. RESTATEMENTS (Continued)

The restatement resulted in changes to the previously reported carrying values of assets and shareholders' equity as at December 31, 2008 as follows:

	Previously Reported	Corrections	Restated
Assets			
Mineral interests	$ 48,919,420	$ (6,505,000)	$ 42,414,420
Shareholders' Equity			
Capital Stock	$ 73,222,032	$ (6,505,000)	$ 66,717,032

The restatements resulted in changes to the previously reported carrying values of assets, liabilities and shareholders' equity as at December 31, 2007 as follows:

	Previously Reported	Corrections	Restated
Assets			
Mineral interests	$ 41,830,368	$ (6,505,000)	$ 35,325,368
Liabilities			
Future income tax liability	$ 2,111,516	$ (2,111,516)	$ 0
Shareholders' Equity			
Capital Stock	$ 72,159,753	$ (6,505,000)	$ 65,654,753
Deficit	$ (25,486,811)	$ 2,111,516	$ (23,375,295)

The restatement resulted in changes to the previously reported amount of future income tax expense on the statement of operations for the year ended December 31, 2007 as follows:

	Previously Reported	Corrections	Restated
Future income tax expense (recovery)	$ 1,030,157	$ (2,111,516)	$ (1,081,359)
Net loss for the year	$ 2,367,296	$ (2,111,516)	$ 255,780
Earnings (loss) per share, basic and diluted	$ (0.02)	$ 0.02	$ 0.00

14. SUBSEQUENT EVENT

On March 5, 2009, the Company entered into a loan agreement whereby the lender will advance to the Company an amount up to $2,500,000 on or before March 31, 2009, subject to receipt of Exchange approval. Upon Exchange approval, the Company will enter into a promissory note agreement with the lender to advance $2,500,000 to the Company with a maturity date of one year from the date of signing of the promissory note agreement. The loan is to bear interest at a rate of 12% per annum, compounded monthly.

Upon advancing of the funds to the Company, the Company will issue to the lender 1,250,000 common shares of the Company subject to a four-month and one day hold period. In the event that the amount actually collected on the British Columbia Mining Exploration Tax Credit receivable (note 11) is less than the amount required to repay the outstanding loan amount plus interest and the Company does not otherwise have sufficient funds to repay the shortfall between the amount then owing under the advance plus interest (the "shortfall"), then at the discretion of the lender, the Company shall issue to the lender units of the Company, the number of units determined by dividing the shortfall by the five-day volume weighted average closing price of the Company's shares on the five trading days on which trading in the common shares takes place immediately preceding the day before such calculation is made, less the maximum discount permitted by the Exchange. Each unit shall consist of one common share of the Company and one common share purchase warrant. Each warrant shall be exercisable for one common share of the Company upon payment of the exercise price of the warrant for a period of two years from the date of grant. The exercise price of the warrants shall be equal to the trading price of the Company's common shares at the time such calculation is made, less the maximum discount permitted by the Exchange with respect to the granting of warrants, if any.

As security for the loan, the Company will grant the lender a security interest in certain Company assets, with the exception of its mineral interests.