MOUNTAIN BOY MINERALS LTD.

AUDITORS’ REPORT AND FINANCIAL STATEMENTS

November 30, 2008 and 2007

BDO Dunwoody LLP
Chartered Accountants

600 Cathedral Place
925 West Georgia Street
Vancouver, BC V6C 3L2
Telephone: (604) 688-5421
Fax: (604) 688-5132

AUDITORS' REPORT

To the Shareholders
Mountain Boy Minerals Ltd.

We have audited the balance sheets of Mountain Boy Minerals Ltd. as at November 30, 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 November 30, 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.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, Canada
March 30, 2009

MOUNTAIN BOY MINERALS LTD.
BALANCE SHEETS
November 30, 2008 and 2007

ASSETS	2008	2007
Current		
Cash and cash equivalents	$ 5,747	$ 1,032,369
Receivables – Note 7	38,400	2,182
GST recoverable	-	146,126
Marketable securities	3,797	95,421
Other – Note 11	-	150,108
Prepaid expense	11,708	13,819
	59,652	1,440,025
Advance– Note 7	64,982	-
Reclamation deposits	60,039	46,539
Property and equipment – Note 4	396,679	305,984
Mineral properties – Schedule 1, Notes 5, 7 and 8	11,721,810	8,527,697
	$ 12,303,162	$ 10,320,245
LIABILITIES		
Current		
Accounts payable and accrued liabilities – Note 7	$ 812,523	$ 323,095
GST payable	54,006	-
	866,529	323,095
Future income tax liability – Note 9	1,940,665	1,110,000
	2,807,194	1,433,095
SHAREHOLDERS' EQUITY		
Share capital – Notes 6 and 13	10,100,210	10,297,367
Contributed surplus – Note 6	2,510,030	1,830,780
Deficit	(3,114,272)	(3,240,997)
	9,495,968	8,887,150
	$ 12,303,162	$ 10,320,245

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitments – Notes 5 and 6
Subsequent Events – Notes 7 and 13

APPROVED BY THE DIRECTORS:

"Frank Kamermans"	Director	*"Randolph Kasum"*	Director
Frank Kamermans		Randolph Kasum	

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
STATEMENTS OF OPERATIONS AND DEFICIT
for the years ended November 30, 2008 and 2007

	2008	2007
General and administrative expenses		
Accounting and audit fees	$ 72,760	$ 89,653
Amortization	34,227	33,275
Consulting fees – Note 7	15,775	38,500
Filing fees	28,612	47,850
Investor relations	96,848	30,000
Legal fees	71,245	59,677
Management fees – Note 7	60,000	60,000
Office and miscellaneous	19,082	86,350
Promotion and trade shows	25,442	37,499
Property investigations	15,799	-
Repairs and maintenance	13,312	52,598
Stock-based compensation – Note 6	656,855	656,731
Telephone	14,852	14,076
Transfer agent fees	7,205	6,030
Loss before other items	(1,132,014)	(1,212,239)
Other items:		
Drilling income – Notes 1 and 7	2,365,162	19,970
Drilling expenses and amortization– Note 7	(1,083,849)	-
Loss on sale and write-down of marketable securities	(41,815)	(108,590)
Gain on disposal of mineral property – Note 5(e)	-	195,667
Write-down of mineral property costs – Note 5(e)	-	(50,749)
Interest income – Note 7	19,241	21,542
Income (loss) for the year before provision for income tax	126,725	(1,134,399)
Income tax recovery – Note 9	-	97,000
Net income (loss) for the year	126,725	(1,037,399)
Deficit, beginning of the year	(3,240,997)	(2,203,598)
Deficit, end of the year	$ (3,114,272)	$ (3,240,997)
Basic and diluted income (loss) per share	$ 0.00	$ (0.04)
Weighted average number of shares outstanding	33,697,046	27,220,884

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
STATEMENTS OF CASH FLOWS
for the years ended November 30, 2008 and 2007

	2008	2007
Operating Activities		
Net income (loss) for the year	$ 126,725	$ (1,037,399)
Add (deduct) items not affecting cash:		
Amortization – general expense	34,227	33,275
Amortization – drilling expense	17,527	-
Stock-based compensation	656,855	656,731
Gain on sale of mineral property	-	(195,667)
Write-down of mineral property costs	-	50,749
Loss on sale and write-down of marketable securities	41,815	108,590
Income tax recovery	-	(97,000)
	877,149	(480,721)
Changes in working capital items related to operations:		
Receivables	(36,218)	10,702
GST	200,132	(133,609)
Prepaid expense	2,111	(8,819)
Accounts payable and accrued liabilities	(218,215)	125,241
	824,959	(637,314)
Financing Activity		
Issuance of shares for cash	646,223	3,458,251
Investing Activities		
Advance	(64,982)	-
Proceeds on sale of drilling license – Note 11	150,108	-
Proceeds on sale of marketable securities	49,810	-
Purchase of equipment	(193,947)	(28,000)
Reclamation deposits	(13,500)	(11,485)
Mineral properties	(2,425,293)	(3,080,207)
Proceeds on disposal of mineral property	-	25,000
	(2,497,804)	(3,094,692)
Decrease in cash and cash equivalents during the year	(1,026,622)	(273,755)
Cash and cash equivalents, beginning of the year	1,032,369	1,306,124
Cash and cash equivalents, end of the year	$ 5,747	$ 1,032,369
Cash and cash equivalents consist of:		
Cash	$ 5,747	$ 232,194
Guaranteed investment certificates	-	800,000
Funds held in lawyer's trust account	-	175
	$ 5,747	$ 1,032,369

Non-cash Transactions – Note 8

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
SCHEDULE OF MINERAL PROPERTIES
for the year ended November 30, 2008

	Barbara	Iceberg Melt, Freeze Red Cliff	Mountain Boy	Silver Coin Kansas/Indi	Other Properties	Total
Property acquisition costs						
Balance, November 30, 2007 and 2008	$ 403,940	$ 682,775	$ 920,547	$ 80,124	$ 337,096	$ 2,424,482
Deferred exploration and development costs						
Balance, November 30, 2007	1,338,158	1,482,347	729,828	2,361,262	191,620	6,103,215
Amortization	32,549	1,165	1,825	15,567	391	51,497
Assaying	26,860	1,272	-	67,457	-	95,589
Drilling – Note 7	640,780	8,460	9,802	233,079	-	892,121
General and administration – Note 7	36,562	1,631	4,615	13,528	23,696	80,032
Geological – Note 7	136,700	11,299	17,271	96,740	-	262,010
Helicopter	258,223	-	-	-	-	258,223
Labour	447,453	3,526	7,951	401,121	-	860,051
Road clearing	-	16,320	47,615	-	-	63,935
Stock-based compensation	-	-	9,680	-	-	9,680
Supplies and miscellaneous – Note 7	344,642	26,536	22,431	91,387	-	484,996
Trucking – Note 7	89,009	1,841	1,361	43,768	-	135,979
	2,012,778	72,050	122,551	962,647	24,087	3,194,113
Balance, November 30, 2008	3,350,936	1,554,397	852,379	3,323,909	215,707	9,297,328
Total	$ 3,754,876	$ 2,237,172	$ 1,772,926	$ 3,404,033	$ 552,803	$ 11,721,810

SEE ACCOMPANYING NOTES

Schedule 1

MOUNTAIN BOY MINERALS LTD.
SCHEDULE OF MINERAL PROPERTIES
for the year ended November 30, 2007

	Barbara	Iceberg Melt Freeze Red Cliff	MB	Silver Coin Kansas/Indi	Other Properties	Total
Property acquisition costs						
Balance, November 30, 2006	$ 46,940	$ -	$ 917,676	$ 84,574	$ 250,290	$ 1,299,480
Cash	-	25,000	-	-	-	25,000
Shares	357,000	647,500	-	21,000	144,100	1,169,600
Staking	-	10,275	2,871	-	1,338	14,484
Less: cost of properties disposed	-	-	-	-	(33,333)	(33,333)
Reclassify FR to other properties	-	-	-	(25,450)	25,450	-
Less: write down of properties	-	-	-	-	(50,749)	(50,749)
Balance, November 30, 2007	403,940	682,775	920,547	80,124	337,096	2,424,482
Deferred exploration and development costs						
Balance, November 30, 2006	177,195	-	571,827	2,060,745	164,129	2,973,896
Amortization	23,176	30,569	-	12,012	-	65,757
Assaying	104,903	18,746	-	23,340	218	147,207
Drilling	630,661	792,224	37,214	346,484	-	1,806,583
General and administration – Note 7	9,300	18,300	9,000	8,031	-	44,631
Geological – Note 7	33,104	52,787	6,082	46,419	7,667	146,059
Helicopter	25,785	25,825	2,904	-	-	54,515
Labour	143,051	251,088	25,854	-	-	419,993
Road clearing	-	85,553	24,272	-	-	109,825
Supplies and miscellaneous – Note 7	145,812	167,265	44,615	48,293	2,241	408,226
Trucking	45,171	39,990	8,060	-	-	93,220
Less: optionee reimbursements	-	-	-	(166,697)	-	(166,697)
Reclassify FR to other properties	-	-	-	(17,365)	17,365	-
	1,160,963	1,482,347	158,001	300,517	27,491	3,129,319
Balance, November 30, 2007	1,338,158	1,482,347	729,828	2,361,262	191,620	6,103,215
	$ 1,742,098	$ 2,165,122	$ 1,650,375	$ 2,441,386	$ 528,716	$ 8,527,697

SEE ACCOMPANYING NOTES

Note 1 Nature of Operations and Ability to Continue as a Going Concern

The Company was incorporated under the laws of the Province of British Columbia on April 26, 1999 and its shares are listed for trading on the TSX Venture Exchange.

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

During the year ended November 30, 2008, the Company was able to provide drilling services to other junior mining companies due to a scarcity of drilling construction. The Company does not expect to provide such services on a regular basis.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At November 30, 2008, the Company had not yet achieved profitable operations, has accumulated losses of $3,114,272 since inception, has a working capital deficiency of $806,877 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates that have been made using careful judgement. Actual results may differ from these estimates.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Note 2 Significant Accounting Policies – (cont'd)

a) Cash and Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to cash within 90 days when purchased.

b) Financial Instruments

The Company follows CICA Handbook Sections 1530, "Comprehensive Income", Section 3251, "Equity, Section 3855, "Financial Instruments – Recognition and Measurement", Section 3861, "Financial Instruments – Disclosure and Presentation" (replaced effectively on December 1, 2007 by sections 3862 and 3863 –Note 2e) and Section 3865, "Hedges" Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, accounts payable and accrued liabilities. These financial instruments are classified as follows:

Cash and cash equivalents – held for trading
Accounts receivable – loans and receivables
Marketable securities – held for trading
Accounts payable and accrued liabilities – other financial liability

c) Revenue Recognition

Revenue from drilling services is recognized when drilling services are performed, and collectability is reasonably assured.

Note 2 Significant Accounting Policies – (cont'd)

d) Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs ("EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company does not have any transaction costs on its financial instruments subject to EIC-166.

e) Accounting Changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

Effective December 1, 2007, the Company adopted three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial instruments – Presentation.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Sections 3862 and 3863 replaced Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements, and carrying forward unchanged 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.

f) Equipment and Amortization

Equipment is recorded at cost. The Company provides for amortization over the estimated useful lives of its equipment using the declining balance method at the following rates:

Building	4%
Computers	30%
Drilling equipment	30%
Mining equipment	30%
Office equipment	20%
Vehicles	30%

Note 2 Significant Accounting Policies – (cont'd)

f) Equipment and Amortization – (cont'd)

The Company provides amortization at one-half the above rates in the year of acquisition. Amortization charges on equipment that is directly related to resource properties are allocated to that resource property.

g) Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

h) Mining Tax Credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related deferred exploration expenditures.

i) Basic and Diluted Income (Loss) Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation, as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

Note 2 Significant Accounting Policies – (cont'd)

i) Basic and Diluted Income (Loss) Per Share – (cont'd)

For the year ended November 30, 2007, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 21,110,357 were not included in the computation of loss per share because their effect was anti-dilutive.

For the year ended November 30, 2008, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 18,361,879 were included in the computation of net income per share because their effect was dilutive.

j) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

k) Flow-through Shares

Effective March 19, 2004, the Canadian Institute of Chartered Accountants issued additional guidance on the accounting treatment of Canadian flow-through shares through its Emerging Issues Committee Abstract ("EIC") No. 146. All flow-through shares issued by the Company on or after March 19, 2004 are accounted for in accordance with this Abstract. The Abstract recommends that upon renunciation to the shareholders, the Company will reduce share capital and recognize a temporary future income tax liability for the amount of tax reduction renounced to the shareholders. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deduction and is more likely-than-not able to utilize these tax losses before expiring, the realization of the deductible temporary differences will be credited to income in the period of renunciation.

l) Stock-based Compensation

The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Note 2 Significant Accounting Policies – (cont'd)

m) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require long-lived assets and intangibles held and used by the Company to be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at November 30, 2008 and 2007 other than the write-downs recorded on mineral property costs.

n) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period when the liability is incurred and when a reasonable estimation of the fair value can be made, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At November 30, 2008 and 2007, the Company does not have any asset retirement obligations.

o) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitments to a plan of action based on the then known facts.

Note 3 Financial Instruments

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Note 3 Financial Instruments

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents and receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are exposed to interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's accounts payable and accrued liabilities are all current and due within 90 days of the balance sheet date. The Company ensures that it has sufficient capital to meet its short-term financial obligations.

Market Risk

Market risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. All marketable securities are subject to price and market volatility. The Company's marketable securities portfolio consists of one minority investments of less than 0.002% of the outstanding shares of publicly traded companies accounted for at fair value. This investment is subject to market volatility and portfolio risk.

Note 4 Property and Equipment

	2008		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 19,900	$ -	$ 19,900
Building	44,750	4,333	40,417
Computer equipment	5,929	3,460	2,469
Drilling equipment	378,129	185,004	193,125
Mining equipment	73,907	29,330	44,577
Office equipment	10,000	4,240	5,760
Vehicles	184,880	94,449	90,431
	$ 717,495	$ 320,816	$ 396,679

Note 4 Property and Equipment – (cont'd)

	2007		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 19,900	$ -	$ 19,900
Building	44,750	2,649	42,101
Computer equipment	5,929	2,401	3,528
Drilling equipment	256,659	128,266	128,393
Mining equipment	42,086	17,045	25,041
Office furniture	10,000	2,800	7,200
Vehicles	144,225	64,404	79,821
	$ 523,549	$ 217,565	$ 305,984

Note 5 Mineral Properties

a) Barbara Property

By an agreement dated September 21, 2006, the Company acquired a 50% interest in the Barbara property, which consists of ten mineral claims situated in the Skeena Mining Division in the Province of British Columbia. As consideration, the Company paid $45,000 and assigned a 50% interest in the Stro Property, together with a commitment to drill 800m on the property (completed). The property is subject to a 2% net smelter return to a director of the Company of which 1% may be purchased for $500,000.

During the year ended November 30, 2007, the Company acquired the remaining 50% interest in the property by the issuance of 637,500 shares valued at $357,000.

b) Iceberg, Melt, Freeze and Red Cliffe Properties

During the year ended November 30, 2007, the Company acquired a 100% interest in the Iceberg 1-23 claims, the Melt 1-27 claims, the Freeze 1-28 claims and the Red Cliffe claims, which are all located in the Skeena mining district of British Columbia. Total consideration paid was $25,000 cash and the issue of 850,000 common shares valued at $647,500. The Red Cliff property is subject to a 2% net smelter return of which the Company may purchase 1% for $1,000,000.

During the year ended November 30, 2008, the Company entered into an option agreement to sell an undivided 60% interest in Red Cliffe Properties for the following consideration:

Note 5 Mineral Properties – (cont'd)

b) Iceberg, Melt, Freeze and Red Cliffe Properties – (cont'd)

i) complete an exploration program on the Claims in the amount of $500,000 on or before October 28, 2009
ii) complete an additional exploration program on the Claims in the amount of $500,000 on or before October 28, 2010
iii) complete an additional exploration program on the Claims in the amount of $250,000 on or before October 28, 2011

c) MB Property

The Company has a 100% interest in seven claims representing 41 units located in the Skeena Mining Division of British Columbia.

The property is subject to a 2% net smelter return which may be purchased for $1,000,000, or one half of which may be purchased for $500,000.

d) Silver Coin, Indi and Kansas Properties

The Company has a 100% interest in the Silver Coin Property, a group of eight reverted Crown-granted claims located 25 kilometres north of Stewart, British Columbia. In addition, the Company staked 12 claims that are contiguous to the reverted Crown-granted claims known as the FR and Kansas Properties.

Pursuant to an option agreement dated March 26, 2004, the Company has acquired an undivided 55% interest in four mineral claims known as the Indi property located in the Skeena Mining Division of British Columbia.

By an agreement dated July 29, 2004, the Company granted another company the option to earn up to 51% of the Company's interest in the Silver Coin, FR and Indi properties by incurring $1,750,000 on exploration expenditures (incurred).

The Company and the optionee have agreed to form a joint venture for further development of the properties. In addition, the optionee has the right to earn an additional 9% interest in the properties by bringing one of the properties into production. Under the terms of the option agreement, if either the Company or the optionee acquires properties within 10 km of the Silver Coin properties, such additional properties will be part of the joint venture.

During the year ended November 30, 2007, the Company acquired the remaining 51% interest in the FR property located in the Skeena mining division, by the issue of 37,500 shares valued at $21,000. As a result of the Company acquiring a 100% interest in the FR property, the other joint venturer agreed to exempt the FR property from the joint venture and it has been reclassified with Other Properties.

Note 5 Resource Properties – (cont'd)

d) Silver Coin, Indi and Kansas Properties – (cont'd)

By an agreement dated April 19, 2005, the Company entered into an agreement to acquire 49% of the vendor's 60% interest in the Kansas property, which consists of a Crown-granted claim that is contiguous to the Company's Silver Coin property. The vendor's 60% interest in the property is subject to an underlying option agreement requiring the vendor to incur $1,000,000 in exploration expenditures over a four-year period ending October 13, 2008 (incurred).

e) Other Properties

The Company acquired a 100% interest in mineral claims located in the Skeena Mining Division of British Columbia consisting of the LRJ #6 Property, the FDR/Ben Ali Property, the FR property, the Dave Property, the Big Red 1-4 Property, the Slippery Willow Property and the Abpal #2 claim and 100% interest in the Mackenzie Property located in the Cariboo Mining Division of British Columbia. The LRJ #6 Property is subject to a 1% net smelter royalty to a maximum of $500,000. During the year ended November 30, 2006, management decided not to pursue the LRJ #6 Property and accordingly wrote-down costs incurred of $33,479. During the year ended November 30, 2007, management decided not to pursue the Abpal #2 claim and accordingly wrote-down costs incurred of $50,749.

During the year ended November 30, 2007, the Company acquired a further 50% interest in the STRO property located in the Skeena mining division, by the issue of 75,000 shares valued at $42,000. As a result, the Company has a 100% interest in the property.

By an agreement dated January 29, 2007, the Company sold two of the Slippery Willow claims for $25,000 cash and 120,000 common shares of the purchaser. These shares were valued at $204,000.The cost of these properties was $33,333 resulting in a gain on sale of $195,667.

By an agreement dated October 26, 2007, the Company acquired the Booze claims located in the Skeena Mining Division, British Columbia. The total consideration paid was the issue of 200,000 common shares valued at $102,000.

During the year ended November 30, 2008, the Company entered into an option agreement to sell an undivided 75% interest in FDR and Ben Ali claims; however, the optionee abandoned the agreement before any consideration was received.

Note 6 Share Capital and Contributed Surplus – Note 12

Authorized:

Unlimited number of common shares without par value

Issued:

		Share Capital Number	Share Capital Amount	Contributed Surplus
Balance, November 30, 2006		24,289,359	$ 6,992,586	$ 1,035,129
For cash:				
Pursuant to private placements	- at $0.50	500,000	250,000	-
	- at $0.65	299,000	194,350	-
	- at $0.60	5,333,667	3,200,200	-
Pursuant to exercise of share purchase options	- at $0.10	197,000	19,700	-
	- at $0.22	70,000	15,400	-
	- at $0.25	200,000	50,000	-
Pursuant to exercise of warrants	- at $0.75	10,000	7,500	-
Less: share issue costs		-	(442,069)	163,170
Transfer from contributed surplus on exercise of share purchase options		-	47,200	(47,200)
Acquisition of resource properties	- at $0.51	200,000	102,000	-
	- at $0.77	200,000	154,000	-
	- at $0.84	400,000	336,000	-
	- at $0.56	750,000	420,000	-
	- at $0.63	250,000	157,500	-
Stock-based compensation expense		-	-	656,731
Stock-based compensation Deferred exploration and development costs		-	-	22,950
Less: renunciation of flow-through shares		-	(1,207,000)	-
Balance, November 30, 2007		32,699,026	10,297,367	1,830,780
For cash:				
Pursuant to exercise of share purchase options	- at $0.10	120,000	12,000	-
Pursuant to private placements	- at $0.20	1,000,000	200,000	-
	- at $0.15	3,178,632	476,795	-
Less: share issue costs		-	(55,286)	12,715
Stock-based compensation expense		-	-	656,855
Stock-based compensation Deferred exploration and development costs		-	-	9,680
Less: renunciation of flow-through shares		-	(830,665)	-
Balance, November 30, 2008		36,997,658	$ 10,100,211	$ 2,510,030

Note 6 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Issued: – (cont'd)

During the year ended November 30, 2007, the Company issued 5,632,667 units at prices of $0.60 - 0.65 per unit for total proceeds of $3,394,550 pursuant to private placements. Each unit consisted of one flow-through common share and one share purchase warrant exercisable into an additional common share at $0.70 - $0.85 per share expiring between December 7, 2008 and October 23, 2009 . All of the proceeds received were allocated to share capital and no value was allocated to the share purchase warrants.

During the year ended November 30, 2007, the Company also issued 500,000 units at $0.50 per unit for total proceeds of $250,000 pursuant to a private placement. Each unit consisted of one common share and one share purchase warrant exercisable into an additional common share at $0.60 per share until September 21, 2009. All of the proceeds were allocated to share capital and no value was allocated to the share purchase warrants.

Total share issue costs of $442,069 were incurred on these private placements.

During the year ended November 30, 2008, the Company issued 1,000,000 units at $0.20 per unit pursuant to a private placement for total proceeds of $200,000. Each unit consisted of one common share and one share purchase warrant entitling the holder thereof the right to purchase an additional common share at $0.30 per share until September 2, 2010.

During the year ended November 30, 2008, the Company issued 3,178,632 units at $0.15 per unit pursuant to a private placement for total proceeds of $476,795. Each unit consisted of one flow-through common share and one share purchase warrant entitling the holder thereof the right to purchase an additional common share at $0.25 until September 17, 2010. The Company paid finder's fees of $42,571 and issued 317,863 compensation units. Each compensation unit is exercisable at $0.15 into one common share and one share purchase warrant entitling the holder thereof the right to purchase an additional common share at $0.25 until September 17, 2010.

All of the 2008 share proceeds were allocated to share capital and no value was allocated to share purchase warrants.

Note 6 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Commitments:

Share Purchase Warrants:

A summary of share purchase warrant activity during the years ended November 30, 2007 and 2008 is presented below:

	Number	Weighted Average Exercise Price
Outstanding, November 30, 2006	7,557,730	$0.80
Issued	6,132,667	$0.74
Exercised	(10,000)	$0.75
Outstanding, November 30, 2007	13,680,397	$0.77
Issued	4,178,632	$0.26
Expired	(7,547,730)	$0.79
Outstanding, November 30, 2008	10,311,299	$0.54

At November 30, 2008, there were 10,311,299 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number	Exercise Price	Expiry Date
120,000	$0.85	December 7, 2008
179,000	$0.85	December 18, 2008
1,000,000	$0.85	January 26, 2009
500,000	$0.85	August 10, 2009
1,667,000	$0.70	September 21, 2009
500,000	$0.60	September 21, 2009
500,000	$0.70	October 9, 2009
1,666,667	$0.70	October 23, 2009
1,000,000	$0.30	September 2, 2010
3,178,632	$0.25	September 17, 2010
10,311,299		

Subsequent to November 30, 2008, 1,299,000 share purchase warrants exercisable at $0.85 per share expired unexercised.

Note 6 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Commitments: – (cont'd)

Compensation Units:

During the year ended November 30, 2007, in connection with the private placements, the Company issued 507,927 compensation units. Each compensation unit is exercisable at $0.60 per unit into one common share and one share purchase warrant. Each share purchase warrant is exercisable into an additional common share at $0.70 – $0.85 per share.

The fair value of the compensation units of $163,170 was included in share issue costs for the year ended November 30, 2007 and was determined using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0.0%
Expected volatility	72.3% - 119.5%
Risk-free interest rate	2.88% - 3.33%
Expected term in years	2 years

A summary of compensation unit activity during the year ended November 30, 2007 is presented below:

	Number	Weighted Average Exercise Price
Outstanding, November 30, 2006	739,553	$0.52
Issued	507,927	$0.60
Outstanding, November 30, 2007	1,247,480	$0.55

During the year ended November 30, 2008, in connection with the private placements, the Company issued 317,863 compensation units. Each compensation unit is exercisable at $0.15 into one common share and one share purchase warrant entitling the holder thereof the right to purchase an additional common share at $0.25 until September 17, 2010.

The fair value of the compensation units of $12,715 was included in share issue costs for the year ended November 30, 2008 and was determined using the Black-Scholes option pricing model with the following assumptions:

Note 6 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Commitments: – (cont'd)

Compensation Units: – (cont'd)

Expected dividend yield	0.0%
Expected volatility	51.1%
Risk-free interest rate	2.43%
Expected term in years	2 years

A summary of compensation unit activity during the year ended November 30, 2008 is presented below:

	Number	Weighted Average Exercise Price
Outstanding, November 30, 2007	1,247,480	$0.55
Issued	317,863	$0.15
Expired	(739,553)	$0.52
Outstanding, November 30, 2008	825,790	$0.43

At November 30, 2008, there were 825,790 compensation units outstanding as follows:

Number	Exercise Price	Expiry Date
17,900	$0.60	December 18, 2008
100,000	$0.60	June 26, 2009
50,000	$0.60	August 10, 2009
133,360	$0.60	September 21, 2009
40,000	$0.60	September 21, 2009
166,667	$0.60	October 23, 2009
317,863	$0.15	September 17, 2010
825,790		

Subsequent to November 30, 2008, 17,900 compensation units exercisable at $0.60 per unit expired unexercised.

Note 6 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Commitments: – (cont'd)

Compensation Units: – (cont'd)

Stock-based Compensation Plan

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 20% of the outstanding common shares of the Company, as at the date of the grant, both in aggregate and in any one-year period. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant, both in aggregate and in any one-year period. Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company.

Under the stock option plan, 25% of the options vest when granted and 12½ % vest every three months thereafter.

During the year ended November 30, 2008, the Company adopted Shareholder Rights Plan Agreement. The shareholder rights plan has been adopted to ensure the fair treatment of all shareholders with respect to any takeover bid for the common shares of the Company. It is designed to provide shareholders with sufficient time to properly consider a takeover bid without undue time constraints. In addition, it will provide the board with additional time for review and consideration of an unsolicited takeover bid and, if necessary, for the consideration of alternatives.

A summary of stock option plan activity for the years ended November 30, 2008 and 2007 is presented below:

	Year ended November 30, 2008		Year ended November 30, 2007	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of period	4,935,000	$0.53	3,371,000	$0.38
Granted	1,850,000	$0.28	2,031,000	$0.69
Exercised	(120,000)	$0.10	(467,000)	$0.18
Expired	(266,000)	$0.51	-	-
Outstanding, end of period	6,399,000	$0.31	4,935,000	$0.53
Exercisable, end of period	5,705,250	$0.31	3,812,625	$0.48

Note 6 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan: – (cont'd)

The weighted average fair value of the share purchase options granted during the year ended November 30, 2007 of $0.42 was determined using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0.0%
Expected volatility	72.3% - 119.5%
Risk-free interest rate	2.88% - 3.33%
Expected term in years	2 – 5 years

The weighted average fair value of the share purchase options granted during the year ended November 30, 2008 of $0.17 was determined using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0.0%
Expected volatility	102.7% - 103.4%
Risk-free interest rate	3.23%
Expected term in years	5 years

At November 30, 2008, there were 6,399,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number	Exercise Price	Expiry Date
144,000	$0.25	June 25, 2009
100,000	$0.63	July 5, 2009
250,000	$0.25	September 3, 2009
300,000	$0.25	November 30, 2009
164,000	$0.25	December 13, 2009
305,000	$0.22	December 22, 2009
250,000	$0.22	April 1, 2010
500,000	$0.25	September 1, 2010
370,000	$0.25	March 24, 2011
60,000	$0.60	April 7, 2011
75,000	$0.70	October 19, 2011
1,161,000	$0.25	January 26, 2012
350,000	$0.67	January 26, 2012
250,000	$0.69	February 12, 2012
270,000	$0.25	March 6, 2012
1,650,000	$0.28	January 25, 2013
200,000	$0.30	February 26, 2013
6,399,000		

Note 6 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan: – (cont'd)

On May 22, 2008, the Company received disinterested shareholder approval to re-price 2,745,000 share purchase options outstanding at November 30, 2007 exercisable at prices of between \$0.33 and \$0.79 per share to a price of \$0.25 per share. The re-pricing resulted in a stock based compensation charge of \$123,230.

As of November 30, 2008, the 6,399,000 share purchase options outstanding as a weighted average remaining contractual life of 2.77 years.

Note 7 Related Party Transactions

The Company incurred the following charges by directors of the Company or by companies with directors in common with the Company during the years ended November 30, 2008 and 2007:

	2008	2007
Mineral properties		
Deferred exploration costs		
Drilling	\$ 123,225	\$ -
General and administration	18,900	44,100
Geological	96,950	55,783
Supplies and miscellaneous	59,960	21,880
Trucking	600	-
Consulting fees	9,775	38,500
Drilling expenses	100,050	-
Management fees	60,000	60,000
	\$ 469,460	\$ 220,263

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

At November 30, 2008, prepaid expense and advance includes \$13,600 (November 30, 2007: \$5,000) for prepaid rent and management fees and \$28,319 (November 30, 2007: \$8,319) for expense advances to directors of the Company or to companies with directors in common with the Company.

At November 30, 2008, accounts payable and accrued liabilities includes \$106,151 (November 30, 2007: \$191,310) due to directors of the Company or to companies with directors in common with the Company.

Note 7 Related Party Transactions – (cont'd)

During the year ended November 30, 2008, drilling income included $762,338 (2007: $9,275) charged to companies with directors in common with the Company.

During the year ended November 30, 2008, interest income included $3,750 (2007: $Nil) charged to a company with directors in common with the Company.

At November 30, 2008, receivables include $38,400 (2007: $Nil) due from a company with common directors. This amount is unsecured, non-interest bearing and was collected subsequent to November 30, 2008.

Note 8 Non-Cash Transactions

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

During the year ended November 30, 2008:

a) The Company included the fair value of the compensation units of $12,715 in share issue costs.

b) The Company capitalized amortization on drilling and mining equipment of $69,024 to mineral properties.

c) The Company capitalized stock based compensation of $9,680 to mineral properties.

d) The Company renounced exploration expenditures incurred of $3,194,867 (to investors and recorded a charge of $830,665 to share capital and a future income tax liability.

e) The Company has $707,643 in accounts payable and accrued liabilities related to resource properties.

During the year ended November 30, 2007:

a) The Company received 120,000 common shares of a public company valued at $204,000 pursuant to the sale of resource properties. The value was determined by the market value at the date of the agreement.

b) The Company issued 1,800,000 shares valued at $1,169,500 pursuant to the acquisition of resource properties. The value was determined by the market value of the shares at the date of the agreements.

Note 8 Non-Cash Transactions – (cont'd)

c) The Company included the fair value of the compensation units of $163,170 in share issue costs.

d) The Company renounced exploration expenditures incurred of $ $4,059,338 to investors and recorded a charge of $1,207,000 to share capital and a future income tax liability.

Note 9 Income Taxes

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

	2008	2007
Statutory tax rate	31.3%	34.12%
Income (loss) before income taxes	$ 126,725	$(1,134,399)
Expected income tax recovery (expense) on net loss (income), before income tax	(40,000)	387,000
Increase (decrease) in income tax recovery resulting from:		
Permanent differences	(206,000)	(225,000)
Non-deductible portion of capital loss	(3,000)	(13,000)
Effect of reduction in statutory rate	42,000	44,000
Change in valuation allowance	207,000	(96,000)
Income tax recovery	$ -	$ 97,000

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

	2008	2007
Future income tax assets:		
Non-capital losses carry forward	$ 194,000	$ 378,000
Share issue costs	107,000	140,000
Equipment	78,000	51,000
Capital loss carryforward	16,000	13,000
Marketable securities	3,000	2,000
	398,000	584,000
Less: valuation allowance	(398,000)	(584,000)
Net long-term future income tax assets	$ -	$ -
Future income tax liability		
Canadian development and exploration expenditures	$ 1,940,665	$ 1,110,000

Note 9 Corporation Income Taxes – (cont'd)

At November 30, 2008, the Company has accumulated Canadian exploration and development expenditures of $4,211,000 and has accumulated non-capital losses totalling $746,000, which are available to reduce taxable income of future years. The non-capital losses expire as follows:

2026	$ 58,000
2027	688,000
	$ 746,000

During the year ended November 30, 2008, the Company issued flow-through common shares for proceeds of $476,795 (2007: $3,394,550) and renounced $3,194,867 (2007: $4,059,338) of resource expenditures. The proceeds raised during the year ended November 30, 2008 were spent on mineral properties during the year, and were subsequently renounced. Expenditures related to the use of flow-through share proceeds are included in exploration costs but are not available as a tax deduction to the Company as the tax benefits of these expenditures have been renounced to the investors.

Note 10 Capital disclosures

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to pursue the development of its mineral property and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. In the management of capital, the Company includes the components of shareholders' equity, as well as cash.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash. As at November 30, 2008, the Company has not entered into any debt financing.

The Company is dependent on the capital markets as its sole source of operating capital and the Company's capital resources are largely determined by the strength of the junior resource markets and by the status of the Company's projects in relation to these markets, and its ability to compete for investor support of its projects. The Company is not subject to any externally imposed capital requirements.

The Company places its cash and cash equivalents with institutions of high credit worthiness. At November 30, 2008, the Company had cash and cash equivalents of $5,747 (November 30, 2007: $1,032,369).

Note 11 Other

During the year ended November 30, 2007, the Company purchased the drilling rights for certain oil and gas properties located in British Columbia for $150,108 and during the year ended November 30, 2008, incurred an additional $3,750 in costs. The rights were sold to a public company having common directors for $153,858 in cash and the issuance to the Company of 1,000,000 of the common shares of the other company if certain commercial production is achieved.

Note 12 Comparative Figures

Certain comparative figures as at November 30, 2007 and for the year then ended have been reclassified to conform to the November 30, 2008 financial statement presentation.

Note 13 Subsequent Events

Subsequent to November 30, 2008:

a) The Company agreed to re-price share purchase options outstanding at November 30, 2008 for the purchase of up to 5,889,000 shares at $0.22 - $0.70 per share to $0.10 per share. The repricing is subject to regulatory and disinterested shareholder approval.

b) The Company granted share purchase options to directors, officers and consultants to purchase up to 2,474,000 shares at $0.10 per share exercisable for a period of five years.

c) The Company issued 5,000,000 flow-through common shares at $0.20 per share for proceeds of $1,000,000.

d) The Company renounced exploration expenditures of $383,140 to investors.