

EUREKA RESOURCES, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
OCTOBER 31, 2008 AND 2007

Chang Lee LLP

Chartered Accountants

*505 – 815 Hornby Street
Vancouver, B.C. V6Z 2E6
Tel: 604-687-3776
Fax: 604-688-3373
E-mail: info@changlellp.com*

AUDITORS' REPORT

To the Shareholders of

EUREKA RESOURCES, INC.

We have audited the consolidated balance sheets of Eureka Resources, Inc. (“the Company”) as at October 31, 2008 and 2007 and the consolidated 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 overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2008 and 2007 and the results of its operations and its cash flows for the years ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
February 18, 2009

CHANG LEE LLP

Chartered Accountants

EUREKA RESOURCES, INC.

Consolidated Balance Sheets

As at October 31,

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 147,217	\$ 69,834
Goods and Services Tax receivable	824	919
Prepaid expenses	<u>2,243</u>	<u>4,057</u>
	150,284	74,810
Reclamation Bond (Note 5)	5,433	5,367
Mineral Properties (Note 4)	<u>564,119</u>	<u>543,095</u>
	\$ <u>719,836</u>	\$ <u>623,272</u>
Current Liabilities		
Accounts payable and accrued liabilities	\$ 12,368	\$ 16,509
Due to related parties (Note 10 (a))	135,073	135,573
Interest payable on promissory notes (Note 10 (b))	—	14,726
Promissory notes (Note 10 (b))	<u>—</u>	<u>368,140</u>
	147,441	534,948
SHAREHOLDERS' EQUITY		
Share Capital (Note 6b)		
<i>Authorized: 100,000,000 common shares without par value</i>		
<i>Issued and outstanding: 14,513,095 (2007 – 13,302,640)</i>		
<i>common shares</i>	5,115,470	4,467,344
Contributed Surplus (Note 6d)	400,541	124,721
Deficit	<u>(4,943,616)</u>	<u>(4,503,741)</u>
	<u>572,395</u>	<u>88,324</u>
	\$ <u>719,836</u>	\$ <u>623,272</u>

Approved by the Directors:

John J. O'Neill

Lawrence B. O'Neill

See accompanying notes to consolidated financial statements.

EUREKA RESOURCES, INC.Consolidated Statements of Operations and Deficit
For the Years Ended October 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
EXPENSES		
Administration	\$ 37,332	\$ 8,728
Audit & accounting fees	23,400	28,230
Directors' fees	1,000	1,000
Filing fees	11,431	10,154
Insurance	3,250	3,746
Interest expense (Note 10)	5,398	17,936
Legal fees	29,101	45,897
Transfer agent	5,789	5,537
Stock based compensation	373,182	18,750
Recovery of mineral property costs previously written off (Note 4 (b))	<u>(49,938)</u>	<u>(18,200)</u>
Net loss before other items	(439,945)	(121,778)
Interest income	<u>70</u>	<u>234</u>
Net Loss and Comprehensive Loss for the Year	(439,875)	(121,544)
Deficit – Beginning of the Year	<u>(4,503,741)</u>	<u>(4,382,197)</u>
Deficit – End of the Year	<u>\$ (4,943,616)</u>	<u>\$ (4,503,741)</u>
Basic and Fully Diluted Loss Per Share	<u>\$ (0.031)</u>	<u>\$ (0.009)</u>
Weighted Average Number of Shares Outstanding – Basic and diluted	<u>14,178,346</u>	<u>13,255,762</u>

See accompanying notes to consolidated financial statements.

EUREKA RESOURCES, INC.

Consolidated Statements of Cash Flows

For the Years Ended October 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Provided By (Used For):		
Operating Activities		
Net loss for the year	\$ (439,875)	\$ (121,544)
Adjustments for items not involving cash:		
Imputed interest	5,398	3,211
Shares for debt	—	73,628
Stock based compensation	373,182	18,750
Net changes in non-cash working capital components:		
Other receivable	95	96
Prepaid expenses	1,814	(172)
Accounts payable and accrued liabilities	(4,141)	(73,424)
	<u>(63,527)</u>	<u>(99,455)</u>
Investing Activity		
Reclamation bond	(66)	(234)
Mineral property acquisitions and exploration, net of recovery	(21,024)	4,449
	<u>(21,090)</u>	<u>4,215</u>
Financing Activity		
Shares issued for cash	162,500	—
Due to related parties	(500)	110,572
Promissory notes	—	14,726
	<u>162,000</u>	<u>125,298</u>
Net Cash and cash equivalents Provided During the Year	77,383	30,058
Cash and cash equivalents – Beginning of Year	69,834	39,776
Cash and cash equivalents – End of Year	\$ 147,217	\$ 69,834
<i>Supplementary cash flow information:(See Note 11)</i>		
<i>Interest paid in cash</i>	\$ NIL	\$ NIL
<i>Income taxes paid in cash</i>	\$ NIL	\$ NIL

See accompanying notes to consolidated financial statements.

1. Nature of business and going concern:

The Company was incorporated on June 16, 1981 under the Company Act (British Columbia). The Company's principal business activities include the exploration and development of natural resource properties.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern. At October 31, 2008, the Company had working capital of \$2,843 and the Company continues to incur losses from operations. The ability of the Company to meet its liabilities as they come due and to continue as a going concern is dependent upon the continuing support of its shareholders, and its ability to raise equity financing to complete the exploration and development of its mineral properties and, ultimately, the attainment of profitable operations. Failure to continue as a going concern would require restatement of assets and liabilities on a liquidation basis, which would differ materially from the going concern basis.

The Company is in the process of exploring its mineral properties and has not yet determined the existence of economically recoverable ore reserves. The recoverability of the amounts shown as mineral properties is dependent upon the existence of economically recoverable ore reserves, confirmation of the Company's interest in the underlying claims, the ability of the Company to obtain necessary financing to complete the development and the attainment of profitable production from the properties or from the proceeds of their disposal.

2. Significant Accounting Policies

(a) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Hawthorne Gold Inc. All significant inter-company accounts and transactions have been eliminated.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

(c) Mineral interests

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project. The amounts shown as mineral interests represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values. The costs related to a property from which there is production, together with the costs of production equipment, will be depleted and depreciated on the unit-of-production method based upon estimated recoverable proven and probable reserves.

In the event that reserves are determined, the carrying values of mineral interests, on a property-by-property basis, will be reviewed by management at least annually to determine if they have become impaired. If impairment is deemed to exist, the mineral property will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized for the mineral properties is dependent upon the delineation of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and realize profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in various projects have been based on current conditions. However, it is reasonably possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future writedowns of capitalized property carrying values.

2. Significant Accounting Policies, *continued*

(c) Mineral interests, *continued*

Ownership in mineral interests involves certain inherent risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge, ownership of its interests are in good standing.

(d) Financial Instruments – Recognition and Measurement

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented. All derivatives are recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship. All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing other than temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted for on the trade date.

(e) Long-lived Assets Impairment

Long-lived assets of the Company are reviewed when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

(f) Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations on its mineral exploration activities in the period in which they incur and/or in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is also adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As at October 31, 2008, the Company does not have any asset retirement obligations.

(g) Comprehensive Income

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until the period that the related asset or liability affects income. For the year ended October 31, 2008, the Company did not have other comprehensive income or loss, therefore the comprehensive loss for the period is equal to the net loss for the period.

2. Significant Accounting Policies, *continued*

(h) Stock Based Compensation

The Company adopted the recommendations of the CICA with respect to the recognition, measurement, and disclosure of stock-based compensation and other stock based payments. Under this policy the Company values all stock-based compensation granted at the fair value as determined using the Black-Scholes option valuation model.

(i) Loss per Share

Loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options are used to repurchase common shares at the prevailing market rate. As the Company incurred net losses in the current period the stock options, as disclosed in Note 6 (c), are not included in the computation of loss per share as its inclusion would be anti-dilutive.

(j) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

(k) Comparative figures

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

3. Changes in Accounting Policies and Recent Accounting Pronouncements

Effective November 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”):

Section 1535 – Capital Disclosures

The Company adopted CICA Section 1535, “Capital Disclosures”. This section requires the Company to include additional information in the notes to the financial statements about its capital and the manner in which it is managed. The additional disclosure includes quantitative and qualitative information regarding an entity’s objectives, policies and procedures for managing capital.

The impact of adopting this section is disclosed in Note 8.

Section 3862 and 3863 – Financial Instruments Disclosures and Presentation

The Company adopted CICA Section 3862 and 3863, “Financial Instruments Disclosures and Presentation”. These sections require disclosures of both qualitative and quantitative information that enables users of the financial statements to evaluate the nature and extent of risks from financial instruments to which the Company is exposed.

The impact of adopting this section is disclosed in Note 7.

The Company has determined that there are no other recent pronouncements that impact its financial statements.

EUREKA RESOURCES, INC.
Notes to Consolidated Financial Statements
For the Years Ended October 31, 2008 and 2007

3. Changes in Accounting Policies and Recent Accounting Pronouncements, *continued*

New Accounting Standards Not Yet Adopted

Section 1400, General Standards of Financial Statement Presentation

In June 2007, the CICA amended Section 1400 to include requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The mandatory effective date is for annual and interim financial statements for years beginning on or after January 1, 2008. This new requirement will be adopted by the Company effective November 1, 2008. The adoption of this Section will not have an impact on the financial statements other than disclosure in the notes to the financial statements.

International Financial Reporting Standards

In January 2006, the CICA Accounting Standards Board (ACSB) adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The impact of the transition to IFRS on the Company's financial statements has not yet been determined.

4. Mineral Properties

Cariboo Mining Division, British Columbia, Canada

	<u>Lottie Lake</u>	<u>Frasergold</u>	<u>Total</u>
Balance, October 31, 2006	\$ 520,044	\$ 7,500	\$ 527,544
Acquisition	—	24,000	24,000
Exploration (recovery)	23,051	(31,500)	(8,449)
Balance, October 31, 2007	543,095	—	543,095
Acquisition	—	—	—
Exploration	21,024	—	21,024
Balance, October 31, 2008	\$ 564,119	\$ —	\$ 564,119

The following is a summary of cost recoveries and deferred exploration costs incurred during the current year:

	<u>Fees & Taxes</u>	<u>Assays & Analysis</u>	<u>Supplies and Misc.</u>	<u>Total</u>
Lottie Lake	\$ 21,024	\$ —	\$ —	\$ 21,024
Frasergold	—	—	—	—
Total	\$ 21,024	\$ —	\$ —	\$ 21,024

(a) Lottie Lake Project:

By agreements dated November 29, 1997 (as amended) and April 16, 1999 (as amended) the Company acquired options to purchase a 100% interest in a total of 20 claims, which form part of the Lottie Lake Project area. By an amending letter agreement dated January 24, 2003, the Company acquired 100% ownership of the claims by paying \$5,000 and issuing 250,000 common shares. The claims are subject to a 1% net smelter return royalty. The Company can purchase one-half of the 1% net smelter return royalty for \$750,000.

4. Mineral Properties, *continued*

(a) Lottie Lake Project, *continued*:

In 2001 the Company staked 24 units contiguous to the Lottie Lake Project and completed the required assessment work to maintain good standing to January 2007. The Company subsequently abandoned a number of claims in the Lottie Lake Property, in order to focus on the best areas of potential for discoveries. As a result, the property now consists of eleven mineral claims.

(b) Frasergold Project:

The Company holds a 100% interest in 18 claims underlying the Frasergold Project area.

- (i) Under the terms of the option agreement, which the Company's interest in the claims was originally acquired, the Company must issue 200,000 shares to the original owners upon completion of a positive feasibility study.
- (ii) The Company must issue 210,000 shares to a related party (a director) in consideration for exploration work done on the property, as follows:

Upon completion of feasibility study recommending production	70,000
Upon commencement of production	70,000
Upon repayment of pre-production capital costs	70,000

Based upon exploration work completed to 1998, the Company determined the Frasergold Project was not economic at then-current gold prices. The Frasergold Project was written down to a nominal carrying value during 1998.

During the year ended October 31, 2003, the Company re-commenced exploration work on the Frasergold Project, based on improved economic conditions. It is the Company's intention to continue with exploration on the Frasergold Project. Exploration expenditures incurred since fiscal 2003 have been deferred.

During the 2006 fiscal year, The Company signed an arm's-length option agreement with Hawthorne Gold Corp. ("Hawthorne), a B.C. Company unrelated to the Company, whereby Hawthorne may earn a 51-percent interest in the property by expending \$3.5-million on the exploration of the property, making payments totaling \$175,000 to the Company and completing a feasibility study on or before April 30, 2010. Hawthorne can earn an additional 9-per-cent interest in the property by arranging production financing on completion of a feasibility study. A joint venture will be formed upon Hawthorne earning its interest and during the earn-in phase an advisory committee will be established.

To date, the Company has received \$125,000 which was recorded as a recovery of mineral property costs.

During the October 31, 2007 fiscal year, the Company added two mineral claims to the Frasergold property for \$4,000 cash and issued 40,000 common shares of the Company with a deemed value of \$0.50 per share

5. Reclamation Bond

Reclamation bonds represent term deposits which have been pledged to the Province of British Columbia as security for reclamation obligations pursuant to the mining regulations of British Columbia.

EUREKA RESOURCES, INC.
Notes to Consolidated Financial Statements
For the Years Ended October 31, 2008 and 2007

6. Share Capital

(a) Authorized: unlimited number of common shares without par value.

(b) Issued and outstanding common shares:

	Number of Shares	Amount
Balance, October 31, 2006	13,068,882	\$ 4,373,716
Shares issued for accrued interest payable on loans made to the Company at a deemed price of \$0.38 per share	193,758	73,628
Issued for property at a deemed price of \$0.50 per share	40,000	20,000
Balance, October 31, 2007	13,302,640	\$ 4,467,344
Shares issued for payment of Promissory Notes and accrued interest at a deemed price of \$0.59	311,898	184,020
Shares issued for payment of Promissory Notes and accrued interest at a deemed price of \$0.80	248,557	198,846
Shares issued pursuant to the exercise of stock options at \$0.25 per share including \$102,760 contributed surplus attributed to stock-based compensation recognized in previous periods	650,000	265,260
Balance, October 31, 2008	14,513,095	\$ 5,115,470

(c) Stock options:

The Company adopted a stock option plan in April 2003 and amended in 2008. Under the Stock Option Plan, the Company may grant stock options to its officers, directors, employees and consultants up to a maximum of 10% of the issued and outstanding shares may be purchased. Exchange policies permit the Company's directors to grant incentive stock options for the purchase of shares of the Company to persons in consideration for services. The exercise price of stock options is determined by the board of directors of the Company at the time of grant, based on the quoted market price of the Company's shares on the Exchange.

A summary of the status of the Company's stock option plan as of October 31, 2008 and 2007, and changes during the years are presented below:

	Shares	Weighted Average Exercise Price
Options outstanding and exercisable October 31, 2006	650,000	\$0.25
Granted	100,000	\$0.50
Exercised	—	—
Options outstanding and exercisable October 31, 2007	750,000	\$0.28
Granted	950,000	\$0.46
Exercised	(650,000)	\$0.25
Options outstanding and exercisable October 31, 2008	1,050,000	\$0.46

In August 2007, the Company's Board of Directors approved and granted 100,000 stock options to directors of the Company with an exercise price of \$0.50 per share. The options vested in full at the date of the grant. Each option entitles the optionee to acquire one share of the Company. These options expire on August 16, 2009. During 2006, the Company's Board of Directors approved and granted 650,000 stock options to directors of the Company with an exercise price of \$0.25 per share expiring on June 8, 2008.

EUREKA RESOURCES, INC.
Notes to Consolidated Financial Statements
For the Years Ended October 31, 2008 and 2007

6. Share Capital, *continued*

(c) Stock options, *continued*:

The options vested in full at the date of the grant. Each option entitled the optionee to acquire one share of the Company. During the period ended October 31, 2008, all 650,000 options were exercised. On April 25, 2008 an additional 950,000 stock options were granted to directors of the Company with an exercise price of \$0.46, expiring on April 25, 2013.

The fair values of the stock options granted during the years were estimated using the Black-Scholes option pricing model with the following assumptions and results.

	2008	2007
Risk-free interest rate	3.20%	4.33%
Dividend yield	0%	0%
Expected volatility	126%	78.75%
Expected term	5 years	2 years

(d) Contributed surplus

The following table sets forth the continuity of contributed surplus for the periods then ended:

	October 31, 2008	October 31, 2007
Balance, beginning of period	\$ 124,721	\$ 102,760
Stock based compensation expense during the period	373,182	18,750
Stock based compensation reallocated for stock options exercised during the period	(102,760)	—
Imputed interest on shareholder loan	5,398	3,211
Balance, end of period	\$ 400,541	\$ 124,721

7. Financial Instruments

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to accounts receivable. The Company believes it has no significant credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at October 31, 2008, the Company had a cash and cash equivalent balance of \$147,217 (2007 - \$69,834) to settle current liabilities of \$147,441 (2007 - \$534,948). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

EUREKA RESOURCES, INC.
Notes to Consolidated Financial Statements
For the Years Ended October 31, 2008 and 2007

The Company has cash balances and no interest-bearing debt. The Company believes it has no significant interest rate risk

(b) Foreign currency risk

As at October 31, 2008, the Company's expenditures are in Canadian dollars, any future equity raised is expected to be predominantly in Canadian dollars. The Company believes it has no significant foreign currency risk

8. Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its resource properties and to maintain flexible capital structure for its projects for the benefit of its stakeholders.

In the management of capital, the Company includes the components of shareholders' equity as well as cash, receivables and current liabilities.

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets or adjust the amount of cash.

The Company does not have any major capital expenditures committed for the coming year.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met.

9. Income Taxes

The Company's provision for income taxes differs from the amounts computed by applying the statutory income tax rates to the loss as a result of the following:

	2008	2007
Statutory income tax rate	31.50%	34.10%
Recovery of income taxes at statutory rates	\$ 36,000	\$ 41,000
Tax benefit not recognized on current year's losses	(36,000)	(41,000)
	\$ -	\$ -

Due to the uncertainty of realization, the Company has not recorded any benefit in these consolidated financial statements from net losses and current exploration and development deductions carried forward in the Canadian corporate income tax returns. The future tax benefits not recognized in the consolidated financial statements at current statutory rates on these items are approximately:

	2008	2007
Future income tax assets not recognized:		
Non-capital losses carried forward	\$ 124,000	\$ 106,000
Capital losses carried forward	1,000	1,000
Canadian and foreign depletion, exploration and development expenses	755,000	834,000
Other	11,000	12,000
Less: Valuation allowance	(891,000)	(953,000)
Net future income tax assets not recognized	\$ -	\$ -

EUREKA RESOURCES, INC.
Notes to Consolidated Financial Statements
For the Years Ended October 31, 2008 and 2007

The non-capital losses will expire commencing 2009 through 2028, if not utilized. The capital losses and exploration and development expenses can be carried forward indefinitely or until there is change in ownership control.

The Company has U.S. net operating loss of approximately US \$68,000, which will expire commencing 2012 through 2028. The use of U.S. loss carry forwards will be limited in any given year as a result of previous changes in ownership of the Company

10. Related Party Transactions

- (a) The amounts due to related parties, which are non-interest bearing, unsecured and due on demand, are comprised of the following:

	October 31, 2008	October 31, 2007
Due to a director	\$ 14,600	\$ 15,100
Due to a company controlled by a director	120,473	120,473
	\$ 135,073	\$ 135,573

Imputed interest of \$5,398 on the shareholders' loans has been calculated and included in contributed surplus.

- (b) During the 2007 fiscal year, the Company entered into promissory note agreements totaling \$368,140. These loans were made in prior years to October 31, 2006 by a shareholder and a company controlled by a shareholder. The loans bear interest at a rate of four per cent per year and was payable on demand by the lenders. During the first quarter ended January 31, 2008, 311,898 shares were issued at a deemed price of \$0.59 per common share and 248,557 at \$0.80 per common share to settle these promissory notes including accrued interest totaling \$382,866. The common shares are subject to resale restrictions expiring four months and one day from the date of issuance.
- (c) During the year ended October 31, 2008, the Company incurred directors' fees totaling \$1,000, incurred \$5,181 for legal fees to a firm which a partner is a director of the Company; and incurred \$8,000 to a director for consulting services. As at October 31, 2008, included in accounts payable, \$4,008 is payable to a director and a firm which a partner is a director of the Company.

11. Supplemental Disclosure with Respect to Cash Flows

Significant non-cash transactions for the year ended October 31, 2008 included 560,455 common shares issued for payment of promissory notes; and \$5,398 imputed interest calculated on the non-interest bearing shareholder loans.

Significant non-cash transactions for the year ended October 31, 2007 included 40,000 common shares being issued for mineral properties at a deemed value of \$20,000; 193,758 common shares at a value of \$73,628 issued as additional consideration for loans made by insiders to the Company; restructuring of loans from shareholder to promissory note of \$368,140; and \$3,211 imputed interest calculated on the non-interest bearing shareholder loan.