# Ressources Cartier Inc.
(formerly Investissements St-Pierre Inc. - see (note 2)

*Financial Statements*

***Years ended December 31, 2008 and 2007***

# Ressources Cartier Inc.

## MANAGEMENT REPORT

Management is responsible for preparing the financial statements and for any other information contained in the annual report. The financial statements are prepared in accordance with Canadian generally accepted accounting principles and are approved by the Board of Directors. These statements include amounts based on estimates and judgments. All of the financial information contained in the annual report is representative of the data presented in the financial statements.

The management of Ressources Cartier Inc. is required to establish and maintain adequate internal control over financial information reporting. Ressources Cartier Inc.'s internal control over financial reporting process is designed under the supervision of the President and Chief Executive Officer and the Chief Financial Officer to provide reasonable assurance of the reliability of the Company's financial information and the preparation of the Company's financial statements for the publication of financial information, in accordance with Canadian generally accepted accounting principles.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. It carries out its responsibility principally through its Audit Committee. This Committee meets periodically with management, as well as the external auditors, to discuss auditing matters and to review the financial statements. The Audit Committee reports its findings to the Board of Directors for its consideration when approving the financial statements for issuance to the shareholders. The external auditors, Samson Belair Deloitte & Touche, s.e.n.c.r.l. have free access to the Audit Committee.

(signed) Philippe Cloutier
President and Chief Executive Officer

(signed) Jean-Yves Laliberté
Chief Financial Officer

Date: February 5, 2009

# Deloitte.

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## AUDITORS' REPORT

To the Shareholders of

Ressources Cartier Inc.

We have audited the balance sheet of Ressources Cartier Inc. as at December 31, 2008 and the statements of earnings and comprehensive loss, deficit and cash flows for the year 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 audit.

We conducted our audit 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 the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at December 31, 2007 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 8, 2008.

Samson Bélair Deloitte & Touche s.e.n.c.r.l. [1]

Val-d'Or, Quebec

February 5, 2009

[1] Chartered accountant auditor permit No. 13201

# Ressources Cartier Inc.

## Balance Sheets
**As at December 31,**

| | 2008 | 2007 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents (note 13) | **1,114,262** | 3,230,457 |
| Cash reserved for exploration (note 4) | **620,880** | - |
| Accounts receivable (note 5) | **915,163** | 604,753 |
| Prepaid expenses | **9,690** | 34,021 |
| | **2,659,995** | 3,869,231 |
| **Property, plant and equipment** (note 6) | **47,947** | 60,928 |
| **Mining properties** (note 7) | **1,413,708** | 1,433,234 |
| **Deferred exploration costs** (note 8) | **2,017,010** | 755,188 |
| | **6,138,660** | 6,118,581 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **97,460** | 175,326 |
| **Future income taxes** (note 17) | **540,912** | 404,262 |
| | **638,372** | 579,588 |
| **Shareholders' equity** | | |
| **Capital stock** (note 9) | **5,765,098** | 5,278,821 |
| **Stock options** (note 10) | **367,323** | 292,310 |
| **Warrants** (note 11) | **723,814** | 633,504 |
| **Deficit** | **(1,355,947)** | (665,642) |
| | **5,500,288** | 5,538,993 |
| | **6,138,660** | 6,118,581 |

**Going concern** (note 1)
**Commitments** (note 18)

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

**Approved by the Board of Directors**

(signed) Philippe Cloutier, Director

(signed) Daniel Massé, Director

# Ressources Cartier Inc.

## Statements of Deficit
**As at December 31,**

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| **Balance - Beginning of year** | **665,642** | 79,461 |
| Net loss | **690,305** | 586,181 |
| **Balance - End of year** | **1,355,947** | 665,642 |

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

# Ressources Cartier Inc.

## Statements of Earnings and Comprehensive Loss

**Years ended December 31,**

| | 2008 | 2007 |
|---|---|---|
| | **$** | $ |
| **Administrative expenses** | | |
| Salaries | **184,947** | 66,800 |
| Consultants | **123,072** | 139,101 |
| Stock-based compensation | **46,568** | 214,090 |
| Professional fees | **81,924** | 68,476 |
| Rent | **7,438** | 5,486 |
| Business development | **140,417** | 87,358 |
| Insurance, taxes and permits | **19,672** | 18,053 |
| Interest and bank charges | **4,489** | 1,663 |
| Depreciation of property, plant and equipment | **589** | 271 |
| Stationery and office expenses | **17,311** | 31,716 |
| Telecommunications | **8,181** | 6,705 |
| Training and travelling | **22,944** | 25,140 |
| Advertising | **17,419** | 29,537 |
| Shareholder information | **45,995** | 44,217 |
| Write-off of mining properties | **35,817** | - |
| Write-off of deferred exploration costs | **5,302** | - |
| Interest income | **(65,919)** | (113,988) |
| **Loss before income taxes** | **696,166** | 624,625 |
| **Future income taxes** (note 17) | **(5,861)** | (38,444) |
| **Net loss and comprehensive loss** | **690,305** | 586,181 |
| **Basic and diluted net loss per share** | **0.04** | 0.05 |
| **Weighted average number of shares outstanding** | **16,641,332** | 12,154,521 |

**Going concern** (note 1)

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

# Ressources Cartier Inc.

## Statements of Cash Flows
**Years ended December 31,**

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| **Cash flows from operating activities** | | |
| Net loss | **(690,305)** | (586,181) |
| Items not affecting cash and cash equivalents | | |
| Depreciation of property, plant and equipment | **589** | 271 |
| Stock-based compensation | **46,568** | 214,090 |
| Future income taxes | **(5,861)** | (38,444) |
| Write-off of mining properties | **35,817** | - |
| Write-off of deferred exploration costs | **5,302** | - |
| | **(607,890)** | (410,264) |
| Net change in non-cash working capital items | | |
| Accounts receivable | **470,280** | (72,559) |
| Prepaid expenses | **24,331** | (33,928) |
| Accounts payable and accrued liabilities | **21,902** | 21,352 |
| | **(91,377)** | (495,399) |
| **Cash flows from financing activities** | | |
| Issuance of shares and warrants | **620,880** | 4,000,000 |
| Share and warrant issue expenses | **(65,278)** | (387,717) |
| Exercise of stock options | **12,500** | 37,500 |
| | **568,102** | 3,649,783 |
| **Cash flows from investing activities** | | |
| Cash reserved for exploration | **(620,880)** | - |
| Acquisition of mining properties | **(16,291)** | (527) |
| Additions to property, plant and equipement | **-** | (60,150) |
| Deferred exploration costs | **(1,955,749)** | (1,109,825) |
| | **(2,592,920)** | (1,170,502) |
| **Increase (decrease) in cash and cash equivalents** | **(2,116,195)** | 1,983,882 |
| **Cash and cash equivalents - Beginning of year** | **3,230,457** | 1,246,575 |
| **Cash and cash equivalents - End of year** | **1,114,262** | 3,230,457 |

**Additional information** (note 12)

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

## 1. Incorporation, nature of operations and going concern

Ressources Cartier Inc. (the "Company") was incorporated under Part 1 A of the Quebec Companies Act on July 17, 2006. Its activities include mainly the acquisition and exploration of mining properties. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

The Company's ability to continue as a going concern depends on obtaining additional financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. The application of generally accepted accounting principles on a going concern basis may be inappropriate, since there is a doubt as to the validity of the going concern assumption.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities, the reported amounts of revenues and expenses and the classification of balance sheet items if the going concern assumption was deemed inappropriate, and these adjustments could be material. Management did not take these adjustments into account as it believes in the validity of the going concern assumption.

## 2. Qualifying transaction and change of corporate name

On June 4, 2007, the Company completed a qualifying transaction for the purposes of Policy 2.4 of the TSX Venture Exchange Inc. The qualifying transaction consisted of the acquisition of seven mining exploration properties totalling 396 claims located in Northwestern Quebec, of which the major one is the Kinojévis property, in consideration of 2,200,000 common shares of the Company and the assumption of future income taxes amounting to $442,707 since the tax rollovers were completed by the vendors. Following this transaction, the Company changed its corporate name from Investissements St-Pierre Inc. to Ressources Cartier Inc.

Concurrently, the Company completed a private placement of 8,000,000 units at $0.50 per unit for total proceeds of $4,000,000. Each unit consists of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one share at an exercise price of $0.70 for a period of 24 months following the closing of the private placement.

## 3. Summary of significant accounting policies

### 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 amounts reported in the financial statements and the disclosures in the notes thereto.

The most significant items requiring the use of management's estimates and assumptions consist of the recoverable value of mining assets, the stock-based compensation and other stock-based payments, the value of warrants and the provision for future income taxes. These estimates and assumptions were made by management using careful judgment, based on the most current geological information available and its planned course of action, as well as on assumptions about future business, economic and capital market conditions.

Actual results could differ from estimates used in preparing these financial statements and such differences could be material.

## 3. Summary of significant accounting policies (continued)

### Cash and cash equivalents

Cash and cash equivalents include cash and short-term investments for which the initial maturity is less than 90 days from the date of acquisition.

**Basis of presentation**

The financial statements are prepared using the historical cost method.

**Financial assets and liabilities**

On initial recognition, all financial assets and liabilities are measured and recognized at their fair value. Subsequently, financial assets and liabilities are measured and recognized as follows.

*Held-for-trading financial assets*

Assets held-for-trading financial assets are measured at their fair value and changes in fair value are recognized in the statements of earnings. Changes in fair value that are recognized in the statement of earnings include interest income.

Cash and cash equivalents and cash reserved for exploration are classified as assets held-for-trading.

*Loans and receivables*

Loans and receivables are accounted for at amortized cost using the effective interest method.

The accounts receivable  are classified as loans and receivables.

*Other financial liabilities*

Other financial liabilities are evaluated at cost less amortization calculated using the effective interest rate method. The interest calculated using the effective interest rate method are presented in the statement of earnings under Administrative expenses.

The accounts payable and accrued liabilities are classified as other financial liabilities.

**Cash reserved for exploration**

Cash reserved for exploration consists of proceeds of flow-through financings not yet expensed. Under the terms of these financings,  the Company is committed to spend the proceeds on exploration activities.

### Property, plant and equipment

Property, plant and equipment are recorded at cost and are depreciated over their estimated useful life on a straight-line basis as follows:

| | |
|---|---|
| Leasehold improvements | 5 years |
| Furniture and equipment | 5 years |

## 3. Summary of significant accounting policies (continued)

### Mining assets

The Company records its mining assets, including wholly-owned mining properties, undivided interests in mining properties and deferred exploration costs, at cost less certain recoveries.

Exploration costs are capitalized on the basis of specific mining property blocks or areas of geological interest until the mining assets to which they relate are placed into production, sold or allowed to lapse. Management reviews the carrying values of mining assets on a regular basis to determine whether any writedowns are necessary.

These costs will be amortized over the estimated useful life of the mining assets following commencement of production or written off if the mining assets or projects are sold or allowed to lapse.

General exploration costs not related to specific mining assets are expensed as incurred.

The recoverability of the amounts recorded under mining properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the financing needed to complete development, and future profitable production or proceeds from the disposal of these assets. The amounts shown for mining properties and deferred exploration costs are not necessarily indicative of present or future values.

### Credit on duties refundable for loss and refundable tax credit for resources

The Company is entitled to a credit on duties refundable for loss under the Mining Duties Act. This credit on duties refundable for loss on exploration costs incurred in the Province of Quebec at the rate of 12% has been applied against the future income taxes of the balance sheet.

Furthermore, the Company is entitled to a refundable tax credit for resources for mining companies on qualified expenditures incurred. The refundable tax credit for resources may reach 35% or 38.75% of qualified expenditures incurred. This tax credit has been applied against the costs incurred (note 8).

### Equity issue expenses

Share and warrant issue expenses have been applied against shareholders' equity.

### 3. Summary of significant accounting policies (continued)

#### Basic and diluted net loss per share

The basic net loss per share has been calculated using the weighted average number of shares outstanding during the year. The diluted net loss per share, calculated using the treasury stock method, does not differ from the basic net loss per share since the stock options and warrants were all anti-dilutive.

#### Income taxes

The Company uses the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the carrying amounts and tax bases of the assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all the future income tax assets will not be realized.

#### Stock-based compensation and other stock-based payments

The Company applies the fair value-based method for stock options granted to employees and non-employees. The fair value of stock options is determined using the Black-Scholes option pricing model, and stock-based compensation costs are recognized over the vesting periods of the stock options and are credited to shareholders' equity under the caption "Stock options". Any consideration received by the Company on the exercise of stock options and the carrying value allocated to such options are recorded in Shareholders' equity under the caption "Capital stock".

#### Impairment of long-lived assets

The Company adopted the CICA recommendations relating to the impairment of long-lived assets. Pursuant to these standards, a long-lived asset should be tested for recoverability whenever events or changes of circumstances indicate that its carrying value may not be recoverable. An impairment loss should be recognized when the carrying amount of a long-lived asset is not recoverable and exceeds its fair

## 3. Summary of significant accounting policies (continued)

### Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose, for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. Settlement date accounting is used.

Classification

| | |
|---|---|
| Cash and cash equivalent | Held for trading |
| Cash reserved for exploration | Held for trading |
| Accounts receivable | Loans and receivables |
| Accounts payable and accrued liabilities | Other liabilities |

Held-for-trading
Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held-for-trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other income.

Loans and receivables
Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities
Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities, other than derivative instruments.

Transaction costs
Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to available-for-sale financial assets, other liabilities and loans and receivables are netted against the carrying value of the asset or liability and are then recognized over the expected life of the instrument using the effective interest method.

Effective interest method
The Company uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

## 3. Summary of significant accounting policies (continued)

**Changes in accounting policies**

On January 1, 2008, the Company adopted the following new accounting standards issued by the CICA:

Going concern

As at January 1, 2008, the Company adopted the CICA amended Section 1400, "General Standards of Financial Statement Presentation", to include requirements to assess and disclose an entity's ability to continue as a going concern (going concern assumption). This new section does not have any significant impact on the financial statements of the Company.

Capital disclosures

The CICA issued Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about an entity's capital and the management of its capital. The information provided by an entity should focus in particular on its objectives, policies and processes for managing capital, and disclose whether the entity has complied with imposed capital requirements and the consequences of non-compliance (note 15).

Financial Instruments - Disclosures and Financial Instruments - Presentation

The CICA issued new Sections 3862 and 3863, which replace Section 3861, "Financial Instruments - Disclosure and Presentation". These sections require the disclosure of additional detail of financial asset and liability categories as well as a detailed discussion on the risks associated with the entity's financial instruments, including how it manages these risks. These standards harmonize disclosures with International Financial Reporting Standards ("IFRS") (note 14).

## 3. Summary of significant accounting policies (continued)

### Impact of New Accounting Standards not yet adopted

Goodwill and intangible assets

Issued in February 2008, Section 3064, “Goodwill and intangible assets”, will replace Section 3062, “Goodwill and other intangible assets”, and Section 3450, “Research and development costs”. Various changes have been made to other sections of the CICA Handbook for consistency purposes including but not limited to the withdrawal of EIC 27 “Revenues and expenditures during the pre-operating period” and updates to AcG-11 “Enterprises in the development stage”. The new section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its interim period and fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. As at December 31, 2008, the Company is currently assessing the impact of this new policy on its financial statements.

IFRS

The Accounting Standards Board of Canada («AcSB») plans to converge Canadian GAAP for publicly accountable enterprises with IFRS over a transition period that will end January 1, 2011 with the adoption of IFRS. The AcSB announced on February 13, 2008 that IFRS will be required in 2011 for publicly accountable profits oriented enterprises. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will present its first set of IFRS compliant financial statements for the year ending December 31, 2011. IFRS uses a conceptual framework similar to Canadian generally accepted accounting principles, but there are significant differences in recognition, measurement and disclosure requirements.

The Company is currently going through the assessment and evaluation phase of its IFRS implementation project to determine the effect on its processes, systems and financial statements upon adoption.

## 4. Cash reserved for exploration

Cash reserved for exploration is exclusively constituted of cash and short term investments which must be used before December 31, 2009.

## 5. Accounts receivable

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| Credit on duties refundable for loss and refundable tax credit for resources | **876,947** | 521,070 |
| Commodity taxes receivable and others | **38,216** | 83,683 |
| | **915,163** | 604,753 |

## 6. Property, plant and equipment

| | | | **2008** | | | 2007 |
|---|---|---|---|---|---|---|
| | **Cost** | **Accumulated Depreciation** | **Net Value** | Cost | Accumulated Depreciation | Net Value |
| | **$** | **$** | **$** | $ | $ | $ |
| Leasehold improvements | **51,730** | **13,868** | **37,862** | 51,730 | 3,521 | 48,209 |
| Furniture and equipment | **13,173** | **3,088** | **10,085** | 13,173 | 454 | 12,719 |
| | **64,903** | **16,956** | **47,947** | 64,903 | 3,975 | 60,928 |

## 7. Mining properties

| | | | **2008** | | | 2007 |
|---|---|---|---|---|---|---|
| | **Kinojévis** | **Other properties** | **Total** | Kinojévis | Other properties | Total |
| | **$** | **$** | **$** | $ | $ | $ |
| Balance - Beginning of year | **1,146,695** | **286,539** | **1,433,234** | - | - | - |
| Additions | **425** | **15,866** | **16,291** | 1,146,695 | 286,539 | 1,433,234 |
| Write-off | **-** | **(35,817)** | **(35,817)** | - | - | - |
| Balance - End of year | **1,147,120** | **266,588** | **1,413,708** | 1,146,695 | 286,539 | 1,433,234 |

The Company holds a 100% interest in eight mining properties that are all located in the northwestern region of Quebec. These properties are the following: Kinojévis, Bapst, Dieppe-Collet, La Morandière, Lac Castagnier, Dollier, Manneville and La Pause. The main one is the Kinojevis property that covers a length of 48 kilometers on the eastern extension of the Destor-Porcupine fault.

No royalties or other payments are related to these properties. During the year, exploration work was carried out on each of them.

During the year, the Company reviewed the carrying value of its mining assets and did a write-off of the Dalquier mining property and the exploration costs related to this mining property.

On February 7, 2008, the Company signed an agreement with Xstrata Canada Corporation - Xstrata Zinc Canada Division ("Xstrata Zinc") entitling the Company to acquire a 100% interest in five blocks of map designated claims totalling 50 units and covering approximately 2,088 hectares (the "Xstrata-Option Property "). The Xstrata-Option Property is located in the Abitibi, in the northwestern region of Quebec. All blocks are contiguous to the Company's Kinojévis project. In order to acquire a 100% interest in the Xstrata-Option Property, the Company must incur work expenditures on the Xstrata-Option Property totalling $1,000,000 on or before December 31, 2010 pursuant to the following schedule:

## 7. Mining properties (continued)

- an aggregate amount of at least $100,000 on or before December 31, 2008;

- an aggregate amount of at least $400,000 on or before December 31, 2009;

- an aggregate amount of at least $1,000,000 on or before December 31, 2010;

These expenditures may be accelerated and charged to future years' expenses and accordingly, at the Company's sole discretion, the option may be exercised sooner. The agreement allows Xstrata Zinc to:

- buy back a 50% undivided interest in the Property Xstrata-Option or portions thereof, or, if it waives this opportunity, to retain a 2% net smelter return royalty; and

- the right to purchase or treat concentrate produced from the Xstrata-Option Property.

As at December 31, 2008, the Company had incurred total exploration costs of $121, 844 on the Xstrata-Option Property.

## 8. Deferred exploration costs

| | | **2008** | | | | 2007 |
|---|---|---|---|---|---|---|
| | **Kinojévis** | **Other properties** | **Kinojévis** | Kinojévis | Other properties | Kinojévis |
| | **$** | **$** | **$** | $ | $ | $ |
| Balance - Beginning of year | **677,551** | **77,637** | **755,188** | - | - | - |
| Expenses incurred | | | | | | |
| Drilling | **1,069,054** | **69,846** | **1,138,900** | 619,732 | 81,006 | 700,738 |
| Geophysics | **45,373** | **-** | **45,373** | 177,075 | - | 177,075 |
| Stripping | **111,724** | **1,069** | **112,793** | 121,066 | 7,742 | 128,808 |
| Geology | **147,787** | **11,915** | **159,702** | - | - | - |
| Geology planning | **8,285** | **336** | **8,621** | - | - | - |
| Geology mapping | **24,607** | **27,687** | **52,294** | 81,837 | 13,823 | 95,660 |
| Geology compilation | **50,408** | **32,736** | **83,144** | 36,812 | 9,078 | 45,890 |
| Geochemistry | **51,742** | **18,907** | **70,649** | - | - | - |
| Geotechnics | **38,285** | **(901)** | **37,384** | 35,482 | 1,999 | 37,481 |
| Core shack rental and maintenance | **41,224** | **4,342** | **45,566** | 10,559 | 1,000 | 11,559 |
| Office expenses | **71,395** | **2,225** | **73,620** | 15,244 | 1,296 | 16,540 |
| Duties, taxes and permits | **22,517** | **6,393** | **28,910** | 10,385 | 4,138 | 14,523 |
| Depreciation of exploration equipment | **11,979** | **413** | **12,392** | 2,963 | 741 | 3,704 |
| Stock-based compensation | **29,544** | **7,386** | **36,930** | 37,526 | 6,754 | 44,280 |
| | **1,723,924** | **182,354** | **1,906,278** | 1,148,681 | 127,577 | 1,276,258 |
| Tax credits | **(580,422)** | **(58,732)** | **(639,154)** | (471,130) | (49,940) | (521,070) |
| Net expenses before write-off | **1,143,502** | **123,622** | **1,267,124** | 677,551 | 77,637 | 755,188 |
| Write-off | **-** | **(5,302)** | **(5,302)** | - | - | - |
| Net expenses | **1,143,502** | **118,320** | **1,261,822** | 677,551 | 77,637 | 755,188 |
| Balance - End of year | **1,821,053** | **195,957** | **2,017,010** | 677,551 | 77,637 | 755,188 |

## 9. Capital stock

Authorized

Unlimited number of common shares, without par value, voting and participating

| | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Number** | **Amount** | Number | Amount |
| | | **$** | | $ |
| Balance - Beginning of year | **16,550,000** | **5,278,821** | 6,200,000 | 1,200,600 |
| Shares issued | | | | |
| Private placements | **2,822,182** | **530,570** | 8,000,000 | 3,423,118 |
| Acquisition of mining properties | **-** | **-** | 2,200,000 | 990,000 |
| Stock options exercised | **50,000** | **20,985** | 150,000 | 62,955 |
| | **2,872,182** | **551,555** | 10,350,000 | 4,476,073 |
| Share issue expenses | **-** | **(65,278)** | - | (397,852) |
| | **2,872,182** | **486,277** | 10,350,000 | 4,078,221 |
| Balance - End of year | **19,422,182** | **5,765,098** | 16,550,000 | 5,278,821 |

During the year ended December 31, 2008, the Company issued 50,000 common shares upon the exercise of options for a cash amount of $12,500.

Issue of Flow-Through shares in 2008

During the year, the Company issued, by way of a private placement, 2,822,182 units for proceeds of $620,880 before share issue expenses. Each unit consists of one flow-through common share and one-half share purchase warrant. Private placements are presented net of the value of the related warrants, which was established at $90,310. Share issue expenses totalling $65,278 have reduced the capital stock.

Issue of shares in 2007

During the year, the Company issued, by way of a private placement, 8,000,000 units for proceeds of $4,000,000 before share issue expenses. Each unit consists of one common share and one-half share purchase warrant. Private placements are presented net of the value of the related warrants, which was established at $576,882. Share issue expenses totalling $464,900 have been allocated between the capital stock and the warrants using their fair market value.

Pursuant to the qualifying transaction, the Company acquired mining properties in consideration of the issuance of 2,200,000 common shares totalling $990,000 (note 2).

Under this offering, the Company paid its agents the following compensation:

- a cash commission corresponding to 10% of the subscribed amount;
- share purchase warrants entitling the holder to acquire up to 400,000 shares at a price of $0.25 per share, which were exercisable any time until December 28, 2008.

## 10. Stock options

### Stock option plan

The Company maintains a stock option plan on behalf of directors, officers, employees and technical consultants. The Board of Directors determines the period during which stock options are vested. The options are exercisable over a maximum period of five years. The maximum number of common shares issuable under the plan is 1,640,000 and a maximum of 5% of the issued and outstanding common shares can be issued to any optionee.

The following table summarizes information about stock options outstanding:

| | **2008** | | | 2007 | | |
|---|---|---|---|---|---|---|
| | **Number** | **Carrying value $** | **Weighted average exercise price $** | Number | Carrying value $ | Weighted average exercise price $ |
| Outstanding - Beginning of year | **1,200,000** | **292,310** | **0.51** | 350,000 | 59,395 | 0.25 |
| Granted pursuant to the qualifying transaction | **-** | **-** | **-** | 800,000 | - | 0.54 |
| Granted under the plan | **340,000** | **-** | **0.33** | 200,000 | - | 0.62 |
| Exercised | **(50,000)** | **(8,485)** | **0.25** | (150,000) | (25,455) | 0.25 |
| Cancelled | **(50,000)** | **-** | **0.54** | - | - | - |
| Compensation costs | **-** | **83,498** | **-** | - | 258,370 | - |
| Outstanding - End of year | **1,440,000** | **367,323** | **0.47** | 1,200,000 | 292,310 | 0.51 |
| Exercisable - End of year | **1,035,000** | | **0.48** | 825,000 | | 0.47 |
| Weighted average fair value of options granted during the year | | | **0.23** | | | 0.38 |

The following table summarizes information about stock options outstanding and exercisable:

| | | Options outstanding | | Options exercisable | |
|---|---|---|---|---|---|
| **Date of grant** | **Exercise price $** | **Number** | **Weighted average remaining contractual life (years)** | **Number** | **Weighted average remaining contractual life (years)** |
| December 14, 2006 | 0.25 | 150,000 | 2.95 | 150,000 | 2.95 |
| May 31, 2007 | 0.54 | 750,000 | 3.41 | 625,000 | 3.41 |
| December 4, 2007 | 0.62 | 200,000 | 3.93 | 100,000 | 3.93 |
| May 21, 2008 | 0.45 | 200,000 | 4.39 | 125,000 | 4.39 |
| November 25, 2008 | 0.16 | 140,000 | 4.90 | 35,000 | 4.90 |
| | | 1,440,000 | 3.72 | 1,035,000 | 3.56 |

## 10. Stock options (continued)

The fair value of stock options granted was estimated using the Black-Scholes options pricing model with the following assumptions:

| | **2008** | 2007 |
|---|---|---|
| Risk-free interest rate | **2.88%** | 4.40% |
| Expected volatility | **90%** | 85% |
| Dividend yield | **Nil** | Nil |
| Weighted average expected life | **5 years** | 5 years |

## 11. Warrants

The following table presents the warrant activity:

| | | | | **2008** |
|---|---|---|---|---|
| | **Number** | **Carrying value $** | **Weighted average exercise price $** | **Weighted average remaining contractual life (years)** |
| Outstanding - Beginning of year | **4,936,000** | **633,504** | **0.66** | **1.39** |
| Granted | **1,411,091** | **90,310** | **0.35** | **1.98** |
| Expired | **(400,000)** | **-** | **-** | **-** |
| Outstanding - End of year | **5,947,091** | **723,814** | **0.61** | **0.83** |
| Weighted average fair value of warrants granted during the year | | | **0.05** | |

| | | | | 2007 |
|---|---|---|---|---|
| | Number | Carrying value $ | Weighted average exercise price $ | Weighted average remaining contractual life (years) |
| Outstanding - Beginning of year | 400,000 | 46,486 | 0.25 | 0.99 |
| Granted | 4,536,000 | 654,066 | 0.70 | 1.42 |
| Issue expenses | - | (67,048) | - | - |
| Outstanding - End of year | 4,936,000 | 633,504 | 0.66 | 1.39 |
| Weighted average fair value of warrants granted during the year | | | 0.14 | |

## 11. Warrants (continued)

Pursuant to the private placement completed December 23, 2008, a total of 1,411,091 share purchase warrants were granted. Each whole share purchase warrant entitles the holder to acquire one non flow-through common share at an exercise price of $0.35 for a period of 24 months following the closing of the private placement.

Pursuant to the qualifying transaction in 2007, 4,536,000 share purchase warrants were granted. Of this number, 536,000 warrants, with a value of $77,184, were granted to the brokers as commission. Each whole share purchase warrant entitles the holder to acquire one share at an exercise price of $0.70 for a period of 24 months following the closing of the private placement.

The fair value of warrants granted during the year 2008 was estimated at $90,310 ($654,066 in 2007). The fair value was estimated using the Black-Scholes valuation model with the following assumptions:

| | **2008** | 2007 |
|---|---|---|
| Risk-free interest rate | **1.79%** | 4.56% |
| Expected volatility | **101%** | 84% |
| Dividend yield | **Nil** | Nil |
| Weighted average expected life | **2 years** | 2 years |

## 12. Statement of cash flows

Additional information

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| **Items not affecting cash and cash equivalents related to operating, financing and investing activities** | | |
| Tax credits applied against deferred exploration costs | **639,154** | 521,070 |
| Shares issued for the acquisition of mining properties | **-** | 990,000 |
| Depreciation of property, plant and equipment transferred to deferred exploration costs | **12,392** | 3,704 |
| Acquisition of property, plant and equipment included in accounts payable and accrued liabilities | **-** | 4,753 |
| Deferred exploration costs included in accounts payable and accrued liabilities | **18,681** | 118,449 |
| Fair value of warrants accounted for as share issue expenses | **-** | 115,776 |
| Future income taxes assumed upon acquisition of mining properties | **-** | 442,707 |
| Stock-based compensation charged to deferred exploration costs | **36,930** | 44,280 |

## 13. Cash and cash equivalents

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| Cash | **818,092** | 153,714 |
| Short-term investments | **296,170** | 3,076,743 |
| | **1,114,262** | 3,230,457 |

## 14. Financial instruments

### Fair value

The fair value of cash and cash equivalents, cash reserved for exploration, accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their short-term maturity.

### Interest rate risk

At December 31, 2008, the Company's exposure to interest rate risk is summarized as follows:

| | |
|---|---|
| Cash and cash equivalents | Variable interest rate |
| Accounts receivable | Non-interest bearing |
| Accounts payable and accrued liabilities | Non-interest bearing |

### Objective and policy in managing financials risk

As an exploration company, the Company is exposed to various financials risk resulting from its operations and financing activities. The directors and officers of the Company manage those risks.

The Company does not enter into speculative derivative financial instruments.

### Financial risk

The main financial risks which the Company is exposed to are the following:

*Interest risk*

Cash bares interests at variable rates. Consequently, the Company is exposed to interest fluctuation rates.

Financial assets and liabilities of the Company do not represent interest risk because they are concluded without interest.

The Company does not use financial derivatives to reduce its exposure to interest risk.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. Liquidity risk management serves to maintain a sufficient amount of cash and to ensure that the Company has at his disposal sufficient sources of financing such as private placement. The Company establishes cash estimates to ensure it has the necessary funds to fulfill its obligations. Obtaining additional funds makes it possible to the Company to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is subject to concentration of credit risk through its cash held in large Canadian financial institutions. The maximum risk is equivalent to the book value.

## 15. Capital disclosures:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its organic growth strategy and undertake selective acquisitions. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares and acquire or sell mining properties to improve its financial performance and flexibility.

The Company's capital is composed of shareholders' equity. The Company's primary uses of capital are to finance exploration expenditures and properties acquisition. To effectively manage the Company's capital requirements, the Company has in place a rigorous planning and budgeting process to help determine the funds required to ensure the Company has appropriate liquidity to meet its operating and growth objectives.

The Company expects its current capital resources and its ability to obtain additional financing will support further exploration and development of its mineral properties.

## 16. Related party transactions

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| Consultants | **25,000** | 36,000 |
| Exploration equipment | **1,000** | 4,457 |
| | **26,000** | 40,457 |

The Company was provided consultation services from a company controlled by a director and also acquired exploration equipment from a director. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. There is no amount unpaid as at December 31, 2008 and 2007.

## 17. Income taxes and future income taxes

The reconciliation of the income tax expense, calculated using the statutory income tax rates of the federal government and the Province of Quebec, to the income tax expense per the financial statements, is as follows:

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| Loss before income taxes | **(696,166)** | (624,625) |
| Combined federal and provincial income tax at 30.9% (32% as at December 31, 2007) | **(215,116)** | (200,000) |
| Non-taxable income | **-** | (30,000) |
| Non-deductible expenses for income tax purposes | **17,033** | 84,000 |
| Share issue expenses not affecting earnings | **(20,171)** | (124,000) |
| Change in valuation allowance | **233,883** | 211,000 |
| Change in future tax rates | **(21,490)** | 21,000 |
| Other | **-** | (444) |
| Future income taxes | **(5,861)** | (38,444) |

## 17. Income taxes and future income taxes (continued)

As at December 31, 2008, the Company has accumulated, for federal and provincial income tax purposes, non-capital losses which can be applied against future years' taxable income and which will expire as follows:

| **Expiry Year** | **Federal** | **Provincial** |
|---|---|---|
| | **$** | **$** |
| 2025 | 8,000 | 7,500 |
| 2026 | 6,000 | 5,000 |
| 2027 | 520,000 | 517,000 |
| 2028 | 727,763 | 720,865 |
| | 1,261,763 | 1,250,365 |

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

| | **2008** | 2007 |
|---|---|---|
| | **$** | $ |
| Property, plant and equipment | **4,561** | 1,000 |
| Non-capital losses | **338,126** | 143,000 |
| Share issue expenses | **95,769** | 120,000 |
| Valuation allowance | **(433,895)** | (264,000) |
| Future income tax assets | **4,561** | - |
| Mining assets | **(545,473)** | (404,262) |
| Future income tax liabilities | **(540,912)** | (404,262) |

## 18. Commitments

The Company is committed under leases and lease equipment. It has also an agreement on a research project with the "Université du Québec à Montréal". The Company has an obligation to pay a total amount of $126,009 over the next four years. Minimum payments are as follows:

| | |
|---|---|
| | **$** |
| 2009 | 86,809 |
| 2010 | 22,800 |
| 2011 | 15,300 |
| 2012 | 1,100 |
| | 126,009 |

## 20. Comparative figures

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