

ROXGOLD INC.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

October 31, 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,
Roxgold Inc.
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Roxgold Inc. (An Exploration Stage Company) as at October 31, 2008 and 2007 and the consolidated statements of operations and deficit, cash flows and comprehensive loss and accumulated other comprehensive loss 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 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 then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, Canada
February 25, 2009

ROXGOLD INC.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
October 31, 2008 and 2007

	<u>ASSETS</u>	<u>2008</u>	<u>2007</u>
Current			
Cash and cash equivalents	\$	60,684	\$ 646,062
Marketable securities		-	46,000
GST and other receivables		61,819	93,762
Prepaid expenses		<u>16,267</u>	<u>18,135</u>
		138,770	803,959
Equipment – Note 4		26,379	13,559
Mineral properties – Note 5 and Schedule 1		<u>2,701,693</u>	<u>3,025,486</u>
		<u>\$ 2,866,842</u>	<u>\$ 3,843,004</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities – Note 10	\$	442,634	\$ 248,856
Future income tax liability – Notes 3 and 7		<u>-</u>	<u>508,000</u>
		<u>442,634</u>	<u>756,856</u>

SHAREHOLDERS' EQUITY

Share capital – Note 6	9,437,053	8,440,409
Contributed surplus – Note 6	1,200,010	684,709
Deferred financing costs	-	(15,000)
Deficit	(8,212,855)	(6,006,345)
Accumulated other comprehensive loss, net of tax	<u>-</u>	<u>(17,625)</u>
	<u>2,424,208</u>	<u>3,086,148</u>
	<u>\$ 2,866,842</u>	<u>\$ 3,843,004</u>

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitments – Notes 3, 5, 6 and 8
Subsequent Events – Note 14

APPROVED BY THE DIRECTORS

<u>“Robert McMorran”</u> Robert McMorran	Director	<u>“Alan Raven”</u> Alan Raven	Director
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SEE ACCOMPANYING NOTES

ROXGOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
for the years ended October 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
General and administrative expenses		
Accounting and audit fees – Note 10	\$ 90,808	\$ 60,582
Amortization	20,066	2,031
Consulting fees	-	2,970
Donations	1,500	14,000
Filing fees	25,269	27,404
Interest and bank charges	3,557	1,877
Investor relations fees	96,010	36,218
Legal fees	70,244	25,419
Management fees, salaries and benefits – Note 10	94,903	76,700
Office and miscellaneous	47,352	31,456
Rent	28,423	11,404
Stock-based compensation – Note 6	101,343	389,259
Transfer agent fees	11,192	18,520
Travel and accommodation	<u>2,016</u>	<u>7,321</u>
Loss for the year before other items	(592,683)	(705,161)
Other income (expense) items		
Interest and other income	53,480	29,441
(Loss) gain on sale of marketable securities	(9,037)	1,759
Mineral property investigation	(12,728)	-
Write-off/write-down of mineral property – Note 5 and Schedule 1	(2,789,784)	(36,299)
Part XII.6 tax on flow-through expenditures	(72,758)	-
Loss on disposal of equipment	-	(355)
Gain on sale of mineral property – Note 5	<u>-</u>	<u>40,930</u>
Loss before income taxes	(3,423,510)	(669,685)
Future income tax recovery – Note 7	<u>1,217,000</u>	<u>305,000</u>
Net loss for the year	(2,206,510)	(364,685)
Deficit, beginning of the year	<u>(6,006,345)</u>	<u>(5,641,660)</u>
Deficit, end of the year	<u>\$ (8,212,855)</u>	<u>\$ (6,006,345)</u>
Basic and diluted loss per share	<u>\$ (0.08)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding	<u>26,544,202</u>	<u>17,833,824</u>

SEE ACCOMPANYING NOTES

ROXGOLD INC.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended October 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Activities		
Net loss for the year	\$ (2,206,510)	\$ (364,685)
Add (deduct) items not involving cash:		
Amortization	20,066	2,031
Stock-based compensation	101,343	389,259
Loss (gain) on sale of marketable securities	9,037	(1,759)
Loss on disposal of equipment	-	355
Write-off/write-down of mineral property	2,789,784	36,299
Recovery of future income tax asset	<u>(1,217,000)</u>	<u>(305,000)</u>
	(503,280)	(243,500)
Changes in non-cash working capital items related to operations:		
GST and other receivables	31,943	(79,223)
Prepaid expense	1,868	(18,135)
Accounts payable and accrued liabilities	<u>136,833</u>	<u>18,123</u>
	<u>(332,636)</u>	<u>(322,735)</u>
Investing Activities		
Acquisition of mineral properties	(10,000)	(20,000)
Deferred exploration expenditures	(2,390,546)	(1,083,774)
Proceeds from mineral property option agreement	-	109,570
Proceeds on sale of mineral property	-	1,000
Acquisition of equipment	(32,886)	(7,018)
Proceeds from sale of marketable securities	54,588	17,009
Marketable securities received as mineral property option payments	-	(25,500)
Proceeds on disposal of equipment	-	1,000
Acquisition of subsidiary (net of cash acquired)	<u>-</u>	<u>(20,433)</u>
	<u>(2,378,844)</u>	<u>(1,028,146)</u>
Financing Activities		
Issuance of securities	2,126,102	1,784,702
Deferred financing costs	<u>-</u>	<u>(15,000)</u>
	<u>2,126,102</u>	<u>1,769,702</u>

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SEE ACCOMPANYING NOTES

Continued

ROXGOLD INC.
 (An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended October 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
(Decrease) increase in cash and cash equivalents during the year	(585,378)	418,821
Cash and cash equivalents, beginning of the year	<u>646,062</u>	<u>227,241</u>
Cash and cash equivalents, end of the year	<u>\$ 60,684</u>	<u>\$ 646,062</u>
Cash and cash equivalents consist of:		
Cash	\$ 60,684	\$ 46,062
Guaranteed Investment Certificates	<u>-</u>	<u>600,000</u>
	<u>\$ 60,684</u>	<u>\$ 646,062</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash Transactions – Note 13		

SEE ACCOMPANYING NOTES

ROXGOLD INC.
(An Exploration Stage Company)
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND
ACCUMULATED OTHER COMPREHENSIVE LOSS**
for the years ended October 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Net loss for the year	\$ (2,206,510)	\$ (364,685)
Other comprehensive loss in the year, net of tax		
Deduct unrealized loss on marketable securities	-	(17,625)
Add loss on marketable securities reclassified to statement of operations on realization	<u>17,625</u>	<u>-</u>
Comprehensive loss for the year	<u>\$ (2,188,885)</u>	<u>\$ (382,310)</u>
Accumulated other comprehensive loss, beginning of the year	\$ (17,625)	\$ -
Other comprehensive gain (loss) in the year, net of tax		
Deduct unrealized loss on marketable securities	-	(17,625)
Add loss on marketable securities reclassified to statement of operations on realization	<u>17,625</u>	<u>-</u>
Accumulated other comprehensive loss, end of the year	<u>\$ -</u>	<u>\$ (17,625)</u>

SEE ACCOMPANYING NOTES

ROXGOLD INC.
(An Exploration Stage Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2008 and 2007

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

Roxgold Inc. (the “Company”) is a public company listed on the TSX Venture Exchange and is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At October 31, 2008, the Company was in the exploration stage and had interests in properties located in Canada.

The Company is currently exploring its mineral properties and has not yet determined the existence of economically recoverable reserves. The recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves in its mineral properties, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete their development, and the attainment and maintenance of future profitable production or disposition thereof.

These consolidated 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 October 31, 2008, the Company had not yet achieved profitable operations, has accumulated losses of \$8,212,855 since inception and had a working capital deficiency of \$303,864 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 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. In February 2009 the Company announced its intention to complete a private placement of up to 5,000,000 units at a price of \$0.04 per unit for gross proceeds of \$200,000. Each unit will be comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder thereof to purchase an additional share of the Company at \$0.05 per share in the first year and at \$0.10 per share until expiry two years from closing.

Note 2 Significant Accounting Policies

These consolidated financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. 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 which have been made using careful judgement. Actual results may vary from these estimates.

The consolidated 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) Principal of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Wave Mining Inc., an inactive company incorporated under the laws of the State of Nevada, U.S.A. and 638654 B.C. Ltd., a wholly-owned subsidiary incorporated under the laws of the Province of British Columbia, acquired pursuant to the Acquisition (Note 3). On February 29, 2008, the Company amalgamated with its wholly-owned subsidiary, 638654 B.C. Ltd.

b) Cash and Equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible to cash.

c) Marketable Securities

Marketable securities are carried at market value as they are considered available for sale investments.

d) Equipment and Amortization

The Company records its acquisition of equipment at cost. The Company provides for amortization, once the assets are in use, over their estimated useful lives on the declining balance method at a rate of 30% per year for equipment and 100% per year for software. Current year additions are amortized at one-half the rate.

e) 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-offs, write-downs and recoveries, and are not intended to represent present or future values.

Note 2 Significant Accounting Policies – (cont'd)

f) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company 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.

g) Asset Retirement Obligations (“ARO”)

The Company records a liability for the fair value of the statutory, contractual or legal asset retirement obligations associated with the retirement and reclamation of tangible long-lived assets when the related assets are put into use, with a corresponding increase to the carrying amount of the related assets. This corresponding increase to capitalized costs is amortized to earnings on a basis consistent with depreciation, depletion, and amortization of the underlying assets. Subsequent changes in the estimated fair value of the ARO are capitalized and amortized over the remaining useful life of the underlying asset. The ARO liabilities are carried on the balance sheet at their discounted present value and are accreted over time for the change in their present value, with this accretion charge included as an operating item in the statements of operations.

As at October 31, 2008 and 2007, the Company had no asset retirement obligations.

h) Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss for the year 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.

For the years ended October 31, 2008 and 2007, potentially dilutive common shares (relating to share purchase options and warrants outstanding and conditional share issuances pursuant to the Acquisition and mineral property agreements) totalling 16,243,755 (2007: 13,770,255) were not included in the computation of loss per share because their effect was anti-dilutive.

Note 2 Significant Accounting Policies – (cont'd)

i) Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing at the transaction dates. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction dates. Gains or losses arising from the translations are recognized in the current year.

j) Future Income Taxes

The Company accounts for income taxes using the asset and liability method. 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) Stock-based Compensation Plan

The Company has a stock-based compensation plan (Note 6), whereby stock options are granted in accordance with the policies of regulatory authorities. The Company records a compensation cost attributable to all share purchase options granted at fair value at the grant date using the Black-Scholes valuation model and the fair value of all share purchase options are 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 Black-Scholes model requires the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

l) Broker Warrants and Warrants

Warrants issued to agents or brokers in connection with a financing are recorded at fair value and charged to issue costs associated with the offering with an offsetting credit to contributed surplus in shareholders' equity.

Warrants included in units offered to subscribers in connection with financings are recorded at fair value in contributed surplus in shareholders' equity with an offsetting reduction in the value ascribed to the shares issued in the units.

Proceeds of the exercise of these warrants are credited to share capital together with the corresponding amount, if any, of the original warrant charge included in contributed surplus.

Note 2 Significant Accounting Policies – (cont'd)

m) Flow-through Shares

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. The tax effect related to renounced expenditures is recorded as a reduction of share capital and an increase in future income tax liabilities. If previously unrecorded future income tax assets exist to offset some or all of the future income tax liability, the future income tax liability is reduced by such amount which is credited to income tax expense.

n) Financial Instruments

All financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for-trading financial assets are measured at fair value, with changes in fair value recorded in net income. Available-for-sale financial assets are measured at fair value, with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed.

The Company has made the following designations of its financial instruments: cash and cash equivalents as held-for-trading; marketable securities as available-for-sale; other receivables as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

o) New Accounting Standards

On November 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. The requirements of these new standards are for disclosure purposes only and have not impacted the financial results of the Company.

Note 2 Significant Accounting Policies – (cont'd)

o) New Accounting Standards – (cont'd)

i) Capital Disclosures

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. This new disclosure is summarized in Note 11.

ii) Financial Instruments

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its 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. Note 12 provides the required disclosure under this new accounting standard.

p) Future accounting changes

i) Inventory

In June 2007, the CICA issued Section 3031, "Inventories", which replaces Section 3030, "Inventories" and harmonizes the Canadian standards related to inventories with International Financial Reporting Standards.

Effective for interim and annual financial statements beginning on or after January 1, 2008, this section provides more extensive guidance on the determination of cost, narrows the permitted cost formulas, requires impairment testing, and expands the disclosure requirements to increase transparency. The Company does not anticipate that the adoption of this standard will significantly impact its financial results.

ii) Goodwill

The CICA issued new Handbook Section 3064, "Goodwill and Intangible Assets", which will replace Section 3062, "Goodwill and Intangible Assets". The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently assessing the impact of these new accounting standards on its financial statements.

Note 2 Significant Accounting Policies – (cont'd)

p) Future accounting changes – (cont'd)

iii) International Financial Reporting Standards (“IFRS”)

In 2006, AcSB published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada’s own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of November 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended October 31, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Note 3 Acquisition of Mineral Assets

By an agreement dated November 3, 2006, effectively closed on January 17, 2007 the Company acquired (the “Acquisition”) 100% of the outstanding shares of a private mineral exploration corporation (“638654 B.C. Ltd.”), in consideration for the issuance of 4,500,000 common shares. In addition, two further conditional share issuances aggregating 2,500,000 common shares may occur in respect of the Acquisition: (i) up to 1,000,000 shares upon establishing a resource estimate of up to 1,000,000 measured ounces of gold equivalent on or before January 17, 2010 and (ii) a further 1,500,000 shares upon establishing a resource estimate of an additional 1,000,000 measured ounces of gold equivalent on or before January 17, 2012. The conditional share issuances are considered contingent consideration, the outcome of which cannot be determined without reasonable doubt. Consequently, no amount is recognized for this portion of the acquisition until the contingency is resolved and the shares are issued or become issuable.

The transaction has been accounted for using the purchase method of accounting as an acquisition of assets by the Company. The allocation of the purchase price is based on net assets acquired at assigned values at the date of the acquisition. Allocation of the purchase price to the assets acquired and liabilities assumed is as follows:

Note 3 Acquisition of Mineral Assets – (cont'd)

Current assets	\$ 8,042
Equipment	8,892
Mineral properties	1,746,994
Current liabilities	(38)
Future income tax liability	<u>(550,000)</u>
Value of net assets acquired	<u>\$ 1,213,890</u>
Consideration paid:	
Value of shares issued	\$ 1,192,500
Cash advances	<u>21,390</u>
Total consideration paid	<u>\$ 1,213,890</u>

Transactions undertaken by 638654 B.C. Ltd. are included in the consolidated financial statements for the date of acquisition January 17, 2007 to October 31, 2007 and subsequently.

Effective February 29, 2008, 638654 B.C. Ltd. and the Company were amalgamated as one company, Roxgold Inc., with the effect that all of the assets and liabilities of 638654 B.C. Ltd. are now part of the Company's assets and liabilities. This transaction had no effect on the reported results of the Company.

Note 4 Equipment

	2008		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office equipment	\$ 27,701	\$ 6,991	\$ 20,710
Computer software	<u>19,764</u>	<u>14,095</u>	<u>5,669</u>
	<u>\$ 47,465</u>	<u>\$ 21,086</u>	<u>\$ 26,379</u>
	2007		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office equipment	\$ 10,372	\$ 2,745	\$ 7,627
Computer software	<u>6,616</u>	<u>684</u>	<u>5,932</u>
	<u>\$ 16,988</u>	<u>\$ 3,429</u>	<u>\$ 13,559</u>

Note 5 Mineral Properties – Schedule 1

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

a) TJ Ridge Property, B.C.

Pursuant to the Acquisition (Note 3), the Company acquired a 100% interest in certain mineral claims (“the Gosico mineral claims”) located 96 kilometers north of Hazelton, B.C. as well as an option (“the Tommy Jack Option”) to acquire a 100% interest in certain adjoining claims (“the Tommy Jack claims”), collectively referred to as the TJ Ridge Property.

Pursuant to amending agreement dated October 15, 2008, consideration to acquire a 100% interest in the Tommy Jack claims was amended as follows:

- i) making aggregate cash payments of \$130,000 to the vendor as to:
 - A. \$10,000 on or before October 15, 2006 (\$5,000 paid by 638654 B.C. Ltd before the Acquisition and \$5,000 after);
 - B. an additional \$10,000 on or before October 15, 2007 (paid);
 - C. an additional \$10,000 on or before April 15, 2009;
 - D. an additional \$10,000 on or before October 15, 2009;
 - E. an additional \$15,000 on or before April 15, 2010;
 - F. an additional \$20,000 on or before October 15, 2010;
 - G. an additional \$25,000 on or before April 15, 2011;
 - H. an additional \$30,000 on or before October 15, 2011; and
- ii) issuing an aggregate of 400,000 shares of the Company to the vendor as to:
 - A. 50,000 shares on the date of closing of the Acquisition (issued);
 - B. an additional 50,000 shares on or before October 15, 2007 (issued);
 - C. an additional 100,000 shares on or before April 15, 2009;
 - D. an additional 100,000 shares on or before October 15, 2009;
 - E. an additional 100,000 shares on or before October 15, 2010;

The vendor also retained a net smelter royalty of 2% on all mineral products extracted from the property. The Company has the right to repurchase 50% of the net smelter royalty (1%) for \$1,000,000. Further, upon the Company having vested as to its 100% interest in the property, the Company has agreed to make advance royalty payments of \$5,000 per year for a period of ten years commencing on the earlier of the one year anniversary date from the date on which the vesting occurred and October 15, 2011.

The Company must pay the vendor an additional 200,000 common shares upon the commencement of Commercial Production.

Note 5 Mineral Properties – Schedule 1 (cont'd)

a) TJ Ridge Property, B.C. – (cont'd)

The Gosico mineral claim is subject to a net smelter royalty of 2% on all mineral products extracted from the property. The Company has the right to repurchase 50% of the royalty (1%) as follows:

- i) \$500,000 for each 25% interest in and to the royalty purchased on or before a date that is six years from February 21, 2007; and
- ii) \$1,000,000 for each 25% interest in and to the royalty which is purchased on or after a date which is six years from February 21, 2007.

During the year ended October 31, 2008, the Company wrote-off \$2,715,546 (2007: \$nil) in mineral property cost relating to the TJ Ridge Property (Schedule 1).

b) Copper Frog Property, B.C.

Pursuant to an agreement dated April 15, 2008 the Company acquired the right to earn a 100% interest in three mineral claims located 170 kilometres east-south-east of Dease Lake in the Liard mining district of northern British Columbia (“the Copper Frog property”).

The Company had the right to earn a 100% interest in the Copper Frog property, subject to a 3% net smelter royalty (“NSR”), by paying consideration as follows:

- i) making aggregate cash payments of \$170,000 to the vendor of which \$10,000 was paid during the year;
- ii) issuing an aggregate of up to 550,000 shares of the Company to the vendor of which 50,000 were issued during the year; and
- iii) incurring exploration expenditures of approximately \$60,000 per year (incurred).

In certain circumstances the vendor was entitled to a bonus payment of 500,000 shares. The Company had the right to reduce the NSR to 1% by making a payment at any time to the vendor in the amount of \$2 million. Further, the Company was required to make advance royalty payments of \$20,000 per annum on January 15th of each year from 2013 to 2023 inclusive.

Subsequent to October 31, 2008, the Company determined after initial exploration that the mineralization hosted on the Copper Frog property did not conform with the geological model that the Company was searching for and as such the Company terminated the agreement and wrote-off the acquisition and exploration costs of \$74,238 associated with the property (Schedule 1).

Note 5 Mineral Properties – Schedule 1 (cont'd)

c) Musgrove Claims, Idaho, U.S.A.

In May, 2007, the Company agreed to amend the terms of an agreement dated November 30, 2005. Pursuant to the amendment the Company agreed to accept \$25,000 and 75,000 common shares of the purchaser (“the Purchaser”) as the final payment to conclude the sale to the Purchaser of all right, title and interest the Company had in the Musgrove claims located in Idaho. In the aggregate, over the life of the agreement, the value recorded as consideration from the Purchaser exceeded the carrying value of the mineral properties by \$40,930, which amount is included in the statement of operations for the year ended October 31, 2007.

d) Antoine Property, B.C.

In June, 2007, the Company sold the Antoine claims for \$1,000 cash and a further contingent receivable of either up to 100,000 common shares of a new or reorganized public company if the property is vended into a new or re-organized public company or 25% of any option payments received in the event the property is optioned to a third party.

Note 6 Share Capital

a) Authorized:

Unlimited common shares without par value

b) Common Shares Issued and Outstanding and Contributed Surplus:

	<u>Number</u>	<u>Share Capital Amount</u>	<u>Contributed Surplus Amount</u>
Balance, October 31, 2006	19,070,263	\$ 5,758,912	\$ 231,745
Issued during the year prior to consolidation of shares			
For cash pursuant to private placement of units	<u>1,200,000</u>	<u>96,000</u>	<u>-</u>
	20,270,263	5,854,912	231,745
Share consolidation on 2:1 basis	<u>(10,135,124)</u>	<u>-</u>	<u>-</u>
	10,135,139	5,854,912	231,745

.../cont'd

Note 6 Share Capital – (cont'd)

b) Common Shares Issued and Outstanding and Contributed Surplus: – (cont'd)

	<u>Number</u>	<u>Share Capital Amount</u>	<u>Contributed Surplus Amount</u>
Issued during the year			
For cash pursuant to private placements of units	5,150,000	1,333,000	-
Less: issue costs – fair value agents			
warrants	-	(85,100)	85,100
– cash	-	(2,000)	-
– shares	369,800	-	-
For cash on exercise of warrants	1,621,645	357,702	-
Broker warrants exercised	-	21,395	(21,395)
Pursuant to mineral option agreement – Note 5	100,000	31,000	-
Pursuant to Acquisition –Note 3	4,500,000	1,192,500	-
Fair value attributed to stock options granted	-	-	389,259
Less: Future income tax on flow-through shares	-	(263,000)	-
Balance, October 31, 2007	21,876,584	8,440,409	684,709
Issued during the year			
For cash pursuant to private placement of units	6,800,000	1,932,400	361,600
Less: issue costs – fair value agents			
warrants	-	(57,000)	57,000
– shares	67,000	-	-
– cash	-	(184,898)	-
For cash on exercise of options	10,000	2,000	-
Pursuant to resource property agreement	50,000	8,500	-
Transfer from contributed surplus on exercise of options	-	4,642	(4,642)
Fair value attributed to stock options granted	-	-	101,343
Less: future income tax on flow-through shares	-	(709,000)	-
Balance, October 31, 2008	<u>28,803,584</u>	<u>\$ 9,437,053</u>	<u>\$ (1,200,010)</u>

Note 6 Share Capital – (cont'd)

c) Share Consolidation:

Effective on January 16, 2007, the Company consolidated its common shares on the basis of one new common share for every two old common shares issued and outstanding at that time. The weighted average number of shares outstanding at October 31, 2007 has been retroactively adjusted and is determined as though the consolidation occurred at October 31, 2006.

d) Escrow:

All of the 4,500,000 common shares issued pursuant to the Acquisition (Note 3) are subject to an escrow agreement (“the Escrow Agreement”). Pursuant to the terms of the Escrow Agreement, shares are to be released from escrow as to 450,000 shares on July 23, 2007, and 675,000 shares each six months thereafter until July 23, 2010. At October 31, 2008, 2,700,000 (2007 – 3,375,000) shares remained in escrow.

e) Financings:

During the year ended October 31, 2008, the Company completed financings as follows:

- i) On December 5, 2007 the Company completed a private placement of 4,000,000 units at \$0.43 per unit for gross proceeds of \$1,720,000. Each unit is comprised of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional non-flow-through common share at \$0.75 per share until December 5, 2009. A value of \$286,000 (\$0.143 per whole warrant) has been attributed to these warrants using the Black-Scholes option pricing model and has been credited to contributed surplus in shareholders' equity. The assumptions used in the option pricing model are as follows: risk-free interest rate – 3.6%; expected life – 2.0 years; expected volatility – 104%; and expected dividends – nil.

The agent for the placement received a commission consisting of \$108,790 cash and 67,000 non-flow-through units of the Company carrying identical terms and conditions as those issued in the private placement except that the units were comprised of non-flow-through shares (ascribed value \$28,810). In addition, the Company issued warrants to the agent entitling it to purchase 320,000 common shares of the Company at \$0.55 per share until December 5, 2009. The fair value of these agent's warrants (\$0.178 per warrant; aggregate value \$57,000) as estimated using the Black-Scholes option pricing model was charged to share issue costs and credited to contributed surplus (Note 7).

Note 6 Share Capital – (cont'd)

e) Financings: – (cont'd)

i) – (cont'd)

The assumptions used in the pricing model are as follows: risk-free interest rate – 3.5%; expected life – 2.0 years; expected volatility – 130.4%; and expected dividends – nil. Legal and other issue expenses in the amount of \$50,652 were also charged to issue costs.

- ii) On December 7, 2007 the Company completed a private placement of 1,000,000 flow-through units at \$0.43 per flow-through unit for gross proceeds of \$430,000. Each flow-through unit is comprised of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole warrant entitles the holder thereof to purchase an additional non-flow-through common share at \$0.75 per share for a period until December 7, 2009. A value of \$66,000 (\$0.132 per warrant) has been attributed to these warrants using the Black-Scholes option pricing model and has been credited to contributed surplus in shareholders' equity.

The assumptions used in the option pricing model are as follows: risk-free interest rate – 3.6%; expected life – 2.0 years; expected volatility – 105%; and expected dividends – nil.

A finder's fee of \$25,456 cash was paid in connection with the offering.

- iii) On October 28, 2008 the Company completed a private placement of 1,800,000 flow-through units at \$0.08 per flow-through unit for gross proceeds of \$144,000. Each flow-through unit is comprised of one flow-through common share and one non-flow-through common share purchase warrant. Each warrant entitles the holder thereof to purchase an additional non-flow-through common share at \$0.10 per share until October 28, 2010. A value of \$9,600 (\$0.0053 per warrant) has been attributed to these warrants using the Black-Scholes option pricing model and has been credited to contributed surplus in shareholders' equity.

The assumptions used in the option pricing model are as follows: risk-free interest rate – 1.7%; expected life – 2.0 years; expected volatility – 99%; and expected dividends – nil.

During the year ended October 31, 2007, the Company completed financings as follows:

Note 6 Share Capital – (cont'd)

e) Financings: – (cont'd)

- iv) In November 2006, the Company completed a private placement of 1,200,000 units at \$0.08 per unit for gross proceeds of \$96,000. The Company applied the residual approach and allocated the total proceeds to the common shares and \$nil to the attached warrants. Each unit consists of one pre-consolidation common share of the Company and one-half of one post-consolidation common share purchase warrant. Each whole post-consolidation share purchase warrant entitles the holder to purchase an additional post-consolidation common share of the Company at \$0.28 per share until November 6, 2008.
- v) In January 2007, the Company completed a flow-through private placement consisting of 3,150,000 units at \$0.22 per unit for gross proceeds of \$693,000. The Company applied the residual approach and allocated the total proceeds to the common shares and \$nil to the attached warrants. Each unit consists of one flow-through common share of the Company and one non-flow-through share purchase warrant. Each warrant entitles the holder to purchase an additional non-flow-through common share of the Company at \$0.30 per share until January 16, 2009.

A finders fee of 169,800 non-flow-through units bearing the same terms as the units issued in the private placement (save for the flow-through rights) were issued in connection with this financing. In addition, a broker's warrant was issued entitling the holder to acquire 169,800 units on the same terms as the units issued in the financing. With respect to the broker's warrant issued, the fair value of this warrant (\$42,800), as determined by an option pricing model, was charged to share issue costs and credited to contributed surplus.

The assumptions used in the option pricing model are as follows: risk-free interest rate – 3.97%; expected life – 2.0 years; expected volatility – 120.97%; and expected dividends – nil.

- vi) In May 2007, the Company completed a private placement consisting of 2,000,000 units at \$0.32 per unit for gross proceeds of \$640,000. The Company applied the residual approach and allocated the total proceeds to the common shares and \$nil to the attached warrants. Each unit consists of one common share of the Company and one common share purchase warrant. Each share purchase warrant entitles the holder to acquire an additional common share at \$0.35 per share until May 22, 2008 and at \$0.40 per share thereafter until May 22, 2009.

Note 6 Share Capital – (cont'd)

e) Financings: – (cont'd)

vi) – (cont'd)

A finders' fee of 200,000 units bearing the same terms as the units issued in the private placement were issued in connection with this financing. In addition, a broker's warrant was issued entitling the holder to acquire 200,000 units on the same terms as the units issued in the financing. With respect to the broker's warrant issued, the fair value of this warrant (\$42,300) as determined by an option pricing model was charged to share issue costs and credited to contributed surplus. In addition, legal expenses of \$2,000 were also charged to share issue expenses.

The assumptions used in the option pricing model are as follows: risk-free interest rate – 3.97%; expected life – 2.0 years; expected volatility – 111.15%; and expected dividends – nil.

f) Commitments:

i) 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 10% of the outstanding common shares of the Company, as at the date of the grant. 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 and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). 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 and, in the case of death, expire within one year thereafter. Upon death, the options may be exercised by legal representation or designated beneficiaries of the holder of the option.

Note 6 Share Capital – Notes 3 and 13 – (cont'd)

f) Commitments: – (cont'd)

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

Changes in share purchase options during the years ended October 31, 2008 and 2007 are as follows:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Life</u>
Balance, October 31, 2006	100,000	\$0.18	1.92
Forfeited	(20,000)	\$0.10	
Consolidated 2:1 Granted	(40,000)		
	<u>1,580,000</u>	\$0.30	
Balance outstanding, October 31, 2007	1,620,000	\$0.30	4.31
Granted	850,000	\$0.29	
Exercised	(10,000)	\$0.20	
Forfeited	(140,000)	\$0.34	
	<u>2,320,000</u>	\$0.30	3.82
Balance outstanding, October 31, 2008	<u>2,320,000</u>	\$0.30	3.82
Balance exercisable, October 31, 2008	<u>2,207,500</u>		

At October 31, 2008, the following share purchase options were outstanding entitling the holder thereof the right to purchase one common share for each option held:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
10,000	\$0.40	February 12, 2009
10,000	\$0.30	March 17, 2010
1,300,000	\$0.30	March 21, 2012
150,000	\$0.30	March 25, 2012
150,000	\$0.25	February 27, 2013
600,000	\$0.30	July 7, 2013
<u>100,000</u>	\$0.25	July 7, 2013
<u>2,320,000</u>		

Subsequent to October 31, 2008, 10,000 share purchase options expired unexercised on February 12, 2009.

Note 6 Share Capital – Notes 3 and 13 – (cont'd)

f) Commitments: – (cont'd)

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

During the year ended October 31, 2008, the Company recorded a stock-based compensation expense of \$101,343 (2007: \$389,259) with respect to share purchase options granted during the year. The weighted fair value of share purchase options granted during the year ended October 31, 2008 of \$0.12 (2007: \$0.21) per option was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>2008</u>	<u>2007</u>
a) average risk-free interest rate	3.05% to 3.45%	3.97%
b) expected life	2 to 5 years	3 to 5 years
c) expected volatility	103.9% to 105.6%	116.3% to 123.2%
d) expected dividends	Nil	Nil

ii) Share Purchase Warrants

Changes in share purchase warrants during the years ended October 31, 2008 and 2007 are as follows:

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Life</u>
Balance, October 31, 2006	8,300,000	\$0.12	1.47
Issued	1,200,000	\$0.14	
Consolidated 2:1	(4,750,000)	-	
Issued	6,259,400	\$0.32	
Exercised	(1,621,645)	\$0.22	
Expired	<u>(337,500)</u>	\$0.34	
Balance, October 31, 2007	9,050,255	\$0.29	1.22
Issued	4,653,500	\$0.48	
Expired	<u>(2,280,000)</u>	\$0.20	
Balance, October 31, 2008	<u>11,423,755</u>	\$0.40	0.78

Note 6 Share Capital – Notes 3 and 13 – (cont'd)

f) Commitments: – (cont'd)

ii) Share Purchase Warrants – (cont'd)

At October 31, 2008, the following share purchase warrants were outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
600,000	\$0.28	November 07, 2008
84,900	\$0.22	January 16, 2009
3,485,355	\$0.30	January 16, 2009
200,000	\$0.32	May 22, 2009
2,400,000	\$0.35	May 22, 2009
2,033,500	\$0.75	December 5, 2009
320,000	\$0.55	December 5, 2009
500,000	\$0.75	December 7, 2009
<u>1,800,000</u>	\$0.10	October 23, 2010
<u>11,423,755</u>		

Subsequent to October 31, 2008, 4,170,255 share purchase warrants expired unexercised as follows: 600,000 share purchase warrants on November 7, 2008; 84,900 and 3,485,355 share purchase warrants on January 16, 2009.

g) Flow-through Shares

During the year ended October 31, 2005, private placements included the issue of 1,000,000 flow-through common shares at \$0.10 per share for proceeds of \$100,000. The Company incurred qualifying expenditures in this amount and in the aggregate renounced \$100,000 of eligible Canadian Exploration Expenditures to the flow-through share subscribers in various amounts and at various effective dates, the last such date being February 28, 2007. This amount will not be available to the Company for future deduction from taxable income. In connection with this financing, a future income tax recovery of \$26,600 was recognized during the year ended October 31, 2007 as a result of the renunciation of eligible exploration expenditures.

Note 6 Share Capital – Notes 3 and 13 – (cont'd)

g) Flow-through Shares – (cont'd)

During December 2006 the Company entered into flow-through subscription agreements to issue 3,150,000 flow-through shares at \$0.22 per share for proceeds of \$693,000. The Company renounced \$693,000 of eligible Canadian Exploration Expenditures to the flow-through share subscribers with an effective date of December 31, 2006. As at October 31, 2007, the Company had incurred qualifying expenditures in this amount which will not be available to the Company for future deduction from taxable income. In connection with this financing, a future income tax recovery of \$236,400 was recognized as a result of the renunciation of eligible exploration expenditures.

During March 2007, the Company issued 312,500 flow-through shares pursuant to the exercise of 312,500 flow-through warrants at \$0.30 per share for gross proceeds of \$93,750. As at October 31, 2007, the Company had incurred qualifying expenditures in this amount which will not be available to the Company for future deduction from taxable income.

During December 2007 the Company entered into flow-through subscription agreements to issue an aggregate of 5,000,000 flow-through shares at \$0.43 per share for proceeds of \$2,150,000. The Company renounced \$2,150,000 of eligible Canadian Exploration Expenditures to the flow-through share subscribers with an effective date of December 31, 2007. As at October 31, 2008, the Company had incurred qualifying expenditures in this amount which will not be available to the Company for future deduction from taxable income.

In connection with the March and December 2007 financings, a future income tax recovery of \$709,000 was recognized as a result of the renunciation of eligible exploration expenditures.

During October 2008 the Company entered into flow-through subscription agreements to issue an aggregate of 1,800,000 flow-through shares at \$0.08 per share for proceeds of \$144,000. The Company must incur qualifying expenditures in this amount on or before December 31, 2009 which will not be available to the Company for future deduction from taxable income.

Note 7 Income Taxes

A reconciliation between the Company's income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<u>2008</u>	<u>2007</u>
Statutory tax rate	<u>31.6%</u>	<u>34.1%</u>
Loss for the year before recovery of future income tax asset	<u>\$ (3,423,510)</u>	<u>\$ (669,685)</u>
Expected income tax recovery	\$ 1,082,000	\$ 228,000
Stock-based compensation and other	(53,000)	(133,000)
Share issue costs	56,000	16,000
Effect of change in tax rate	(247,000)	(39,000)
Change in valuation allowance	<u>379,000</u>	<u>233,000</u>
Future income tax recovery	<u>\$ 1,217,000</u>	<u>\$ 305,000</u>

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

	<u>2008</u>	<u>2007</u>
Future income tax assets		
Share issue costs	\$ 59,000	\$ 52,000
Mineral properties and related deferred exploration	252,000	259,000
Non-capital losses carried forward	451,000	417,000
Other	<u>7,000</u>	<u>6,000</u>
	769,000	734,000
Valuation allowance for future income tax assets	<u>(769,000)</u>	<u>(734,000)</u>
Future income tax assets	<u>\$ -</u>	<u>\$ -</u>
Future income tax liability		
Mineral properties and related deferred exploration	<u>\$ -</u>	<u>\$ (508,000)</u>

The Company recorded a valuation allowance against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward periods to utilize all the future tax assets.

Note 7 Income Taxes – (cont'd)

Losses that reduce future income for tax purposes expire as follows:

2010	\$	363,000
2011		308,000
2015		164,000
2026		130,000
2027		216,000
2028		<u>554,000</u>
	\$	<u>1,735,000</u>

In addition to the tax losses listed above there are resource related expenditures of approximately \$3,579,000 which can be used to offset future Canadian income indefinitely.

The effect of the amalgamation during the year has been estimated based on available information from the subsidiary and the actual tax basis may differ.

Note 8 Commitments

By agreements effective January 1, 2007, the Company will pay \$2,500 and \$3,500 per month for management and administration services to companies with common directors. As of January 1, 2008, the agreements are month to month and may be renewed for such period and under such terms as agreed to by the parties..

Note 9 Segmented Information

The Company operates in one reportable operating segment and one reportable geographic segment, being the exploration of mineral properties located in Canada.

Note 10 Related Party Transactions

The Company incurred the following expenditures charged by directors and officers of the Company, and companies with common directors.

	<u>2008</u>	<u>2007</u>
Accounting fees	\$ 42,950	\$ 42,300
Management fees	34,000	35,250
Mineral property costs – consulting	6,000	12,600
– equipment rental	114,300	38,100
– field expenses	<u>172,214</u>	<u>102,678</u>
	<u>\$ 369,464</u>	<u>\$ 230,928</u>

Note 10 Related Party Transactions – (cont'd)

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

Included in accounts payable and accrued liabilities as at October 31, 2008 is \$132,673 (2007: \$74,317) due to a director of the Company, a company controlled by a director of the Company and a former director of the Company.

Note 11 Management Of Capital

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 properties 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 and cash equivalents.

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 and cash equivalents. As at October 31, 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 capital requirements.

Note 12 Financial Instruments

Foreign Exchange Risk

As at October 31, 2008, all of the Company's cash and cash equivalents were held in Canadian dollars, the Company's functional currency. The Company has no operations in foreign jurisdictions outside of Canada at this time and as such has no currency risk associated with its operations.

Credit Risk

Credit risk arises from cash held with banks and financial institutions. The maximum exposure to credit risk is equal to the carrying value of the financial assets. The Company's cash is held with a large Canadian bank.

Note 12 Financial Instruments – (cont'd)

Interest Rate Risk

Included in the loss for the period in these consolidated financial statements is interest income on Canadian dollar cash and cash equivalents. If interest rates throughout the year had been 10 basis points (0.1%) lower (higher) then net loss would have been approximately \$1,100 greater (\$1,100 less).

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances to enable settlement of transactions on the due date.

Commodity Price Risk

The Company's ability to raise capital to fund exploration or development activities is subject to risks associated with fluctuations in the market prices of gold and silver.

Note 13 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. During the year ended October 31, 2008 the following transactions were excluded from the statement of cash flows:

- a) the issuance by the Company of 50,000 common shares at the fair value of \$8,500 as an option payment on a mineral property;
- b) the issuance by the Company of 67,000 common shares at the fair value of \$28,810 and 320,000 agent's warrants at the fair value of \$57,000 as costs of completing a security offering;
- c) the debit to other accumulated comprehensive income and corresponding charge to the statement of operations in the amount of \$17,625 with respect to the realization of loss on sale of marketable securities previously written-down;
- d) the recording of a future income tax liability (\$709,000) with respect to accounting for flow-through share renunciations made during the year (Note 6); and
- e) deferred exploration expenditures of \$207,125 included in accounts payable at October 31, 2008, less expenditures included in accounts payable at October 31, 2007 of \$150,180 (net exclusion of \$56,945).

Note 13 Non-cash Transactions – (cont'd)

During the year ended October 31, 2007 the following transactions were excluded from the statement of cash flows:

- a) the issuance by the Company of 4,500,000 common shares at the fair value of \$1,192,500 pursuant to the Acquisition (Note 3);
- b) the issuance by the Company of 100,000 common shares at the fair value of \$31,000 as an option payment on a mineral property;
- c) the issuance by the Company of 369,800 units at the fair value of \$101,356 and 369,800 agent's warrants at the fair value of \$85,100 as costs of completing various security offerings;
- d) the write down of the carrying value of marketable securities in the amount of \$17,625 and corresponding charge to other accumulated comprehensive income;
- e) the recording of the future income tax liability (\$550,000) pursuant to the Acquisition (Note 3);
- f) deferred exploration expenditures of \$150,180 included in accounts payable at October 31, 2007.

Note 14 Subsequent Events

In November 2008, 200,000 stock options with exercise prices varying from \$0.25 to \$0.30 per share were forfeited as the consulting arrangements they had been granted under were terminated by the Company.

A director of the Company provided a non-interest bearing loan of \$25,000 collateralized by the GST receivable with no due date.

Schedule 1

ROXGOLD INC.
 (An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
for the years ended October 31, 2008 and 2007

	<u>TJ Ridge</u> <u>BC, Canada</u>	<u>Copper Frog</u> <u>BC, Canada</u>	<u>Total</u>
Balance, October 31, 2007	\$ 3,025,486	\$ -	\$ 3,025,486
Acquisition costs			
Cash	-	10,000	10,000
Shares – Note 6	-	8,500	8,500
	<u>-</u>	<u>18,500</u>	<u>18,500</u>
Deferred exploration costs			
Access trail	111,573	-	111,573
Aircraft charters	195,080	36,200	231,280
Assaying	69,609	-	69,609
Consulting – Note 10	77,375	-	77,375
Camp	348,843	1,199	350,042
Drilling	575,886	-	575,886
Equipment rental – Note 10	130,362	-	130,362
Field expenses and other – Note 10	199,095	8,474	207,569
Freight	273	-	273
Fuel	249	-	249
Geophysical	55,421	-	55,421
Geological consulting	172,734	9,540	182,274
Geological maps and data	22,144	-	22,144
Project management	38,500	-	38,500
Recording fees	1,100	-	1,100
Staking	456	-	456
Travel and accommodation	65,871	325	66,196
Trenching	297,682	-	297,682
	<u>2,362,253</u>	<u>55,738</u>	<u>2,417,991</u>
Mineral property written down/written off	(2,715,546)	(74,238)	(2,789,784)
Reclamation bond	29,500	-	29,500
Balance, October 31, 2008	<u>\$ 2,701,693</u>	<u>\$ -</u>	<u>\$ 2,701,693</u>

Schedule 1
Continued

ROXGOLD INC.
(An Exploration Stage Company)
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES
for the years ended October 31, 2008 and 2007

	<u>TJ Ridge</u> <u>BC, Canada</u>	<u>Rockstar</u> <u>BC, Canada</u>	<u>Antoine</u> <u>BC, Canada</u>	<u>Musgrove,</u> <u>Idaho, USA</u>	<u>Total</u>
Balance, October 31, 2006	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 30,837</u>	\$ <u> 109,570</u>	\$ <u> 140,407</u>
Acquisition costs					
Cash	15,000	5,000	-	-	20,000
Shares – Note 6	31,000	-	-	-	31,000
Ascribed value on purchase of 638654 B.C. Ltd. (including cash advance of \$4,494) – Note 5	1,746,994	-	-	-	1,746,994
Less: cash received pursuant to option agreement	<u> -</u>	<u> -</u>	<u> -</u>	<u> (109,570)</u>	<u> (109,570)</u>
	<u> 1,792,994</u>	<u> 5,000</u>	<u> -</u>	<u> (109,570)</u>	<u> 1,688,424</u>
Deferred exploration costs					
Assaying	19,262	-	-	-	19,262
Consulting – Note 10	121,102	-	-	-	121,102
Drilling	339,288	-	-	-	339,288
Field expenses and other – Note 10	179,902	248	-	-	180,150
Freight	3,544	-	-	-	3,544
Fuel	3,634	-	-	-	3,634
Geochemical	300	-	-	-	300
Geophysical	95,808	-	-	-	95,808
Geological consulting	43,960	-	-	-	43,960
Geological maps and data	18,774	-	-	-	18,774
Helicopters	152,144	-	-	-	152,144
Recording fees	6,344	-	-	-	6,344
Staking	500	-	-	-	500
Travel and accommodation	71,857	1,214	-	-	73,071
Trenching	<u> 160,573</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> 160,573</u>
	<u> 1,216,992</u>	<u> 1,462</u>	<u> -</u>	<u> -</u>	<u> 1,218,454</u>
Mineral property written down/written off	-	(6,462)	(29,837)	-	(36,299)
Sale of mineral property	-	-	(1,000)	-	(1,000)
Reclamation bond	<u> 15,500</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> 15,500</u>
Balance, October 31, 2007	<u>\$ 3,025,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,025,486</u>