

**EASTFIELD RESOURCES LTD.**  
**(An Exploration Stage Company)**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED AUGUST 31, 2008**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(1), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**EASTFIELD RESOURCES LTD.**

## Consolidated Statements of Loss and Comprehensive Loss

Unaudited – Prepared by Management

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>Aug 31, 2008</u>	<u>Aug 31, 2007</u>	<u>Aug 31, 2008</u>	<u>Aug 31, 2007</u>
<b>EXPENSES</b>				
Consulting	\$ 2,292	\$ 3,333	\$ 4,167	\$ 5,000
Dues and licenses	433	350	1,020	1,730
Interest expense and bank charges	336	287	673	679
Investor relations	5,399	11,500	9,372	23,767
Legal and audit	10,769	5,174	70,758	5,174
Office	3,640	2,881	9,061	8,537
Rent	6,200	4,355	9,274	8,597
Salaries and benefits	4,309	4,906	7,401	10,062
Share-based compensation	-	-	26,500	-
Telephone	601	828	1,135	976
Transfer and filing fees	<u>4,588</u>	<u>4,022</u>	<u>6,118</u>	<u>5,478</u>
<b>Loss before the following</b>	<u>(38,567)</u>	<u>(37,636)</u>	<u>(145,479)</u>	<u>(70,000)</u>
Interest and other income	<u>6,549</u>	<u>4,670</u>	<u>14,274</u>	<u>29,070</u>
<b>NET LOSS</b>	<u>(32,018)</u>	<u>(32,966)</u>	<u>(131,205)</u>	<u>(40,930)</u>
<b>OTHER COMPREHENSIVE GAIN</b>				
Unrealized gain on investments	<u>(77,541)</u>	<u>(45,178)</u>	<u>36,333</u>	<u>12,852</u>
<b>COMPREHENSIVE GAIN (LOSS)</b>	<u>(109,559)</u>	<u>(78,144)</u>	<u>(94,872)</u>	<u>\$ (28,078)</u>
<b>BASIC AND FULLY DILUTED LOSS PER SHARE</b>	<u>(0.003)</u>	<u>(0.002)</u>	<u>(0.002)</u>	<u>\$ (0.001)</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<u>44,394,919</u>	<u>42,824,919</u>	<u>44,394,919</u>	<u>42,824,919</u>

**EASTFIELD RESOURCES LTD.**

Consolidated Statements of Deficit and Accumulated Other Comprehensive Gain (Loss)

Unaudited – Prepared by Management

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>Aug 31, 2008</b>	<b>Aug 31, 2007</b>	<b>Aug 31, 2008</b>	<b>Aug 31, 2007</b>
<b>DEFICIT, BEGINNING OF PERIOD</b>	\$ 4,458,981	\$ 4,395,448	\$ 4,359,794	\$ 4,342,306
Net loss	32,018	32,966	131,205	40,930
<b>DEFICIT, END OF PERIOD</b>	<b>\$ 4,490,999</b>	<b>\$ 4,428,414</b>	<b>\$ 4,490,999</b>	<b>\$ 4,428,414</b>
<b>ACCUMULATED OTHER COMPREHENSIVE GAIN (LOSS), BEGINNING OF PERIOD</b>	\$ 81,861	\$ 58,030	\$ (32,013)	\$ -
Unrealized gain (loss) on investments	(77,541)	(45,178)	36,333	12,852
<b>ACCUMULATED OTHER COMPREHENSIVE GAIN, END OF PERIOD</b>	<b>\$ 4,320</b>	<b>\$ 12,852</b>	<b>\$ 4,320</b>	<b>\$ 12,852</b>

**EASTFIELD RESOURCES LTD.**  
Consolidated Balance Sheets  
Unaudited – Prepared by Management

	<b>August 31, 2008</b>	<b>February 29, 2008</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 585,535	\$ 731,605
Accounts receivable	56,752	89,225
Investments	233,044	146,678
Prepaid Expenses	<u>6,022</u>	<u>68,978</u>
	881,353	1,036,486
Project Deposits	38,200	19,500
Mineral Property Interests (Note 5)	220,596	3,262,856
Patented Claims Held for Resale	102,347	102,347
Equipment and Furniture	<u>10,302</u>	<u>10,205</u>
	<u>\$ 1,252,798</u>	<u>\$ 4,431,394</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts Payable	\$ 13,535	\$ 61,777
Future Income Tax Liability (Note 6)	137,440	137,440
Future Reclamation Costs	<u>19,500</u>	<u>19,500</u>
	170,475	218,717
<b>SHAREHOLDERS' EQUITY</b>		
Share Capital	4,983,143	8,019,761
Contributed Surplus	585,859	584,723
Deficit	(4,490,999)	(4,359,794)
Other Comprehensive Gain (Loss)	<u>4,320</u>	<u>(32,013)</u>
	<u>\$ 1,252,798</u>	<u>\$ 4,431,394</u>

**APPROVED BY THE BOARD**

"D.D. Sharp"	Director
"G.L. Garratt"	Director

**EASTFIELD RESOURCES LTD.**  
Consolidated Statements of Cash Flows  
Unaudited – Prepared by Management

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<u>Aug 31, 2008</u>	<u>Aug 31, 2007</u>	<u>Aug 31, 2008</u>	<u>Aug 31, 2007</u>
<b>Cash flows from (used in)</b>				
<b>Operating Activities</b>				
Operations				
Net Gain (Loss)	\$ (127,955)	\$ (78,144)	\$ (124,268)	\$ 17,100
Change in other operating items				
Term Deposit	(10,000)	-	(18,700)	-
Accounts Receivable	9,430	6,860	32,472	2,214
Prepaid Expenses	-	-	7,109	-
Accounts payable and accrued liabilities	(30,827)	13,222	(48,244)	(280)
Investments – short term	24,916	12,450	(82,958)	17,251
Share-based compensation	-	-	-	-
Revaluation gain – marketable securities	18,396	45,177	18,396	(58,030)
	<u>\$ (116,040)</u>	<u>(435)</u>	<u>(216,193)</u>	<u>(21,745)</u>
<b>Financing Activities</b>				
Issue of shares/ share subscriptions	-	180,147	(3,035,482)	180,147
	<u>-</u>	<u>180,147</u>	<u>(3,035,482)</u>	<u>180,147</u>
<b>Investing Activities</b>				
Mineral property acquisition costs	(10)	2,250	247,435	9,250
Property Option Sale Proceeds	156,000	-	156,000	-
Mineral exploration expenditures	(10,606)	(29,410)	2,649,826	(20,681)
	145,384	(27,160)	3,053,261	(11,431)
Company Reorganization	(3,405)	(10,145)	52,442	(10,145)
Computer Software	(71)	(32)	(98)	(144)
	<u>141,908</u>	<u>(37,337)</u>	<u>3,105,605</u>	<u>(21,720)</u>
<b>Increase (Decrease) in Cash and Short-term investments</b>	25,868	142,375	(146,070)	136,682
<b>Cash and Short term investments, Beginning of Period</b>	<u>559,667</u>	<u>476,671</u>	<u>\$ 731,605</u>	<u>\$ 482,364</u>
<b>Cash and Short term investments, End of Period</b>	<u>\$ 585,535</u>	<u>\$ 619,046</u>	<u>\$ 585,535</u>	<u>\$ 619,046</u>

**EASTFIELD RESOURCES LTD.**

## Consolidated Statement of Mineral Property Expenditures

Unaudited – Prepared by Management

	<u>Three Months Ended August 31, 2008</u>			<u>Six Months Ended Aug 31, 2008</u>		
	<u>Lorraine</u>	<u>Other*</u>	<u>Total</u>	<u>Lorraine</u>	<u>Other*</u>	<u>Total</u>
<b><u>Acquisition Costs</u></b>						
Balance, beginning of period	\$ 241,945	\$ 356,475	\$ 598,420	\$ 241,945	\$ 355,475	\$ 597,420
Incurred during period	(241,945)	4,510	(237,435)	(241,945)	5,510	(236,435)
Mineral properties abandoned	-	-	-	-	-	-
Balance, end of period	-	360,985	360,985	-	360,985	360,985
<b><u>Exploration Expenditures</u></b>						
Professional fees, field crews	-	5,100	8,500	-	13,600	13,600
Geological	-	3,710	2,604	-	6,314	6,314
Rental of Vehicles and equipment	-	437	80	-	517	517
Transportation and Fuel	-	564	165	-	729	729
Field Equipment	-	223	-	-	223	223
Communications	-	6	62	-	68	68
Food and Accommodation	-	419	-	-	419	419
Freight	-	50	-	-	50	50
Drilling	-	-	-	-	-	-
Assaying	-	90	-	-	90	90
Other	-	8	199	-	208	208
<b>Total Expenditures for the period</b>	-	10,607	10,607	-	22,218	22,218
Balance, beginning of the period	2,672,043	275,334	2,947,377	2,672,043	263,723	2,935,766
Written off during the period	(2,672,043)	-	(2,672,043)	(2,672,043)	-	(2,672,043)
Total Expenditures	-	285,941	285,941	-	285,941	285,941
<b><u>Option Proceeds</u></b>						
Balance, beginning of period	-	(270,330)	(270,330)	-	(270,330)	(270,330)
Additions	-	(156,000)	(156,000)	-	(156,000)	(156,000)
Balance, end of period	-	(426,330)	(426,330)	-	(426,330)	(426,330)
<b>Cumulative mineral property Costs</b>	<b>\$ -</b>	<b>\$ 220,596</b>	<b>\$ 220,596</b>	<b>\$ -</b>	<b>\$ 220,596</b>	<b>\$ 220,596</b>

\* other properties include Iron Lake, Indata, OK, Crowsnest, Zymo and Howell

**EASTFIELD RESOURCES LTD.**

## Consolidated Statement of Mineral Property Expenditures

Unaudited – Prepared by Management

	<u>Three Months Ended August 31, 2007</u>			<u>Six Months Ended Aug 31, 2007</u>		
	<u>Lorraine</u>	<u>Other*</u>	<u>Total</u>	<u>Lorraine</u>	<u>Other*</u>	<u>Total</u>
<b><u>Acquisition Costs</u></b>						
Balance, beginning of period	\$ 241,945	\$ 320,100	\$ 562,045	\$ 241,945	\$ 320,100	\$ 562,045
Incurred during period	-	30,000	30,000	-	30,000	30,000
Mineral properties abandoned	-	-	-	-	-	-
Balance, end of period	<u>241,945</u>	<u>350,100</u>	<u>592,045</u>	<u>241,945</u>	<u>350,100</u>	<u>592,045</u>
<b><u>Exploration Expenditures</u></b>						
Professional fees, field crews	3,827	14,440	18,267	5,177	16,240	21,417
Geological	-	2,645	2,645	287	2,650	2,937
Rental of Vehicles and equipment	-	-	80	-	-	-
Transportation and Fuel	-	6	6	-	6	6
Field Equipment	-	-	-	-	-	-
Communications	18	38	56	58	38	96
Food and Accommodation	-	-	-	-	-	-
Freight	-	-	-	-	-	-
Drilling	-	-	-	-	-	-
Assaying	-	1,670	1,670	-	1,670	1,670
Other	<u>(7,753)</u>	<u>1,769</u>	<u>(5,984)</u>	<u>(7,342)</u>	<u>1,897</u>	<u>(5,445)</u>
<b>Total Expenditures for the period</b>	<b>(3,908)</b>	<b>20,568</b>	<b>16,660</b>	<b>(1,820)</b>	<b>22,501</b>	<b>20,681</b>
Balance, beginning of the period	2,672,377	110,706	2,783,083	2,670,289	108,773	2,779,062
Written off during the period	-	-	-	-	-	-
Total Expenditures	<u>2,668,469</u>	<u>131,274</u>	<u>2,799,743</u>	<u>2,668,469</u>	<u>131,274</u>	<u>2,799,743</u>
<b><u>Option Proceeds</u></b>						
Balance, beginning of period	-	(254,879)	(254,879)	-	(245,629)	(245,629)
Additions	-	<u>(30,000)</u>	<u>(30,000)</u>	-	<u>(39,250)</u>	<u>(39,250)</u>
Balance, end of period	-	<u>(284,879)</u>	<u>(284,879)</u>	-	<u>(284,879)</u>	<u>(284,879)</u>
<b>Cumulative mineral property Costs</b>	<b><u>\$ 2,910,414</u></b>	<b><u>\$ 196,495</u></b>	<b><u>\$ 3,106,909</u></b>	<b><u>\$ 2,910,414</u></b>	<b><u>\$ 196,495</u></b>	<b><u>\$ 3,106,909</u></b>

\* other properties include Iron Lake, Indata, OK, Crowsnest, Zymo and Howell

**EASTFIELD RESOURCES LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

August 31, 2008

**1. NATURE OF OPERATIONS**

The Company is incorporated under the laws of the Province of British Columbia and its principal business activity is the acquisition and exploration of mineral properties located in British Columbia, Canada.

The Company entered into a plan of arrangement with Lorraine Copper Corp. on October 23, 2007, which was completed on April 16, 2008 (Note 3).

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which presumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The ability of the Company to continue as a going concern is dependent on obtaining additional financing through the issue of treasury shares and from other financings, and on meeting the requirements, from time to time, of any lenders. These consolidated financial statements do not reflect any adjustments or reclassifications which would be necessary if the Company was unable to continue operations.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which include the following significant policies:

**a) Basis of Presentation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Eastfield Resources (U.S.A.) Inc., which conducts exploration of mineral properties located in the United States of America.

**b) Financial Assets and Liabilities**

The Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants for the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income during the fiscal year ended February 29, 2008. The fair value of the Company's investments, which are classified as available-for-sale, was \$146,678 at February 29, 2008. The transitional provisions of these recommendations do not require restatement of previous financial statements.

The Company's financial assets and financial liabilities are classified as follows:

a) Accounts receivable and receivables from related parties or affiliates are classified as "loans and receivables" and are measured at amortized cost. At February 29, 2008 the recorded amounts approximate fair value.

b) Investments are classified as "available for sale". Available for sale assets and liabilities are measured at fair value with unrealized gains and losses recorded in other comprehensive income until the instrument is either sold or suffers an impairment that is other than temporary. Fair

values of investments which are traded on a recognized exchange are reported at the bid prices on the last day they were traded.

c) Accounts payable and accrued liabilities are classified as “other financial liabilities” and are measured at amortized cost. At February 29, 2008 the recorded amount approximates fair value.

d) Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability are added to the carrying amount of the financial asset or financial liability, and are amortized to operations using the effective interest rate method.

e) Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash. To reduce credit risk, cash is on deposit at major financial institutions.

f) The Company incurs certain expenses in United States currency. As such, the Company is subject to foreign exchange risk as a result of fluctuations in exchange rates.

g) The Company’s financial instruments include investments which are publicly traded and therefore are subject to the market risks that affect all publicly traded securities. Some of these investments are thinly traded which could result in lower quoted market values.

h) The Company’s financial instruments may include bankers’ acceptances, treasury bills, and bonds. These instruments may bear a fixed rate of interest and a fixed maturity date. If the Company is required to liquidate them prior to the maturity date, there is a risk that interest rates will have increased such that the market value of the instrument is less than the expected value.

### **c. Comprehensive Income**

Comprehensive income is composed of the Company’s excess of revenue over expenses and other comprehensive income. Other comprehensive income represents changes in net assets during a period arising from non-owner sources and, for the Company, would principally include unrealized gains and losses on available for sale financial assets. The Company’s comprehensive income, components of other comprehensive income, and accumulated other comprehensive income are presented in the statements of comprehensive income.

### **d. Foreign currencies**

The Company's reporting currency is Canadian dollars, and its foreign subsidiaries are considered integrated foreign operations. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the exchange rate in effect at the balance sheet date and non-monetary assets and liabilities at the exchange rates in effect at the time of acquisition or issue. Revenues and expenses denominated in foreign currencies have been translated at rates approximating exchange rates in effect at the time of the transactions.

### **e. Mineral Property Interests**

The Company is currently in the exploration stage and accounts for its mineral properties, whereby costs relative to the acquisition of, exploration for and development of these properties are capitalized by property. All sales and option proceeds received are first credited against the costs of the related property, with any excess credited to income. No gains or losses are recognized on the partial sale or dispositions of properties except in circumstances which result in significant disposition of reserves. Once commercial production has commenced, these net costs are charged to future operations using the unit-of-production method based on estimated recoverable reserves by property. The net costs related to abandoned properties are charged to operations.

The Company reviews the carrying values of its mineral properties whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets is not recoverable.

The amounts shown for mineral properties and related costs represent acquisition, holding and exploration costs and do not necessarily represent present or future recoverable values. The recoverability of these amounts is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the necessary financing to successfully complete their development and to meet the requirements, from time to time, of lenders who are providing this financing and upon future profitable production.

#### **f. Future Reclamation Costs**

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mineral property interests, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

#### **g. Share-based Compensation**

The Company grants options to purchase shares under the terms described in Note 8.

When options to purchase shares are granted to directors, officers and employees, the fair value of the options on the date of the grant is recognized as a compensation expense, with a corresponding increase in contributed surplus, over the period during which the related options vest. When options to purchase shares are granted to non-employees in return for goods or services, the fair value of the options is recognized as an expense, with a corresponding increase in contributed surplus, in the period in which the goods or services are received or are expected to be received.

The consideration received on the exercise of options is credited to share capital and the previously recorded compensation related to the options is transferred from contributed surplus to share capital to fully reflect the consideration for the shares issued.

#### **h. Flow-through Shares**

The Company has issued flow-through shares to finance some of its exploration activities. These shares were issued for cash in exchange for the Company giving up the tax benefits arising from the exploration expenditures, in accordance with tax legislation. The Company records these share issuances by crediting share capital for the full value of cash consideration received and recognizing the related future income tax liability as a share issue cost when the tax benefits are renounced to the investors.

### **i. Exploration Tax Credits**

The Company may receive refundable exploration tax credits and grants from provincial jurisdictions in Canada equal to a specified rate of qualifying exploration expenditures incurred on properties located within that jurisdiction. The Company records these exploration tax credits or grants as it incurs the related exploration expenditures.

### **j. Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Using this method, future income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements of the Company and their respective tax bases, using enacted or substantially enacted income tax rates. The effect of a change in income tax rates on future tax assets and liabilities is recognized in operations in the period in which the change occurs. A future income tax asset is recognized when the probability of realization of the asset is more likely than not.

### **k. Loss per Share**

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding share purchase options and warrants, in the weighted average number of common shares outstanding during the year, if dilutive. For this purpose, the “treasury stock method” is used for the assumed proceeds upon the exercise of share purchase options and warrants that are used to purchase common shares at the average market price during the year.

### **l. Income Recognition**

Interest from cash and investments is recorded on an accrual basis when collection is reasonably assured.

### **m. Use of Estimates**

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

Significant estimates used in these financial statements include, amongst others, the recoverability of accounts receivable and investments, and the estimated future operating results and net cash flows from mineral properties and other capital assets.

### 3. SHARE CAPITAL

Authorized: unlimited common shares

Issued and fully paid Common shares:

	<u>August 31, 2008</u>		<u>February 29, 2008</u>	
	<b>Number of Shares</b>	<b>Amount</b>	<b>Number of Shares</b>	<b>Amount</b>
Balance, beginning of period	44,369,919	\$ 8,019,761	41,939,919	\$7,627,820
Reorganization – Lorraine Copper	-	(3,041,118)		
Issued for cash	-	-	750,000	44,296
Issued for mineral properties	25,000	4,500	160,000	32,375
Exercise of vested options	-	-	<u>1,520,000</u>	<u>315,270</u>
Balance, end of period	<u>44,394,919</u>	<u>\$ 4,983,143</u>	<u>44,369,919</u>	<u>\$ 8,019,761</u>

On April 16, 2008, the Company completed a plan of arrangement with Lorraine Copper Corp., which it had entered into on October 23, 2007, with the following effects:

- The Company increased its authorized share capital by an unlimited number of new common shares and an unlimited number of reorganization shares
- each issued and outstanding common share of the Company was exchanged for one new common share and one reorganization share of the Company
- the reorganization shares were exchanged by the Company's shareholders for 20,000,000 common shares of Lorraine
- the Company redeemed all of the reorganization shares held by Lorraine in exchange for \$150,000 in cash and the Jajay-Lorraine project, at its carrying value of \$2,913,986, and cancelled the reorganization shares

As a result of this transaction, the Company's cash balance decreased by \$132,500, receivables from related parties decreased by \$17,500, mineral property interests decreased by \$2,913,986, share capital decreased by \$3,041,118, and contributed surplus decreased by \$22,868.

The Company issues share purchase options to directors, officers and employees of the Company and persons who provide ongoing services to the Company under an incentive stock option plan. Under the plan, the Company has reserved 3,260,000 shares for the issue of share purchase options. Options will normally vest at the rate of 100% on the date of grant for directors and employees and 25% every three months from the date of grant for consultants. Options will expire no later than five years from the grant date, except that they will expire within thirty days when the holder is no longer qualified to hold the option (other than for cause, when the option will expire immediately).

750,000 warrants exercisable at \$0.22 per share expired, unexercised on August 9, 2008.

The following options to purchase 3,260,000 common shares are outstanding at the date of these financial statements:

<b>Number of Shares</b>	<b>Price Per Share</b>	<b>Expiry Date</b>
750,000	\$0.10	April 30, 2013
880,000	\$0.15	July 31, 2011
425,000	\$0.12	December 19, 2010
200,000	\$0.30	December 18, 2008
230,000	\$0.20	February 14, 2012
775,000	\$0.185	November 9, 2009

The Company determines the fair value of the options and warrants granted during the period using a generally accepted option pricing model, such as the Black-Scholes model. There were 750,000 stock options granted during the period for which a compensation expense of \$37,500 has been recorded.

#### **4. RELATED PARTY TRANSACTIONS**

During the quarter ended August 31, 2008, geological and exploration services on exploration projects totalling \$10,606 were provided by Mincord Exploration Consultants Ltd. (“Mincord”), a geological service company owned by two directors of the Company. Services provided include the hiring of field and professional personnel, rental of vehicular, camp and technical equipment, transportation and mobilization costs. The amounts for geological and exploration services also include payments for services on properties managed by the Company on behalf of joint venture partners.

#### **5. MINERAL PROPERTY INTERESTS**

##### **A. Material Mineral Property**

###### **OK Property, Vancouver Mining Division, British Columbia**

On March 6, 2003, the Company acquired an option to earn a 100% interest in the property, subject to a 2.5% net smelter royalty, in consideration of \$107,000 of cash payments to be made over a six-year period.

On March 8, 2006, the Company approved an assignment of the interest in the OK Property from Goldrush Resources Ltd. to Prophecy Resources Ltd. Prophecy now holds the right to earn a 60% interest in the property by making cash payments totalling \$120,000 and incurring \$1,000,000 in mineral exploration costs over a five-year period in addition to making cash payments to the underlying property owner. The Company retains the obligation to make share issues to the underlying property owner.

##### **B. Non-Material Mineral Properties**

###### **1. Crowsnest Project, Fort Steele Mining Division, British Columbia**

The Company has an option to purchase 100% of the 101 claims in the project area for \$50,100 (paid). The claims are subject to a 2% net smelter royalty. In August, 2004, the Crowsnest property was optioned to La Quinta Resources Corp. which option was terminated on August 31, 2007.

## **2. Howell Project, Fort Steele Mining Division, British Columbia**

On June 30, 1999, as amended, the Company entered into an agreement to acquire 100% interest in five mineral claims in the Fort Steele Mining Division, B.C., subject to completion of the following option payments and exploration expenditures:

- . 500,000 shares issued to date
- . \$200,000 paid to date
- . Cumulative expenditures on the property of \$1,100,000 by August 31, 2010
- . Net smelter royalties of 3% payable upon commercial production

If the Company makes a production decision, a bonus cash payment of \$2,000,000 must be made within 120 days if the mineable resource exceeds 750,000 ounces, or \$400,000 if the mineable resource is less than 750,000 ounces. The Company has the option to purchase 1% of the net smelter royalty within 120 days of making a production decision, for a cash payment of \$2,000,000.

In August, 2004, the Howell property was optioned to La Quinta Resources Corp. which option was terminated on August 31, 2007.

On June 9, 2008, Max Resource Corp. was granted an option to earn a 60% interest in the Howell property over a three year period by making cash payments totalling \$120,000 (\$10,000 on signing), issuing up to 300,000 shares (50,000 shares in the first year) and by completing exploration expenditures of \$1.25 million.

## **3. Iron Lake, Clinton Mining Division, British Columbia**

The Company acquired 100% of the Iron Lake property from Canevex Resources Ltd., and a director of the Company. Canevex Resources Ltd. is owned by two other directors of the Company. The Company has reserved a 1.5% net smelter royalty for the vendors.

The Company also entered into an option agreement under which Avion Resources Ltd. ("Avion") could earn a 55% interest in the Iron Lake property by making staged share issuances and option payments and completing exploration work over a five-year term. On February 26, 2008 the Company terminated its agreement with Avion.

On June 1, 2008, the Company entered into an option agreement under which Cobre Exploration Corp. ("Cobre") could earn a 60% interest in the Iron Lake property by making staged share issuances of 500,000 Cobre shares and make option payments totalling \$295,000 and completing \$1,500,000 of exploration work over a four-year term.

## **4. Indata, Omineca Mining Division, British Columbia**

Another company owns a 11.9% interest in the Indata property, which interest will be reduced if that company fails to make its proportionate share of exploration and other payments on the property.

On May 2, 2006 the Company granted an option to Redzone Resources Ltd. to earn a 60% interest in the property. This option was terminated in December, 2007.

On June 9, 2008, Max Resource Corp. was granted an option to earn a 60% interest in the Indata property over a three year period by making cash payments totalling \$120,000 (\$10,000 on signing), issuing up to 300,000 shares (50,000 shares in the first year) and by completing exploration expenditures of \$1.15 million.

**5. Zymo Property, Skeena Mining Division, British Columbia**

On June 11, 2007, the Company acquired an option to earn a 100% interest in the property, subject to a 3% net smelter royalty, in consideration of making \$250,000 of cash payments and issuing 600,000 shares and incurring \$1,000,000 of exploration costs over a five-year period.

On May 16, 2008 Canadian Gold Hunter Corp. was granted an option to earn a 60% interest in the Zymo property by making cash payments totaling \$350,000, making a share issuance of 50,000 shares and completing exploration expenditures of \$4 million over five years. CGH may earn an additional 10% interest by completing a feasibility study and an additional 5% by arranging mine financing for Eastfield. A minimum exploration expenditure of \$800,000 must be completed in calendar 2008.

**6. INCOME TAXES**

At February 29, 2008, the Company had capital and non-capital losses available of \$1,025,000 for deduction against future years' taxable incomes. If unused, these losses will expire in varying amounts over the next ten years.

**8. ENVIRONMENTAL**

The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations. The ultimate amount of reclamation and other future site restoration costs to be incurred for existing mineral property interests is uncertain