

TIEX INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

AUDITORS' REPORT

To the Shareholders of
Tiex Inc.

We have audited the consolidated balance sheets of Tiex Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations and deficit and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 December 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.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

March 20, 2009



TIEX INC.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

	2008	2007
ASSETS		
Current		
Cash	\$ 131,190	\$ -
Restricted cash (Note 5)	10,000	-
Receivables	<u>487,773</u>	<u>2,596</u>
	628,963	2,596
Exploration advance (Note 6)	20,140	1,882
Office equipment (Note 4)	3,293	-
Reclamation deposit	3,500	3,500
Mineral properties (Note 6)	<u>1,722,434</u>	<u>477,010</u>
	<u>\$ 2,378,330</u>	<u>\$ 484,988</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Cheques issued in excess of funds on deposit	\$ -	\$ 10,078
Accounts payable and accrued liabilities	62,074	111,103
Due to related parties (Note 9)	<u>77,363</u>	<u>83,000</u>
	<u>139,437</u>	<u>204,181</u>
Shareholders' equity		
Capital stock (Note 7)	2,569,171	368,787
Contributed surplus (Note 7)	246,772	-
Deficit	<u>(577,050)</u>	<u>(87,980)</u>
	<u>2,238,893</u>	<u>280,807</u>
	<u>\$ 2,378,330</u>	<u>\$ 484,988</u>

Nature and continuance of operations (Note 1)
On behalf of the Board:

“Ernest Bergvinson”

Director

“Thomas J. Martin”

Director

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

TIEX INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED DECEMBER 31

	2008	2007
EXPENSES		
Accounting and auditing	\$ 44,453	\$ 37,040
Amortization	582	-
Consulting fees	-	14,532
Legal fees	61,128	5,980
Office expenses	13,373	5,363
Public relationship	7,491	-
Rent	12,078	-
Salaries and wages	160,722	3,544
Stock-based compensation	168,425	-
Transfer agent and filing fees	17,505	-
Travel	13,188	700
	<u>(498,945)</u>	<u>(67,159)</u>
Other item		
Interest income	<u>9,875</u>	<u>-</u>
Loss before income taxes	(489,070)	(67,159)
Future income tax recovery (Note 13)	<u>-</u>	<u>7,677</u>
Loss for the year	(489,070)	(59,482)
Deficit, beginning of year	<u>(87,980)</u>	<u>(28,498)</u>
Deficit, end of year	<u>\$ (577,050)</u>	<u>\$ (87,980)</u>
Basic and diluted loss per share	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>
Weighted average number of shares outstanding	<u>12,837,596</u>	<u>2,636,500</u>

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

TIEX INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (489,070)	\$ (59,482)
Items not affecting cash:		
Amortization	582	-
Future income tax recovery	-	(7,677)
Stock-based compensation	168,425	-
Changes in non-cash working capital items:		
Decrease (increase) in receivables	(63,527)	3,953
Increase (decrease) in accounts payable and accrued liabilities	(35,680)	40,064
Decrease in due to related parties	<u>(5,637)</u>	<u>-</u>
Net cash used in operating activities	<u>(424,907)</u>	<u>(23,142)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired from Tiex Inc. (Note 3)	70,753	-
Mineral properties	(1,674,356)	(116,412)
Exploration advance	(18,258)	-
Purchase of office equipment	(3,875)	-
Restricted cash	(10,000)	-
Reclamation Bond	<u>-</u>	<u>(3,500)</u>
Net cash used in investing activities	<u>(1,635,736)</u>	<u>(119,912)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issuance	2,256,500	76,500
Share issuance costs	(179,589)	(11,001)
Loans from Tiex Inc. (Note 3)	125,000	-
Due to related parties	<u>-</u>	<u>33,000</u>
Net cash provided by financing activities	<u>2,201,911</u>	<u>98,499</u>
Change in cash during the year	141,268	(44,555)
Cash, beginning of year	<u>(10,078)</u>	<u>34,477</u>
Cash (cheques issued in excess of funds on deposit), end of year	<u>\$ 131,190</u>	<u>\$ (10,078)</u>

Supplemental disclosure with respect to cash flows (Note 8)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Tiex Inc. (the “Company”) was incorporated under the laws of the Province of Alberta on March 30, 2005. The Company was set up as a Capital Pool Corporation under the Exchange Policy 2.4 of the TSX Venture Exchange (“the Exchange”). On May 21, 2008, the Company completed its qualifying transaction as described in Note 3. These consolidated financial statements reflect the reverse takeover of the Company by Bullion Gold Corp. The principal business activity of the Company became the acquisition, exploration and development of resources properties.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the mineral properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As to date, the Company has not generated any revenue from operations. These circumstances lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to going concern.

The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms advantageous to the Company.

The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

	2008	2007
Working capital (deficiency)	\$ 489,526	\$ (201,585)
Deficit	(577,050)	(87,980)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bullion Gold Corp. Significant inter-company transactions were eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Estimates

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

Mineral properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Equipment and furniture

Equipment and furniture are recorded at cost less accumulated amortization. Amortization is recognized using the declining balance method at the following annual rates:

Office furniture	20%
Computer equipment	30%

Stock-based compensation

Stock options and direct awards of stock granted to employees and non-employees are recorded at fair value on the date of grant and the associated expense is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. The Company records a reduction in capital stock for the estimated tax benefits transferred to shareholders. When the Company renounces flow-through expenditures, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of income taxes in the statement of operations.

Income taxes

Income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted average number of shares outstanding during the period.

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 in the balance sheet either at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

The Company has classified its cash and restricted cash as held-for-trading. Receivables and exploration advances are classified as loans and receivables. Reclamation deposit is classified as held-to-maturity. Accounts payable and accrued liabilities and due to related parties are classified as other financial liabilities, which are measured at amortized cost.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Comparative figures

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

New accounting pronouncements

Goodwill and intangible assets

The Accounting Standards Board ("AcSB") issued CICA Handbook Section 3064, which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008.

International financial reporting standards ("IFRS")

In 2006, the 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 January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. 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.

The Company is currently assessing the impact of the above new accounting standards on the Company's financial position and results of operations.

3. REVERSE TAKEOVER OF BULLION GOLD CORP.

Effective May 21, 2008, the Company completed its acquisition of all the issued share capital of Bullion Gold Corp. ("Bullion") in exchange for issuing 11,804,000 common shares of the Company to shareholders of Bullion. The Company also issued 300,000 common shares as finders' fees.

As a result of the transaction, the former shareholders of Bullion own 80% of the issued and outstanding share capital of the Company upon the completion of the transaction. This transaction constitutes a reverse take-over. Legally, the Company is the parent of Bullion, however, as a result of the share exchange described above, control of the combined companies passed to the former shareholders of Bullion. This type of share exchange, accounted for in a manner similar to that referred to as a "reverse takeover", deems Bullion to be the acquiror for accounting purposes.

TIEX INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

3. REVERSE TAKEOVER OF BULLION GOLD CORP. (cont'd...)

The value of the 12,104,000 common shares issued pursuant to the acquisition agreement and finders' fees has been determined by the net monetary assets of the Company on the date of acquisition, May 20, 2008.

The allocation of the purchase price is as follows:

Cash	\$ 70,753
Due from Bullion	125,000
Prepaid expenses	44,965
Receivables	13,118
Accounts payable and accrued liabilities	<u>(7,051)</u>
 Total allocation of purchase price	 <u>\$ 246,785</u>

These consolidated financial statements for the year ended December 31, 2008 reflect the results of operations of Bullion, the legal subsidiary, prior to the reverse takeover on May 21, 2008 and the consolidated assets, liabilities and results of operations of Bullion and the Company subsequent to the reverse takeover. The Capital stock represents the authorized and issued share of the legal parent and the dollar amount of shareholders' equity is that of the legal subsidiary. These consolidated financial statements are a continuation of the financial statements of the legal subsidiary, Bullion. The comparative figures as at December 31, 2007 and for the year then ended are those of the legal subsidiary, Bullion.

4. EQUIPMENT AND FURNITURE

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 3,447	\$ 517	\$ 2,930	\$ -	\$ -	\$ -
Office furniture	<u>428</u>	<u>65</u>	<u>363</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,875</u>	<u>\$ 582</u>	<u>\$ 3,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

5. RESTRICTED CASH

The Company applied for a corporate credit card, with a credit limit of \$10,000. As collateral for the credit card, the Company has a one-year term deposit of \$10,000 earning an annual interest at the rate of 2.75%.

TIEX INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

6. MINERAL PROPERTIES

	2008	2007
Acquisition costs:		
Balance, beginning of year	\$ 326,426	\$ 201,652
Additions		
Payments under option agreements	80,000	80,000
Staking costs and tenure payments	<u>213,484</u>	<u>44,774</u>
Balance, end of year	<u>619,910</u>	<u>326,426</u>
Exploration costs:		
Balance, beginning of year	150,584	102,893
Additions		
Assay	103,665	-
Drilling	269,210	-
Geological	580,531	47,691
Geologists' salaries and benefits	162,365	-
Camp and general	92,659	-
Mapping	146,913	-
Travel	5,129	-
Government grant and assistance	<u>(408,532)</u>	<u>-</u>
Balance, end of year	<u>1,102,524</u>	<u>150,584</u>
Mineral properties, end of year	\$ 1,722,434	\$ 477,010

Title to mineral properties

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 are in good standing.

Cariboo Mining Division, British Columbia, Canada

In July 2006, the Company entered into an agreement to acquire a 100% interest in the Cariboo Goldfields property which consists of certain claims located in the Cariboo mining division from a group of individuals, one of which is a director of the Company, in consideration for \$100,000 and 4,000,000 common shares of the Company valued at \$3. The claims are subject to a 1% net smelter return royalty ("NSR") and certain claims are subject to a 2% NSR. The Company also agreed to pay the director of the Company an annual advance royalty of \$50,000 on each anniversary of the date of the agreement, the aggregate of which is deducted from any NSR payable.

TIEX INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

6. MINERAL PROPERTIES (cont'd...)

Cariboo Mining Division, British Columbia, Canada (cont'd...)

In September 2006, the Company entered into three agreements (amended on March 12, 2008) to acquire a 100% interest in the Timberline, Forks and GA claims in consideration for \$30,000 and 1,000,000 common shares valued at \$50,000. The claims are subject to a 2% NSR, one half of which can be purchased by the Company. The Company also agreed to pay annual advance royalties totalling \$30,000 on each anniversary of the date of the agreements, the aggregate of which is deducted from any NSR payable.

The Company also acquired certain additional mineral claims located in the Cariboo mining division by incurring staking costs of \$279,907.

Exploration advance

As at December 31, 2008, the Company has advanced, \$20,140 (2007 - \$1,882), for exploration work to be done on the property.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Unlimited preferred shares without par value			
Common shares issued and outstanding			
Common shares of the Company	2,636,500	\$ -	\$ -
Capitalization of Bullion	-	50,004	-
As at December 31, 2006	2,636,500	50,004	
Shares issued pursuant to private placements	-	346,600	-
Share issue costs	-	(20,140)	-
Tax benefits renounced to flow through share subscribers	-	(7,677)	-
As at December 31, 2007	2,636,500	368,787	-
Shares issued pursuant to private placement prior to reverse takeover transaction	-	256,500	-
Shares issued pursuant to reverse takeover transaction described in Note 3	12,104,000	246,785	
Shares issued pursuant to private placement	4,444,444	2,000,000	-
Agent's units	4,515	2,032	-
Agent's options	-	(78,347)	78,347
Share issue costs	-	(226,586)	-
Stock-based compensation	-	-	168,425
As at December 31, 2008	19,189,459	\$ 2,569,171	\$ 246,772

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Private placements

During the year ended December 31, 2008, the Company:

- a) issued common shares for proceeds of \$256,500 in a private placement prior to the reverse takeover transaction described in Note 3.
- b) Concurrent with completion of the reverse takeover transaction, the Company completed a brokered private placement of 4,444,444 units at \$0.45 per unit for proceeds of \$2,000,000. Each unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share for \$0.70 expiring two years from May 21, 2008. The Company paid commissions of \$157,968, issued 4,515 agent's units (valued at \$2,032) and incurred legal, filing and other issuance costs of \$66,586. The agent was also granted 444,444 agent's compensation options, valued at \$78,347, to purchase units under the same terms as the private placement units, exercisable till May 20, 2010.

The fair value of the agents' options has been estimated using the Black-Scholes option pricing model. Assumptions used in the pricing model are as follows:

Risk free interest rate	2.87%
Annual dividends	--
Expected stock price volatility	100%
Expected life	1 year
Weighted average grant-date fair value	\$0.18

During the year ended December 31, 2007, the Company:

- a) issued 1,226,000 common shares at \$0.10 per share for proceeds of \$122,600 which were received during the period ended December 31, 2006. The Company originally issued 2,452,000 common shares however, subsequent to December 31, 2007, pursuant to regulatory requirements, 1,226,000 shares were surrendered on a basis that the remaining 1,226,000 shares would have a price of \$0.10 per share.
- b) issued 403,000 non flow-through common shares and 45,000 flow-through common shares at \$0.50 per share for total proceeds of \$224,000 of which \$147,500 were received during the period ended December 31, 2006.

Stock options and warrants

The Company adopted a stock option plan (the "Stock Option Plan), the purpose of which is to advance the interests of the Company by providing directors, officers and employees with a financial incentive for the continued improvement in the performance of the Company and encouragement for them to remain with the Company. The option price under each option shall not exceed the market price on the grant date. The term of any option granted under the Stock Option Plan may not exceed 5 years. The maximum number of common shares of the Company reserved for issuance under the Stock Option Plan shall not exceed 10% of the issued and outstanding common shares.

TIEX INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2008

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options and warrants (cont'd...)

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2006 and 2007	-	\$ -	360,000	\$ 0.30
Granted	2,224,479	0.70	2,149,288	0.49
Expired/cancelled	-	-	(150,000)	0.30
Outstanding, December 31, 2008	2,224,779	\$ 0.70	2,359,288	\$ 0.47
Exercisable, December 31, 2008	2,224,779	\$ 0.70	1,366,382	\$ 0.45

The following stock options and share purchase warrants were outstanding at December 31, 2008:

	Number of Shares	Exercise Price	Expiry Date
Stock options	210,000	\$ 0.30	May 20, 2009
	50,000	0.45	May 20, 2009
	1,654,844	0.50	May 20, 2013
Agent's options	444,444	0.45	May 20, 2010
Warrants	2,224,779	0.70	May 20, 2010

Stock-based compensation

For stock options granted to employees, officers, directors and consultants, the Company recognizes as an expense the estimated fair value of the stock options granted. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model.

During the year ended December 31, 2008, the Company granted 1,704,844 (2007 - Nil) stock options to directors, officers, employees and consultants, of which 711,938 (2007 - Nil) were fully vested at December 31, 2008. The total stock-based compensation calculated under the fair value method using the Black-Scholes option-pricing model was \$421,063 (2007 - \$Nil). The Company expensed \$168,425 (2007 - \$Nil) leaving an unamortized balance of \$252,638 (2007 - \$Nil) to be recognized over the following two years. The weighted average fair value of the stock options granted during the year ended December 31, 2008 was \$0.25 per option.

TIEX INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock-based compensation (cont'd...)

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted and compensatory warrants granted during the year:

	2008
Risk-free interest rate	3.24%
Expected life	2.5 years
Annualized volatility	100 %
Dividend rate	0.00 %

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2008		2007	
Cash paid during the period for interest	\$	-	\$	-
Cash paid during the period for income taxes	\$	-	\$	-

The significant non-cash transactions for the year ended December 31, 2008 included:

- a) Recognition of stock-based compensation of \$168,425 on 1,654,844 options granted to directors, officers, employees and consultants.
- b) Incurring accounts payable of \$30,000 towards mineral property costs.
- c) Incurring due to related parties of \$50,000 towards mineral property costs.
- d) Incurring accounts receivable of \$408,532 of government grant and assistance towards mineral property costs.
- e) Recognition of share issuance costs of \$78,347 on 444,444 agent's options granted in a brokered private placement (Note 7).
- f) Issuing 12,104,000 common shares, valued at \$246,785, to acquire Bullion (Note 3).

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)

Significant non-cash transactions during the year ended December 31, 2007 included:

- g) Incurring accounts payable of \$50,400 towards mineral property costs.
- h) Incurring due to related parties of \$50,000 towards mineral property costs.
- i) Issuing 1,521,000 common shares in exchange for subscriptions received in advance of \$270,100.

9. DUE TO RELATED PARTIES

The amount due to related parties as at December 31, 2008 is comprised of \$62,538 (2007-\$83,000) to a director of the Company and \$14,825 (2007 - \$Nil) to a company with common directors. The amounts are unsecured, non-interest bearing with no fixed terms of repayment.

10. RELATED PARTY TRANSACTIONS

During the year ended December 30, 2008, the Company entered into the following transactions with related parties:

- a) paid or accrued \$108,938 (2007 - \$Nil) in salaries and benefits to a director and an officer of the Company.
- b) paid or accrued \$50,000 (2007 - \$50,000) for a mineral property royalty advance to a director of the Company.
- c) paid or accrued \$20,500 (2007 - \$Nil) in geological consulting fees to a company controlled by a director.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the entity's ability to continue as a going concern.

In the management of capital, the Company monitors its adjusted capital which comprises all components of equity (ie share capital and retained earnings).

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue common shares through private placements. The Company is not exposed to any externally imposed capital requirements.

12. FINANCIAL INSTRUMENTS AND RISK

The Company's financial instruments consist of cash, restricted cash, receivables, exploration advance, reclamation bond, due to related parties, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

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

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had current assets of \$628,963 to settle current liabilities of \$139,437. All of the Company's financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms.

Market risk

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

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. As of December 31, 2008, the Company has term deposits earning an annual interest from 2.5% to 3.25%.

(b) Foreign currency risk

The Company has no foreign assets and accordingly is not exposed to foreign currency risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

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13. INCOME TAXES

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2008	2007
Loss before income taxes	\$ (489,070)	\$ (67,159)
Expected income tax recovery	\$ (151,612)	\$ (22,915)
Deductible items	(22,136)	(1,310)
Non-deductible items	52,434	-
Unrecognized benefits of non-capital losses	<u>121,314</u>	<u>16,548</u>
Total income tax recovery	\$ -	\$ (7,677)

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

	2008	2007
Future income tax assets (liabilities):		
Non-capital losses available for future periods	\$ 207,000	\$ 27,000
Share issue costs	67,000	4,000
Mineral properties	<u>(9,000)</u>	<u>(6,000)</u>
	265,000	25,000
Valuation allowance	<u>(265,000)</u>	<u>(25,000)</u>
Net future income tax assets	\$ -	\$ -

The Company has incurred non-capital losses as at December 31, 2008 of approximately \$795,000 which, if unutilized, will expire through 2028. Subject to certain restrictions, the Company also has resource exploration expenditures available to reduce taxable income of future years. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

During the year ended December 31, 2008, the Company issued Nil (2007- 45,000) flow-through shares for gross proceeds of \$Nil (2007 - \$22,500). The flow-through agreements require the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. Future income taxes of \$Nil (2007 - \$7,677) related to the exploration expenditures renounced to shareholders were applied against capital stock.