

FORAN MINING CORPORATION

FINANCIAL STATEMENTS

THREE MONTHS ENDED DECEMBER 31, 2008

(Unaudited - Prepared by Management)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

The Company's independent auditors have 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 auditors.

FORAN MINING CORPORATION

INTERIM CONSOLIDATED BALANCE SHEET
(Unaudited – Prepared by Management)

	Three Months December 31, <u>2008</u>	Year End September 30 <u>2008</u>
<u>ASSETS</u>		
Current Assets		
Cash	\$ 277,730	\$ 393,277
Accounts receivable	7,903	81,853
Deposits	8,180	8,960
Prepaid expenses	11,852	3,160
	<u>305,665</u>	<u>487,250</u>
Portfolio investment (Note 3)	287,500	431,250
Mineral properties (Note 4)	5,034,465	4,952,799
Capital assets (Note 5)	116,284	129,440
	<u>\$ 5,743,914</u>	<u>\$ 6,000,739</u>
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 35,862	\$ 60,972
	<u>35,862</u>	<u>60,972</u>
Minority interest	451,412	451,412
	<u>487,274</u>	<u>512,384</u>
Contingency (Note 6)		
<u>SHAREHOLDERS' EQUITY</u>		
Share Capital (Note 7)	37,175,516	37,175,516
Contributed surplus	659,287	570,815
Accumulated other comprehensive loss	(212,500)	(68,750)
Deficit	(32,365,663)	(32,189,226)
	<u>5,256,640</u>	<u>5,488,355</u>
	<u>\$ 5,743,914</u>	<u>\$ 6,000,739</u>
Nature and continuation of operations (Note 1)		

FORAN MINING CORPORATION
CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
THREE MONTHS ENDED DECEMBER 31
(Unaudited – Prepared by Management)

	<u>2008</u>	<u>2007</u>
Interest income	\$ -	\$ 15,938
Expenses		
Administration	38,629	21,013
Agency fees	787	2,111
Amortization	7,478	11,275
Interest and bank charges	948	4,828
Professional fees	13,500	5,686
Rent	8,685	10,817
Repairs and maintenance	1,504	-
Stock based compensation	88,471	-
Wages and benefits	30,756	51,516
	<u>190,758</u>	<u>107,246</u>
Loss before the undernoted items	<u>(190,758)</u>	<u>(91,308)</u>
Gain on disposal of capital assets	14,321	-
	<u>(176,437)</u>	<u>(91,308)</u>
Net loss	(176,437)	(91,308)
Deficit, beginning of period	<u>(32,189,226)</u>	<u>(31,694,058)</u>
Deficit, end of period	<u>\$(32,365,663)</u>	<u>\$(31,785,366)</u>
Basic and fully diluted loss per share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>121,232,619</u>	<u>112,944,421</u>

FORAN MINING CORPORATION

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE LOSS

THREE MONTHS ENDED DECEMBER 31

	<u>2008</u>	<u>2007</u>
Balance, beginning of period	\$ (68,750)	\$ -
Other comprehensive loss		
Unrealized loss on available for sale investments	<u>(143,750)</u>	<u>(68,750)</u>
Balance, end of period	<u>\$ (212,500)</u>	<u>\$ (68,750)</u>

FORAN MINING CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED DECEMBER 31
(Unaudited – Prepared by Management)

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Net loss	\$ (176,437)	\$ (91,308)
Items not affecting cash		
Amortization	7,478	11,275
Gain on disposal of capital assets	(14,321)	-
Stock-based compensation	88,472	-
Net changes in non-cash working capital items related to operations:		
Accounts receivable	75,718	(247,088)
Deposits	779	7,955
Prepaid expenses	(8,692)	-
Accounts payable and accrued liabilities	(26,878)	(5,280)
	<u>(53,881)</u>	<u>(324,446)</u>
Cash flows from investing activities		
Mineral property expenditures	(81,666)	(645,808)
Purchase of capital assets	-	-
Proceeds from disposal of capital assets	20,000	-
Minority interest	-	299,080
	<u>(61,666)</u>	<u>(346,728)</u>
Cash flows from financing activities		
Repayment of long-term debt	-	(3,417)
Proceeds from issuance of shares	-	1,500,000
Share issuance costs	-	(134,682)
Demand loan	-	-
	<u>-</u>	<u>1,361,901</u>
Net increase (decrease) cash during the period	(115,547)	
Cash, beginning of period	<u>393,277</u>	<u>52,249</u>
Cash, end of period	\$ <u>277,730</u>	\$ <u>742,976</u>

FORAN MINING CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

1. Nature and continuation of operations

Foran Mining Corporation ("The Company") was incorporated under the laws of British Columbia and continued in Saskatchewan. The Company's principal business activities include the acquisition and exploration of mineral properties.

These consolidated financial statements have been prepared on the basis of Canadian generally accepted accounting principles as applicable to a going concern, which contemplates the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future.

The Company is in the development stage and has incurred significant operating losses. The Company's ability to continue as a going concern is dependent upon the discovery of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete their development, and future production or proceeds from the disposition thereof. There are no assurances that the Company will be successful in achieving these goals. These consolidated financial statements do not include adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. Significant accounting policies

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting principles and methods of application as the most recent annual audited consolidated financials. These unaudited consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended September 30, 2008.

3. Portfolio investment

During the fiscal year ended September 30, 2005, the Company made a \$500,000 payment to Copper Reef Mines Limited ("Copper Reef") with respect to an Assignment Agreement on the McIlvenna Saskatchewan mineral property. During the year ended September 30, 2005, the Company had requested an arbitration hearing in an effort to rescind the Assignment Agreement.

In May 2006 the arbitration hearing closed with a Settlement Agreement between Copper Reef and the Company. The Settlement Agreement considers the \$500,000 to be a payment made on behalf of the Company to meet required installments for the rights to the McIlvenna Saskatchewan project.

As at December 31, 2008, as part of the Settlement Agreement, the Company owns 5,750,000 common voting shares of Copper Reef. The Company does not exercise significant influence over Copper Reef, therefore, the investment is recorded using the cost method, and is designated as available for sale.

FORAN MINING CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

4. Mineral properties

Three Months ended December 31, 2008

	Balance September 30, <u>2008</u>	Acquisition Costs and <u>License Fees</u>	Net Exploration and Development <u>Expenditures</u>	Balance December 31, <u>2008</u>
Kisseynew, MB	\$ 1	\$ -	\$ -	\$ 1
McIlvenna, SK Saskatchewan	4,076,720	-	4,214	4,080,934
Project	503,931	26,830	44,800	575,561
Manitoba Project	372,146	5,822	-	377,968
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$ 4,952,799</u>	<u>\$ 32,652</u>	<u>\$ 49,014</u>	<u>\$ 5,034,465</u>

Three months Ended December 31, 2007

	Balance September 30, <u>2007</u>	Acquisition Costs and <u>License Fees</u>	Net Exploration and Development <u>Expenditures</u>	Write-offs	Balance December 31, <u>2007</u>
Kisseynew, MB	\$ 1	\$ -	\$ -	\$ -	\$ 1
McIlvenna, SK Saskatchewan	2,418,022	-	625,763	-	3,043,785
Project	465,895	-	-	-	465,895
Manitoba Project	261,397	20,045	-	-	281,442
Other	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
	<u>\$3,145,316</u>	<u>\$ 20,045</u>	<u>\$ 625,763</u>	<u>\$ -</u>	<u>\$ 3,791,124</u>

FORAN MINING CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

4. Mineral properties (continued)

Details of the exploration and development expenditures incurred during each period ended December 31, 2008 and 2007 for the Company's major properties are as follows:

<u>Three Months Ended December 31, 2008</u>		
	<u>Saskatchewan Project</u>	<u>McIlvenna Project</u>
Administration	\$ -	\$ 266
Assaying, sampling, line cutting and mapping	-	1,600
Geological consulting	-	350
Staking	44,800	-
Miscellaneous purchase/repair		48
Travel, accommodation and field Camp maintenance		390
		<u>1,560</u>
	<u>\$ 44,800</u>	<u>\$ 4,214</u>

Three Months Ended December 31, 2007		<u>McIlvenna Project</u>
Administration		\$ 6,402
Airborne geophysical and geological surveys		1,500
Assaying, sampling, line cutting and mapping		3,148
Drilling		414,524
Equipment rental		38,856
Geological consulting		45,220
Fuel		17,331
Maintain camp/living quarters		19,599
Site visit, report and insurance		2,489
Small tool purchase/repair		27,467
Travel, accommodation and field		<u>49,227</u>
		<u>\$ 625,763</u>

FORAN MINING CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

4. Mineral properties (continued)

a) McIlvenna, Saskatchewan

In January 2005, the Company entered into an option agreement to acquire a 100% interest in the McIlvenna mineral property located in Saskatchewan. Total consideration consisted of paying \$1,006,500 to Cameco Corporation ("Cameco") and \$493,500 to BHP Billiton ("Billiton") on or before January 25, 2005; \$1,342,000 to Cameco and \$658,000 to Billiton on or before May 31, 2006; or Foran Mining Corporation issuing common shares worth \$2,013,000 to Cameco and \$987,000 to Billiton on or before May 31, 2006. If the Company would have elected to satisfy the May 31, 2006 payment through the issuance of shares rather than by way of cash payment, the share price would have been calculated using the average trading price of the Company's common shares on the TSX for the first fifteen (15) trading days in May of 2006. The shares issued to Cameco and Billiton would have been freely tradable and not be subject to any form of statutory or Exchange-imposed hold period or trading prohibition.

In January 2005, the Company entered into an agreement to conditionally assign to Copper Reef all of its rights and interest in the property option agreement for the McIlvenna, Saskatchewan property. In a letter dated January 24, 2005, Cameco and Billiton conditionally consented to the assignment. The initial consideration consists of Copper Reef funding the payment of \$1,500,000 to Cameco and Billiton. Copper Reef also agreed to issue 5,500,000 common shares to the Company, with an additional 2,500,000 issued at a price of \$0.20 per unit, for a total of \$500,000. The Company believed that the conditions had not been satisfied. By notice made July 19, 2005, the Company filed a Demand for Arbitration to rescind the Assignment Agreement entered into in January 2005 with Copper Reef.

In January 2005, required payments of \$1,006,500 and \$493,500 to Cameco and Billiton respectively were made by Copper Reef.

In May 2006, the arbitration was settled. The Settlement Agreement with Copper Reef resulted in the Company holding a 75% joint venture interest in the McIlvenna, Saskatchewan property, acting as the operator of exploration projects, owning 5,750,000 common shares of Copper Reef, giving up licenses on a number of other mineral properties, and giving up the 2,500,000 shares previously issued by Copper Reef for \$0.20 per share.

If any venturer does not make cash payments within 30 days of the Company invoicing a cash call, they will give up a proportion of its interest in McIlvenna, Saskatchewan based on a pro-rated calculation. If any ventures interest drops below 10%, they will give up their remaining interest and be assigned a net tonnage royalty of 0.75 cents per tonne on all ores hauled to the surface from the property.

In May 2006, the Company made the last required payments of \$1,342,000 and \$658,000 to Cameco and Billiton respectively.

During 2007, the Company commenced a drill program on the mineral property. The diamond drilling program has been developed with the intention to upgrade the mineral resource deposit from inferred to indicated. During 2008, a 6,903.9 meter drill program was conducted to establish the lower margins of the copper stringer zone with some fill-in holes giving continuity to the McIlvenna Bay deposit.

FORAN MINING CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

4. Mineral properties (continued)

a) McIlvenna, Saskatchewan (continued)

Cameco and Billiton hold a 1% royalty interest in the property. Foran has the option to purchase from Cameco and Billiton the royalty interest for \$1,000,000.

b) Saskatchewan and Manitoba Projects

On November 21, 2003, the TSX-V accepted for filing the Purchase Agreement dated November 11, 2003, for 100% of Aur Resource Inc.'s interest in 29 mining claim groups located in the Flin Flon, Snow Lake and Lynn Lake areas of Manitoba and Saskatchewan.

The properties included 29 property claim groups totaling more than 50,000 hectares, all associated data files, airborne data for over 70 airborne EM surveys, as well as office and warehouse equipment, furnishings and supplies.

The purchase gave the Company control of 21 sulphide zones, at least eight gold deposits/zones and provided numerous developed drill targets, most of which are designed to extend known zones.

The Company has committed, through previous mineral property ownership agreements associated with the Saskatchewan and Manitoba projects, to pay various net smelting and net profits interest royalty fees. The net smelting fees range from 0% - 2% and the net profits interest royalty fees range from 0% - 15%.

During the year ended September 30, 2006, the Company transferred, as part of the arbitration settlement agreement, 13 Manitoba properties. The properties transferred had a combined book value of nil. The remaining 16 properties total more than 30,000 hectares.

During the period the Company spent \$26,830 (2007- \$20,045) in license fees to keep the remaining properties in good standing.

FORAN MINING CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

5. Capital assets

	2008			September 2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automobiles	\$ 58,835	\$ 46,047	\$ 12,788	\$ 13,834
Computer and survey equipment	30,305	22,381	7,925	8,572
Equipment	208,221	136,473	71,748	81,690
Furniture and fixtures	13,498	7,788	5,710	6,013
Trailers	22,409	4,296	18,113	19,331
	\$ 333,268	\$ 216,985	\$ 116,284	\$ 129,440

6. Contingency

During the year ended September 30, 2003, the Company, with two other companies, formed a general partnership which acquired an interest in the 1999 Investment Co. Limited Partnership.

During that same year end, the Company received a cash distribution of \$281,156 (less a finders fee of \$8,430) from the general partnership which represents the aggregate amount of cash the Company expects to receive from this investment. No cash distributions were received by the Company in the years ended September 30, 2006 and 2005.

On September 30, 2006, the Company sold the interest in the partnership to a non-related company.

The Company is contingently liable for any liabilities that may occur associated with their investment in partnership where the liability originated during the time the Company held an interest in the partnership.

7. Share capital

Authorized an unlimited amount of common shares,
without par value

Issued

	Common Shares	Share Capital
Balance, September 30, 2007	107,261,192	35,934,448
Issued for cash - private placement	13,971,427	1,832,000
Share issue costs - renunciation	-	(405,000)
Share issue costs	-	(185,932)
Balance, September 30, 2008	121,232,619	\$ 37,175,516
Shares Issued	-	-
Balance, December 31, 2008	121,232,619	\$ 37,175,516

FORAN MINING CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

7. Share capital (continued)

During October 2007, the Company issued 8,571,427 flow-through units at a price of \$0.175 per unit for gross proceeds of \$1,500,000. Each unit consists of one flow-through share and one non-flow-through share purchase warrant. Each warrant will have a term of 24 months and entitles the holder to acquire one share at an exercise price of \$0.40 in year one and \$0.75 in year two.

In May 2008, the Company issued 5,000,000 non flow-through shares at a price of \$0.06 per share for gross proceeds of \$300,000.

In September 2008, the Company issued 400,000 non-flow through units at a price of \$.08 per unit for gross proceeds of \$32,000. Each unit consists of one non-flow through share and one purchase warrant. Each warrant has a term of 24 months with an exercise price of \$0.10.

Stock options

The Company's Board of Directors approved the adoption of a stock option plan in accordance with the policies of the TSX Venture Exchange. The Board of Directors is authorized to grant options to directors, officers, consultants or employees. The maximum number of options that may be granted must not exceed 20% of the common shares outstanding at the time of the grant. The minimum vesting provisions are over an 18 month period with equal amounts vesting on a quarterly basis. A summary of the status of the Company's stock option plan and changes during the periods ended December 31, 2008 and 2007 is presented below.

For options outstanding at December 31, 2008 and 2007, weighted average exercise prices are as follows:

	2008		2007	
	Average Options	Price	Average Options	Price
Outstanding, beginning of year	7,675,000	\$ 0.14	2,075,000	\$ 0.18
Options granted	-	-	5,600,000	0.13
Options exercised	-	-	-	-
Expired or forfeited	-	-	-	-
	<u>7,675,000</u>	<u>\$ 0.14</u>	<u>7,675,000</u>	<u>\$ 0.14</u>

Options Price Per Share	Number Outstanding	Weighted Average Remaining Life
\$0.10	1,475,000	3.75
\$0.14	4,600,000	4.02
\$0.18	1,600,000	1.54
	<u>7,675,000</u>	<u>3.45</u>

The fair value of stock options issued in the year is estimated using the Black-Scholes option pricing model, with assumptions being made for each of the following variables: risk free rate, volatility factor, dividend yield, weighted average expected option life and expected forfeiture rate. During fiscal 2008, the company granted 4,600,000 options in January 2008 and 1,000,000 options

FORAN MINING CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

7. Share capital (continued)

in September 2008. The strike prices for the options were \$0.14 and \$0.10 respectively for a period of five years. The value of these options, using the Black-Scholes option pricing model described above, was \$667,580 of which \$88,472 relates to options that vested in the current period and thus were expensed with a corresponding increase to contributed surplus. Assumptions used in the pricing model for the year are as follows: risk-free interest rate 2.95%-3.61%, expected life of options 5 years, annualized volatility 155% and dividend rate of nil.

Share purchase warrants and broker warrants

The continuity of share purchase and broker warrants for the period ended December 31, 2008 is as follows:

<u>Expiry Date</u>	<u>Exercise Price</u>	Balance September 30, <u>2008</u>	<u>Issued</u>	<u>Exercised</u>	<u>Expired</u>	Balance December 31, <u>2008</u>
October 23, 2009	0.40 to 0.75	8,571,427	-	-	-	8,571,427
October 23, 2009	0.175	599,999	-	-	-	599,999
September 3, 2010	0.10	<u>400,000</u>	=	-	-	<u>400,000</u>
		<u>9,571,426</u>	=	<u>-</u>	=	<u>9,571,426</u>

<u>Expiry Date</u>	<u>Exercise Price</u>	Balance September 30, <u>2007</u>	<u>Issued</u>	<u>Exercised</u>	<u>Expired</u>	Balance September 30, <u>2008</u>
August 31, 2008	\$ 0.25	894,583	-	-	(894,583)	-
July 31, 2008	0.19	59,575	-	-	(59,575)	-
October 23, 2009	0.40 to 0.75	-	8,571,427	-	-	8,571,427
October 23, 2009	0.175	-	599,999	-	-	599,999
September 3, 2010	0.10	-	<u>400,000</u>	-	-	<u>400,000</u>
		<u>954,158</u>	<u>9,571,426</u>	=	<u>(954,158)</u>	<u>9,571,426</u>

On certain issuances of common shares, the Company granted either broker unit warrants or broker warrants as partial consideration to the agent for services associated to such share issues. During fiscal 2008 599,999 (2007 – 61,250) broker warrants were granted as partial consideration on the share issues. The strike price for the warrants issued was \$0.175 exercisable for a period of two years. The value of the warrants calculated using the Black-Scholes option pricing model described above was \$48,090. Assumptions used in the pricing model include the following: risk-free interest rate 4.16%, expected life of warrants two years, annualized volatility 150% and dividend rate of nil.

Contributed surplus

The fair value of certain stock options, warrants and broker warrants have been valued using the Black-Scholes option pricing model. The fair value on the grant of these securities is added to contributed surplus. Upon exercise, the corresponding amount of contributed surplus related to the

FORAN MINING CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

7. Share capital (continued)

security is removed from contributed surplus and added to share capital. A summary of the contributed surplus activity is as follows:

	<u>2009</u>	<u>2008</u>
Balance, September 30, 2008	\$ 570,815	\$ 210,196
Fair value of options vested	88,472	312,529
Fair value of broker warrants granted	-	-
Less contributed surplus related to options exercised	-	-
	<hr/>	<hr/>
Balance, December 31, 2008	<u>\$ 659,287</u>	<u>\$ 570,815</u>

8. Related party transactions

a) During the period, the Company paid or accrued \$500 (2007 - \$1,590) for rent to a related party.

The above transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

9. Financial instruments

Fair value of financial instruments

The carrying amount of current financial assets and current financial liabilities approximate their fair value because of the short-term maturities of these items.

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Portfolio investments are comprised of shares of Copper Reef and are classified as available-for-sale. The Company has not entered into any hedging relationships and does not hold any other available-for sale securities that would result in the recognition of other comprehensive income or loss. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

Management of financial risk

The Company's financial instruments are exposed to certain financial risks, including credit risk and liquidity risk. Credit risk is the risk of an unexpected loss by the Company if a customer or third-party to a financial instrument fails to meet its contractual obligations. A significant portion of the Company's receivables relate to amounts receivable from a participant of the Company's joint operations. Management minimizes the credit risk associated with this concentration of receivables by ensuring that amounts receivable from this participant are current. In accordance with the joint venture agreement, the participating interest in the joint venture is security against amounts owed.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. As at September 30, 2008 the Company believes it will have sufficient access to financial markets to continue to meet its obligations as they become due. The Company does not currently

FORAN MINING CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008

9. Financial instruments (continued)

operate any producing properties and as such, is dependent upon the issuance of new equity to advance its exploration properties. Although the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain additional financing on a timely basis may cause the Company to postpone development plans, forfeit rights in its properties or joint ventures or reduce or terminate its operations. Reduced liquidity or difficulty in obtaining future financing could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial position. The Company is unsure if its current capital resources will be sufficient to carry out its exploration plans through its current operating period.

10. Capital disclosure

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders.

The Company considers the items included in shareholder's equity as capital. The Company manages the capital structure and makes adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares, or acquire or dispose of assets.

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary. The annual budgets are approved by the Board of Directors.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to invest its cash in highly rated, liquid short-term interest-bearing investments with an initial term to maturity of twelve months or less.

The Company is not subject to externally imposed capital requirements, except as disclosed.

11. Future accounting pronouncements

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies are to converge with International Financial Reporting Standards ("IFRS") effective for fiscal periods beginning on or after January 1, 2011. The Company continues to monitor, and assess, the impact of the convergence of Canadian GAAP and IFRS.