

**NOTICE TO SHAREHOLDERS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2008**

**BENTON RESOURCES CORP.**

(A Development Stage Enterprise)

**Responsibility for Financial Statements**

The accompanying financial statements for Benton Resources Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the June 30, 2008 audited financial statements. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended September 30, 2008.

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**BENTON RESOURCES CORP.**  
(A Development Stage Enterprise)

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September 30, 2008

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**BENTON RESOURCES CORP.**  
(A Development Stage Enterprise)

**BALANCE SHEETS**  
**(Prepared by Management)**

As at	September 30, 2008 \$ (Unaudited)	June 30, 2008 \$ (Audited)
<b>ASSETS</b>		
Current		
Cash	1,832,457	1,103,901
Temporary investments (note 4)	16,656,434	16,516,953
Accounts and other receivables	468,662	465,198
Prepaid expenses	10,807	18,054
Refundable security deposits (note 17)	195,542	188,842
	<b>19,163,902</b>	18,292,948
Long-term investments (note 5)	162,000	408,000
Property and equipment, net (note 6)	240,006	265,135
Mineral properties and deferred development expenditures (note 7)	11,932,614	11,208,044
	<b>31,498,522</b>	30,174,127

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Liabilities**

Current

Accounts payable and accrued liabilities	299,476	344,127
Future income tax liability (note 12(b))	1,186,726	1,222,735

**Shareholders' Equity**

Capital Stock (note 8)

Share capital	28,488,702	27,859,432
Warrants	4,766,024	4,766,024
Contributed Surplus	3,124,325	1,820,412
Deficit	(6,366,731)	(5,838,603)
	<b>30,012,320</b>	28,607,265
	<b>31,498,522</b>	30,174,127

Ability to continue as a going concern (note 1)

Approved by the Board:

“Stephen Stares” President, Chief Executive Officer and Director

“Clint Barr” Chief Financial Officer and Director

See accompanying notes to financial statements

**BENTON RESOURCES CORP.**  
(A Development Stage Enterprise)

**STATEMENTS OF OPERATIONS, COMPREHENSIVE  
INCOME AND DEFICIT**  
(Prepared by Management – Unaudited)

	<b>Three Months Ended September 30, 2008</b>	<b>Three Months Ended September 30, 2007</b>
	<b>\$</b>	<b>\$</b>
<b>EXPENSES</b>		
Advertising and promotion	<b>76,223</b>	117,503
Compensation costs (note 13)	<b>183,248</b>	127,063
Consulting fees (note 13)	<b>20,547</b>	46,808
General and administrative	<b>147,927</b>	76,654
Professional fees	<b>18,372</b>	18,125
Stock exchange and filing fees	-	5,936
Amortization expense	<b>25,928</b>	3,334
	<b>472,245</b>	395,423
Loss before the following:	<b>472,245</b>	395,423
Interest income	<b>159,702</b>	41,084
Adjustment to fair market value for held for trading investments	<b>(255,357)</b>	-
Administration fees on mineral properties	<b>3,763</b>	13,632
<b>Net loss before taxes</b>	<b>564,137</b>	340,707
Recovery of future income taxes (note 12(a))	<b>(36,009)</b>	-
<b>Net loss being comprehensive loss for the period</b>	<b>528,128</b>	340,707
<b>Deficit - Beginning of Period</b>	<b>5,838,603</b>	4,196,378
<b>Deficit - End of Period</b>	<b>6,366,731</b>	4,537,085
<b>Net Loss Per Share (note 11)</b>	<b>0.01</b>	0.01
<b>Weighted Average Shares Outstanding (note 11)</b>	<b>69,266,729</b>	51,544,429

See accompanying notes to financial statements

**BENTON RESOURCES CORP.**

(A Development Stage Enterprise)

**STATEMENTS OF CASH FLOWS****(Prepared by Management – Unaudited)**

	<b>Three Months Ended September 30, 2008 \$</b>	<b>Three Months Ended September 30, 2007 \$</b>
<b>CASH FLOWS FROM (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss being comprehensive loss for the period	(528,128)	(340,707)
Recovery of future income taxes	(36,009)	-
Unrealized change in fair market value of investments	255,357	-
Amortization expense	25,928	3,334
Compensation and other expenses paid through stock options	203,795	178,101
Decrease (increase) in accounts and other receivables	5,383	(73,460)
Decrease in prepaid expenses	7,247	-
Increase in refundable security deposits	(6,700)	-
Increase (decrease) in accounts payable and accrued liabilities	(2,230)	66,469
Cash flows used in operating activities	(75,357)	(166,263)
<b>FINANCING ACTIVITIES</b>		
Proceeds from private placements	1,696,763	1,066,667
Shares purchased and cancelled under normal course issuer bid	(3,525)	-
Proceeds from the exercise of share purchase warrants	-	664,258
Cash flows from financing activities	1,693,238	1,730,925
<b>INVESTING ACTIVITIES</b>		
Deferred developmental expenditures	(688,420)	(808,001)
Purchase of property and equipment	(799)	(20,664)
Purchase of fixed income investments	(148,838)	-
Increase in accounts receivable	(8,847)	-
Decrease in accounts payable and accrued liabilities	(42,421)	-
Cash flows used in investing activities	(889,325)	(828,665)
Increase in cash	728,556	735,997
Cash - beginning of period	1,103,901	6,703,785
Cash - end of period	1,832,457	7,439,782
Supplemental information (see note 14)		

See accompanying notes to financial statements

**BENTON RESOURCES CORP.**

(A Development Stage Enterprise)

**NOTES TO THE FINANCIAL STATEMENTS****(Prepared by Management – Unaudited)**

September 30, 2008

**1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN:**

Benton Resources Corp. (the “Company”) was incorporated on July 10, 2003 under the laws of British Columbia and is a development stage public company whose shares began trading on the TSX Venture Exchange in April of 2005. Its principal business activities are the acquisition, exploration and development of mineral properties.

These financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company’s ability to generate future profitable operations and/or generate continued financial support in the form of equity financings. Management feels that sufficient working capital will be obtained from public share offerings to meet the Company’s liabilities and commitments as they come due. These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classification that would be necessary if the going concern assumption were not appropriate and such adjustments could be material.

	September 30, 2008	June 30, 2008
Working capital	\$18,864,426	\$17,948,821
Deficit	\$(6,366,731)	\$(5,838,603)

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The management of the Company has prepared these unaudited financial statements for the three months ended September 30, 2008 in accordance with generally accepted accounting principles in Canada. These financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2008. The policies and methods used in these interim financial statements are the same as those of the audited financial statements, unless otherwise noted.

The disclosures in these interim financial statements do not conform in all respects to generally accepted accounting principles in Canada for annual financial reporting.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the three months ended September 30, 2008 are not indicative of the results that may be expected for the full year ending June 30, 2009.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year except as otherwise noted. Outlined below are those policies considered particularly significant.

**Mineral Properties and Deferred Developmental Expenditures**

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production or written-down if the properties are allowed to lapse, are abandoned, are impaired or continued development is not deemed appropriate in the foreseeable future.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued) . . .**

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties. The carrying value of an individual property is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts and any excess will be recorded as a gain. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

### **Revenue Recognition**

Operator fees on mineral properties are earned based on an agreed upon percentage of development expenses incurred on specific properties. Recognition of all revenue is subject to the provision that ultimate collection be reasonably assured at the time of recognition.

### **Land Reclamation Costs**

During the course of acquiring and exploring potential properties, the Company must comply with government regulated environmental evaluation, updating and reclamation requirements. The fair value of the liability is recorded when it is incurred and the corresponding increase to the assets is capitalized as deferred costs until such time as the properties are put into commercial production, at which time the costs incurred will be charged to operations on a unit-of-production basis over the estimated mine life. Upon abandonment or sale of a property all deferred costs relating to the property will be expensed in the year of such abandonment or sale.

### **General and Administrative Expenses**

The Company charges all general and administrative expenses not directly related to development activities to operations as incurred.

### **Use of 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 related reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, resource property values, useful lives for amortization, future income taxes, and determination of fair value for stock based transactions. Actual results could differ from those reported. Management believes that the estimates are reasonable.

### **Income Taxes**

The Company accounts for income taxes using the asset and liability method of accounting which focuses on the amounts of income taxes payable or receivable that will arise if an asset is realized or a liability is settled for its carrying amount. The resulting future income tax asset or liability is recorded based on substantively enacted income tax rates. In the case of unused tax losses, income tax reductions and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax assets is determined by reference to the more likely than not realization of such benefits at the balance sheet date.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued) . . .

### Flow-Through Financing

Under this arrangement, shares are issued which transfer the tax deductibility of mineral property development expenditures to investors. Proceeds received on the issuance of these shares have been credited to share capital and the related development costs will be capitalized to mining and resource properties in the year in which they are incurred.

The entire amount of flow-through financing received was renounced to the investors. Accordingly, as the actual expenditures are incurred, they will carry no tax deductibility and the result will be amounts subject to tax. Future income tax liabilities resulting from these tax differences are recorded in the year in which the expenditures are renounced when the forms are filed with the Canada Revenue Agency and share capital is reduced, provided there is reasonable assurance that the expenditures will be made. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property development expenditures within a two year period.

During the three months ended September 30, 2008, the company did not issue any flow through shares.

### Stock-Based Compensation

The Company uses the fair value-based method of accounting for stock-based compensation awards based on the Black-Scholes option pricing model with the portion of the fair value of the granted option related to vesting for the period charged to expense with the offset to contributed surplus. On the exercise of stock options, consideration received and the accumulated contributed surplus attributed to the portion exercised is credited to share capital.

Note 13 provides details on stock-based compensation and other stock-based payments.

### Property and Equipment

Purchased property and equipment are recorded at cost. Amortization is provided using the declining balance method using annual rates as follows:

Computer Equipment	30-55%
Computer Software	100%
Furniture and Equipment	20%
Exploration Camps	30%

### Risk Management

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is at risk for environmental issues.

The Company's functional currency is the Canadian dollar. All current development occurs within Canada. There is no significant foreign exchange risk to the Company.

### Loss Per Share

Loss per share is calculated on the basis of weighted average number of shares outstanding during the year. Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the exercise of warrants and stock options, if dilutive. For warrants and stock options, the number of additional common shares is calculated by assuming that outstanding warrants and stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. Diluted loss per share has not been presented as the result is anti-dilutive.

For the three months ended September 30, 2008 and the year ended June 30, 2008, potentially dilutive common shares (relating to options and warrants outstanding at period end) totaling 18,738,150 were not included in the computation of loss per share because their effect was anti-dilutive.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued) . . .

### Asset Retirement Obligation

CICA 3110, "Asset Retirement Obligations" requires companies to record the fair value of an asset retirement obligation as a liability in the period in which it incurred a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The obligation is measured initially at fair value using discounted future cash flows and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability will be adjusted for any changes in the amount of timing of the underlying future cash flows. Capitalized asset retirement costs are depreciated on the same basis as the related asset and the discounted accretion of the liability is included in determining the results of operations.

The Company has only performed preliminary exploratory work on its mineral properties and has not incurred significant reclamation obligations.

### Impairment of Long-lived Assets

The Company periodically evaluates the future recoverability of its long-lived assets. In the situation that events and circumstances indicate impairment is probable, impairment losses or write-downs are measured as the difference between the carrying amount and the fair value. If fair value cannot be determined through market observation or using an undiscounted cash flow technique, then the entire carrying amount is written off.

### Financial instruments - recognition and measurement (CICA Handbook Section 3855)

These standards set out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to July 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depend on their initial classification:

Held for trading financial instruments are measured at fair value. All gains and losses are included in net loss in the period in which they arise.

Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.

Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.

All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period in which they arise.

The Company has classified its financial instruments at the date of adoption as follows:

Cash, temporary investments and long term investments are classified as held-for-trading. Accounts and other receivables and refundable security deposits are classified as loans and receivables and accounts payable are classified as other financial liabilities.

### 3. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION:

#### Capital Disclosures (CICA Handbook Section 1535)

The Company has early adopted CICA Handbook section 1535, Capital Disclosures in the June 30, 2008 audited financial statements. This section requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. See note 15 for the disclosures related to this standard.

There was no effect on opening equity as of July 1, 2007 as a result of applying these new standards.

#### Assessing Going Concern (CICA Handbook Section 1400)

The AcSB amended CICA Handbook Section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The standard became effective for fiscal years beginning on or after January 1, 2008 and is applicable to the Company as of July 1, 2008. The effect of this accounting change increases disclosures in the financial statements. See note 1 for the disclosures related to the amended standards.

#### Financial Instruments – Disclosures (CICA Handbook Section 3862)

The CICA has issued this new handbook section which will affect disclosures in the Company's financial statements beginning on July 1, 2008. The new standards describe the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The new standards increase disclosures in future financial statements. See note 16 for disclosures related to this new standard.

#### Financial Instruments – Presentation (CICA Handbook Section 3863)

The CICA has issued this new handbook section which will affect disclosures in the Company's financial statements beginning on July 1, 2008. This new section establishes the standards for presentation of the financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861 "Financial Instruments – Disclosure and Presentation". The new standards increase disclosures in the financial statements. See note 16 for disclosures related to this new standard.

### 4. TEMPORARY INVESTMENTS:

	September 30, 2008	June 30, 2008
Discount note	-	3,969,837
Senior deposit notes	5,589,731	5,606,160
Banker's acceptances	5,984,214	5,497,511
Treasury bills	2,042,091	-
Mutual funds	1,284,593	-
Guaranteed investment certificates	1,755,805	1,443,445
	<u>\$ 16,656,434</u>	<u>\$ 16,516,953</u>

These funds are available for exploration purposes upon the request of the Company.

#### 4. TEMPORARY INVESTMENTS (continued)...

The discount notes had maturity dates ranging from August 27, 2008 to September 10, 2008 with interest rates ranging from 3.019% to 3.397% and had matured prior to the end of the period.

The senior deposit notes have maturity dates ranging from June 8, 2010 to September 27, 2010 and interest rates ranging from 4.93% to 5.13%.

The banker's acceptances have maturity dates ranging from October 24, 2008 to December 10, 2008 and interest rates ranging from 3.078% to 4.43%.

The treasury bills mature January 8, 2009 and bear interest at 2.83%.

The guaranteed investment certificates have maturity dates ranging from November 20, 2008 to March 23, 2010 and interest rates ranging from 3.30% to 4.25%.

#### 5. LONG-TERM INVESTMENTS:

	September 30, 2008		June 30, 2008	
	Market \$	Cost \$	Market \$	Cost \$
<b>Equities</b>				
Canadian entities	162,000	589,200	408,000	589,200

The equity investment consists of 120,000 common shares of Marathon PGM Corporation ("Marathon") valued at the September 30, 2008 closing price of \$1.35 per common share (June 30, 2008 - \$3.40). These shares were received pursuant to an option agreement with Marathon (see note 7(a)). The closing price of the shares on the date the agreement was executed was \$4.91 per common share. Marathon is listed on the TSX under the symbol "MAR".

#### 6. PROPERTY AND EQUIPMENT:

	September 30, 2008			June 30, 2008		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer Equipment	\$ 38,127	\$ 22,782	\$ 15,345	\$ 38,127	\$ 20,746	\$ 17,381
Furniture and Equipment	54,038	11,856	42,182	53,239	9,657	43,582
Computer Software	72,922	45,576	27,346	72,922	36,461	36,461
Exploration Camps	197,307	42,174	155,133	197,307	29,596	167,711
Total	\$ 362,394	\$ 122,388	\$ 240,006	\$ 361,595	\$ 96,460	\$ 265,135

## 7. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES:

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production, or written-down if the properties are allowed to lapse, are impaired, or are abandoned. The deferred costs associated with each property is as follows:

<u>For the three months ended September 30, 2008</u>	<u>Opening balance</u>	<u>Expenditures</u>	<u>Recoveries and write downs</u>	<u>Ending balance</u>
Bermuda/Bamoos/Claw Lake/Four Dams	5,853,422	16,922	-	5,870,344
Copper PGE Properties				
Saganaga Lake Property	323,190	36,446	-	359,636
Nipigon Uranium Property	83,368	-	-	83,368
Flying Loon Property	612,944	-	-	612,944
Goodchild and South Goodchild Property	231,999	74,589	(303,227)	3,361
Armit Lake Property	1,236,965	39,527	-	1,276,492
Kingurutik Lake Nickel Property	592,361	275	(38,763)	553,873
Q-9 Gold Property	102,224	2,414	-	104,638
Sibley Basin Property	14,027	2,063	-	16,090
Bark Lake Property	484,056	18,819	-	502,875
Swayze Property	116,173	150,594	(75,450)	191,317
Hope Brook Property	560,253	511,430	-	1,071,683
Rim Property	400,775	109,016	-	509,791
Other Properties	596,287	179,915	-	776,202
<b>Total</b>	<b>\$11,208,044</b>	<b>1,142,010</b>	<b>(417,440)</b>	<b>\$11,932,614</b>

<u>For the year ended June 30, 2008</u>	<u>Opening balance</u>	<u>Expenditures</u>	<u>Recoveries and write downs</u>	<u>Ending balance</u>
Bermuda/Bamoos/Claw Lake/Four Dams	4,473,618	1,969,004	(589,200)	5,853,422
Copper PGE Properties				
Saganaga Lake Property	266,368	56,822	-	323,190
Nipigon Uranium Property	83,302	66	-	83,368
Flying Loon Property	611,644	1,300	-	612,944
Goodchild and South Goodchild Property	220,196	545,136	(533,333)	231,999
Armit Lake Property	361,048	875,917	-	1,236,965
Kingurutik Lake Nickel Property	395,294	304,424	(107,357)	592,361
Q-9 Gold Property	37,200	65,024	-	102,224
Sibley Basin Property	37,022	343,287	(366,282)	14,027
Bark Lake Property	-	484,056	-	484,056
Swayze Property	-	235,715	(119,542)	116,173
Hope Brook Property	-	560,253	-	560,253
Rim Property	-	400,775	-	400,775
Other Properties	126,015	525,226	(54,954)	596,287
<b>Total</b>	<b>\$6,611,707</b>	<b>\$6,367,005</b>	<b>\$(1,770,668)</b>	<b>\$11,208,044</b>

### (a) Bermuda/Bamoos/Claw Lake/Four Dams/Copper PGE Properties

Pursuant to an asset purchase and sale and royalty agreement (the "Acquisition Agreement") dated December 15, 2003 between the Company and Stephen Stares, a Director and Shareholder, the Company acquired, subject to a 1% net smelter royalty (NSR), a 100% interest in the Bermuda Property, located in the Seeley Lake area of the Thunder Bay Mining Division in Ontario, Canada approximately 215 km east-northeast of the City of Thunder Bay and 12 km north of the Town of Marathon. The Bermuda Property consists of 17 contiguous mineral claims comprising 210 units (approx. 3,400 hectares). Consideration for the acquisition of the Bermuda Property was 2,000,000 Vendors' Special Warrants, exchangeable for common shares, allocated as to 500,000 Vendor Special Warrants to each of Stephen Stares, Michael Stares, Wayne Reed and Paul Degagne at an agreed price of \$0.10 each. The Acquisition Agreement includes an area of interest clause of one kilometre from the outside boundary of the Bermuda Property.

## **7. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...**

The Bamoos Property consists of a mining lease comprised of 16 units contiguous to the south boundary of the Bermuda Property and the north boundary of Marathon PGM Corp's Property. Pursuant to an option agreement dated May 25, 2005 and amended June 30, 2005, the Company earned a 100% interest (subject to a 2% net smelter royalty) by spending \$400,000 of exploration expenditures over four years and issuing 300,000 units of the Company's stock. Benton has now completed all expenditures required and has earned 100% interest in the Bamoos project subject to royalties pertaining to the underlying agreement. The Claw Lake/Four Dams portion of the BCF property consists of 11 staked claims.

During the previous year, the Company signed an agreement to enter into an Option and Joint Venture Agreement with Marathon PGM Corporation ("Marathon") on the eastern portion of the Bermuda property named the Bamoos/Claw Lake/Four Dams Property ("BCF"). Under the terms of the agreement, the Company will allow Marathon to earn a 60% interest in the BCF property by (i) issuing to the Company 120,000 common shares of Marathon, (ii) spending \$1.5 million in each of the first four option years and an additional \$2 million on or before the fifth anniversary year, and (iii) issuing to the Company cash payments of \$500,000 per year for the first three years totaling \$1.5 million. In addition, any ore mined on the property during the earn in period would entitle the Company to a 2% NSR royalty payable by Marathon.

The Bermuda West (Redstone) property consists of mining rights for 37 leases and 21 staked claims located in the Seeley Lake, Martinet, Grain, and Foxtrap Lake Townships. Pursuant to a purchase agreement with Redstone Resources Inc. (owned 100% by Newmont Mining Corporation) dated April 20, 2005, the Company acquired a 100% interest in these properties from the vendor for the sum of \$100,000. The vendor will retain a 2.0% NSR.

### **(b) Saganaga Lake Property**

The Saganaga Lake Property consists of mining rights for 100% of 20 claims totalling 51 units and the Company also has the right to earn 100% in one claim totalling 2 units and 99% of 10 claims under option from Wing Resources in the Saganaga Lake area of Thunder Bay. Pursuant to an option agreement dated September 27, 2005, the Company has the right to acquire a 100% interest in the mining claims by paying the vendor a total of \$100,000 in cash and issue 100,000 shares over a four year period. The vendor will retain a 3% NSR of which the Company will have the right to buy back up to 50% for \$500,000 per 0.5% NSR.

### **(c) Nipigon Uranium Property**

The Company has acquired the property by staking in the Nipigon basin, 60 km east of Thunder Bay, Ontario. In January 2007, the Company completed a Joint Venture Agreement (the "Agreement") with Tri-Gold Resources Corp. ("Tri-Gold"), whereby Tri-Gold had the right and option to earn up to 60% interest in the Nipigon Uranium Project by spending \$500,000 by September 1, 2007 and making certain commitments to the Company over the duration of the agreement.

### **(d) Flying Loon Property**

The Company has acquired the property by staking a 100% interest in the Flying Loon copper-nickel project. The property consists of 45 claim units located 40 km southeast of the Town of Sioux Lookout, Ontario.

### **(e) Goodchild and South Goodchild Property**

The Company has acquired the property by staking a 100% interest in the Goodchild copper-nickel project. The property consists of 209 claim units located 10 km north of the Town of Marathon, Ontario.

In the 2007 fiscal period, the Company entered into an option agreement to earn a 100% interest in the South Goodchild Property, which is tied directly onto the south end of the Company's 100% owned Goodchild Property. To earn a 100% interest in the South Goodchild Property, the Company must pay the vendors \$105,000 cash, issue 200,000 shares over 4 years and complete development expenditures of \$200,000. The Company has met the abovementioned obligations to date. The agreement is also subject to a 3% Net Smelter Royalty, of which 2.0% can be purchased by the Company for \$500,000 per each 0.5%.

## **7. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...**

In the previous year, a new Participation Agreement was formed with Stillwater Mining (“Stillwater”) of Billings, Montana, whereby Stillwater can earn up to 70% interest in the project by completing three separate financings in the Company totalling \$6,000,000 over three years and completing \$24,000,000 in development expenditures on the project over the duration of the agreement at which point Stillwater would have a 70% interest in the project.

### **(f) Armit Lake Property**

The Company has acquired the property by staking a 100% interest in the Armit Lake property. The property consists of 141 claim units located 25 km northwest of the Town of Savant Lake, Ontario.

### **(g) Kingurutik Lake Nickel Property (previously NBK Property)**

The NBK Project was acquired 100% by staking in late October 2006. The Property is located approximately 60 km north of Voisey Bay Labrador and consists of 488 claim units.

The Company has entered into a Participation Agreement with Teck Cominco whereby the Company and Teck Cominco will form the Kingurutik Lake project by amalgamating and jointly exploring certain of their land positions in Labrador. The project is located approximately 60 km north of the Voisey’s Bay copper-nickel deposit and consists of 488 claim units held by the Company, (previously known as the NBK property), and 266 claim units held by Teck Cominco.

Under the terms of the Agreement, Teck Cominco completed a private placement financing with the Company during the previous fiscal year whereby the Company issued 1,000,000 common shares at \$0.70 per share for total proceeds of \$700,000 which resulted in the Company and Teck Cominco each holding a 50% interest in the combined properties. The Company then agreed to fund the initial \$600,000 in exploration work to be carried out by Teck Cominco, which then Teck Cominco has the option to increase its interest in the property to 60% by incurring an additional \$4 million in expenditures over the initial three years with an additional right to increase its interest to 70% by incurring an additional \$7 million in expenditures (for a total of \$11 million) over a further three years.

During the previous year, Teck Cominco notified the Company that it has elected to exercise its option to increase its interest in the project to 60% by incurring the aforementioned expenditures.

Teck Cominco will be the initial operator of all programs on the project.

### **(h) Q-9 Gold Property**

The Q-9 property is located approximately 160 km west of Thunder Bay, Ontario and adjoins the Saganaga Gold property. The project is subject to an asset purchase, sale and royalty agreement dated May 8, 2006 between the Company and Stares Contracting Corp., a company controlled by Stephen Stares, Director and Officer and Michael Stares, Director of the Company, whereby the Company can earn a 100% interest subject to a 2% NSR in the project by making payments of \$75,000 cash and issuing 200,000 shares over four years.

### **(i) Sibley Basin Property**

The Company has entered into an agreement with Bell Copper Corporation (“Bell”) (formerly Grandcru Resources Corp.) whereby Bell, a company of which a director of the Company is a director of Bell, can earn a 60% interest in the South Sibley Block, Block “B” and Block “D” (collectively the “Property”) by spending \$1 million on development. The parties intend to form a joint venture for the further development of the Property once Bell has ceased to increase its interest.

## **7. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...**

### **(j) Bark Lake Property**

The Company previously entered into an option agreement with two prospectors whereby the Company has the right to earn a 100% interest in the Bark Lake claims located in Northern Ontario by making cash payments totaling \$59,000 and issuing 40,000 common shares over a three year period. The property is subject to a 2% NSR royalty, half of which can be purchased by the Company for \$1 million.

### **(k) Swayze Property (Tooms/Heenan/Kenogaming)**

During the previous year, the Company entered into a 50%/50% Joint Venture agreement with Pacific Northwest Capital Corp. ("PFN") to explore the Swayze Nickel Project. The Swayze Property is situated in the Swayze Greenstone Belt, approximately 100km south-west of Timmins, Ontario and incorporates approximately fifty Townships. Under the terms of the agreement, the Company and PFN agree to bear all expenditures equally and participate in a single purpose, unincorporated Joint Venture for the purpose of carrying out all mineral exploration for a three year period, totaling a minimum of \$1,200,000 in aggregate expenditures

The Company acts as the operator of the project and is responsible for carrying out all exploration activities.

The Company has an underlying option agreement dated September 17, 2007 on the claims encompassing the Heenan Lake portion of the joint venture with two arms length individuals. The agreement calls for cash option payments totaling \$100,000 over 4 years of which 50% will be paid by PFN. These payments entitle the Company to acquire a 100% interest in the property subject to a 2% NSR in favour of the optioners, half of which may be purchased by the Company at its option for \$750,000.

In addition, the Company has purchased a 100% interest in the claims encompassing the Tooms township portion of the joint venture with two arms length individuals. The amount paid was \$14,000 subject to a 2% NSR, half of which can be purchased back by the Company for \$1 million. PFN will also reimburse the Company for 50% of this cost.

### **(l) Hope Brook Property**

During the previous year, the Company acquired, through staking and option, a large land package consisting of 799 claims that includes the past producing Hope Brook Gold Mine located on the southwest coast of Newfoundland. The Company has staked the gold-bearing trend that hosts the Hope Brook deposit for approximately 30 kilometers and has entered into an option agreement with Quinlan Prospecting (Q.P.) of Newfoundland to acquire 3 separate claim blocks, one of which includes the Hope Brook gold deposit. To earn a 100% interest in the 3 claim blocks, the Company will make cash payments to Q.P. totaling \$170,000 and issue 200,000 shares over 4 years. As well, the Company paid a finder's fee to Alexander Stares, brother of Stephen and Michael Stares, for being introduced to the project, of 25,000 shares and 25,000 share purchase warrants exercisable for 24 months at a price of \$1.00. As well, the 3 claim blocks are subject to a 2% NSR royalty payable to Q.P. with an advance royalty payment of \$10,000 per year to a maximum of \$100,000 commencing upon the Company having exercised the option to acquire the 3 claim blocks. The Company has the right to purchase one half of the 2% NSR royalty for \$1 million.

### **(m) Rim Property**

During the previous year, the Company acquired, through staking, 1,823 claims in Northern Labrador. The property is located nearly 100km south of Voisey's Bay and adjacent to the Pants Lake Intrusion.

## 7. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...

### (n) Other Properties

Included in Other Properties are the following: Delta Property, Rex Lake Property, Cheeseman Lake Property, Whitton Lake Property, Gem Property, Pikitigushi Property, Linklater Lake Property, Blackett Lake Property, Edar Lake Property, Portage Lake Property, Forester Lake Property, McVicar Property, Bedivere Property, Kitchen Lake Property, Williams Port Property, Weston Property, Black Sturgeon and miscellaneous properties.

### (o) Write Down of Mineral Properties

<u>Property Name</u>	<u>September 30, 2008</u>	<u>June 30, 2008</u>
	\$	\$
Other properties	-	54,954
Total	-	54,954

### (p) Recoveries and Earn-ins

During the period the Company received payments on its properties. The earn-in amounts received, which were recorded as a reduction in the carrying cost of the associated property, were as follows:

<u>Property Name</u>	<u>September 30,</u> <u>2008</u>	<u>June 30,</u> <u>2008</u>
	\$	\$
BCF Property	-	589,200
Kingurutik Lake Nickel Property	38,763	107,357
Sibley Basin Property	-	366,282
Goodchild and South Goodchild Property	303,227	533,333
Swayze Property	75,450	119,542
Total	417,440	1,715,714

## 8. CAPITAL STOCK:

### (a) Share Capital

Authorized:  
Unlimited common shares

Issued:  
69,503,281 common shares

- (i) Details of share capital transactions for the year ended June 30, 2008 and the three months ended September 30, 2008 are as follows:

	Number of <u>Shares</u> #	<u>Amount</u> \$
Balance, June 30, 2007	49,560,083	13,834,676
Issued pursuant to private placements	12,960,322	16,601,500
Less: value ascribed to warrants issued in private placements	-	(4,286,400)
Less: valuation adjustment arising from tax effect of flow-through common share renunciation	-	(870,435)
Less: value of private placements allocated to mineral properties	-	(533,333)
Common shares issued upon exercise of warrants	5,402,304	2,200,662
Reclassified from exercise of warrants	-	709,722
Common shares issued upon exercise of stock options	6,250	2,250
Reclassified from exercise of stock options	-	590
Common shares issued in connection with property option agreements	<u>200,000</u>	<u>200,200</u>
Balance, June 30, 2008	68,128,959	27,859,432
Issued pursuant to private placement	1,290,322	1,999,990
Less: cancellation of shares under normal course issuer bid	(16,000)	(6,880)
Less: value of private placement allocated to properties	-	(303,227)
Less: premiums on shares issued pursuant to private placement	-	(1,096,763)
Common shares in connection with property option agreements	<u>100,000</u>	<u>36,150</u>
Balance, September 30, 2008	<u>69,503,281</u>	<u>28,488,702</u>

- (ii) During the period, the Company announced its intent to make a normal course issuer bid (the "Bid") to purchase through the facilities of the TSX Venture Exchange (the "Exchange") certain of its outstanding common shares. The number of common shares to be purchased through the Exchange during the period of the Bid from August 26, 2008 to August 26, 2009 will not exceed 3,000,000 common shares. The actual number of shares that may be purchased and the timing of any such purchases will be determined by the Company. All shares purchased under the Bid will be cancelled.

During the three months ended September 30, 2008, a total of 16,000 common shares were acquired at a total cost of \$3,525. All shares acquired during the period were cancelled.

## 8. CAPITAL STOCK (continued)...

### (b) Share Purchase Warrants

Details of share purchase warrant transactions for the year ended June 30, 2008 and the three months ended September 30, 2008 are as follows:

	# of Warrants	Weighted Average Exercise Price
Balance, June 30, 2007	6,148,161	\$0.42
Issued during the period to investors	9,600,000	\$1.60
Issued during the period to agents	816,900	\$1.25
Issued during period in connection with property agreements	25,000	\$1.00
Expired during the period	(325,857)	\$0.47
Exercised during the period	(5,402,304)	\$0.41
Balance, June 30, 2008 and September 30, 2008	10,861,900	\$1.54

The changes in share purchase warrants for the year ended June 30, 2008 and the three months ended September 30, 2008 are as follows:

	<u>Amount</u>
	\$
Balance, June 30, 2007	801,363
Issued in connection with private placements to investors	4,286,400
Issued in connection with private placements to agents	426,994
Issued in connection with property agreements	7,102
Reclassified to capital stock upon exercise	(709,722)
Reclassified to contributed surplus upon expiration of warrants	(46,113)
Balance, June 30, 2008 and September 30, 2008	4,766,024

The fair value of the 9,600,000 warrants received by investors in the previous year have been estimated at \$4,286,400. The fair value of the 816,900 warrants received by agents in the previous year have been estimated at \$426,994. The fair value of the 25,000 warrants issued in connection to a property agreement in the previous year have been estimated at \$7,102. For all types of warrants, the fair values have been estimated using the Black-Scholes option pricing model and the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 4.27% and an expected life of (i) 18 months for the warrants issued to both investors and agents and; (ii) 2 years for the warrants issued in connection with a property agreement. The value of the investor and agent warrants reduced the proceeds attributed to share capital and are recognized under capital stock as share purchase warrants while the value of the warrants with respect to the property agreement were capitalized in mineral properties and deferred development expenditures.

As at September 30, 2008 and June 30, 2008 the following share purchase warrants were outstanding:

Expiry Dates	September 30, 2008	June 30, 2008
	# of Warrants	# of Warrants
Year ending June 30, 2009	10,836,900	10,836,900
Year ending June 30, 2010	25,000	25,000
	10,861,900	10,861,900

For the purpose of the information disclosed above, the warrants expiring during the year ending June 30, 2009 have expiry dates ranging from January 9, 2009 to April 16, 2009 with an exercise price ranging from \$0.70 to \$1.60.

For the purpose of the information disclosed above, the warrants expiring during the year ending June 30, 2010 have an expiry date of February 21, 2010 with an exercise price of \$1.00.

## 8. CAPITAL STOCK (continued)...

### (c) Stock Options and Contributed Surplus

Details of stock option transactions for the year ended June 30, 2008 and the three months ended September 30, 2008 are as follows:

	<u># of Options</u>	<u>Weighted Average Exercise Price</u>
Balance, June 30, 2007	5,817,500	\$0.42
Exercised during the year	(6,250)	\$0.36
Granted during the year	2,065,000	\$0.71
Balance, June 30, 2008 and September 30, 2008	<u>7,876,250</u>	<u>\$0.50</u>

The change in contributed surplus for the year ended June 30, 2008 and the three months ended September 30, 2008 is as follows:

	<u>Amount</u>
	\$
Balance, June 30, 2007	897,497
Stock-based compensation for the year (note 13)	877,392
Reclassified from expiration of warrants	46,113
Reclassified to capital stock upon exercise of options	(590)
Balance, June 30, 2008	<u>1,820,412</u>
Stock-based compensation for the period (note 13)	203,795
Premiums paid on shares issued pursuant to private placement	1,096,763
Cancellation of shares under normal course issuer bid (note 8(a)(ii))	<u>3,355</u>
Balance, September 30, 2008	<u>3,124,325</u>

As at September 30, 2008 and June 30, 2008, the following stock options were outstanding:

<u>Expiry Dates</u>	<u>Exercise Price</u>	<u>September 30, 2008 # of Options</u>	<u>June 30, 2008 # of Options</u>
November 21, 2008	\$0.40	200,000	200,000
April 13, 2010	\$0.30	1,200,000	1,200,000
March 29, 2011	\$0.36	2,030,000	2,030,000
February 7, 2012	\$0.50	2,281,250	2,281,250
May 29, 2012	\$1.08	100,000	100,000
August 17, 2012	\$1.18	50,000	50,000
November 16, 2012	\$0.93	25,000	25,000
March 14, 2013	\$0.70	1,890,000	1,890,000
May 12, 2013	\$0.70	100,000	100,000
		<u>7,876,250</u>	<u>7,876,250</u>

### (d) Private Placements

During the period, the Company completed a private placement with Stillwater Mining Corporation, in which the Company received \$1,999,990. The private placement consisted of 1,290,322 common shares at a value of \$1.55 a share.

## 8. CAPITAL STOCK (continued)...

### (e) Stock Option Plan

The Company has a Stock Option Plan (the "Plan") for directors, officers, employees and consultants. The Plan authorizes the granting of options to purchase 12,982,321 common shares of which 7,876,250 are currently outstanding. The Plan provides that:

- i) any options granted pursuant to the Plan shall expire no later than five year after the date of grant;
- ii) any options granted pursuant to the Plan shall be non-assignable and non-transferable;
- iii) the number of common shares issuable pursuant to the Plan to any one person in any 12 month period shall not exceed 5% of the outstanding common shares;
- iv) the number of common shares issuable pursuant to the Plan to any one consultant in any 12 month period may not exceed 2% of the outstanding common shares;
- v) the number of common shares issuable pursuant to the Plan to persons employed in investor relation activities may not exceed 2% of the outstanding common shares in any 12 month period.
- vi) the Plan provides that options shall expire and terminate 30 days following the date the optionee ceases to be an employee, director or officer of, or consultant to, the Company, provided that if such termination is as a result of death of the optionee, the optionee's personal representative shall have one year to exercise such options.
- vii) The number of common shares: (1) reserved for issuance to insiders of the Company may not exceed 20% of the issued and outstanding common shares; and (2) which may be issued to insiders within a one year period may not exceed 20% of the issued and outstanding common shares.

## 9. RELATED PARTY TRANSACTIONS:

The Company paid or accrued the following amounts to related parties during the three months ended September 30, 2008 and September 30, 2007:

Payee	Description of Relationship	Nature of Transaction	2008 Amount (\$) (Unaudited)	2007 Amount (\$) (Unaudited)
Stares Contracting Corp.	Company controlled by Stephen Stares, Director and Officer and Michael Stares, Director	Payments for equipment rentals, supply of labour and reimbursement of expenses capitalized in deferred development expenditures and for office costs included in general and administrative expenses	237,865	190,052
Michael & Stephen Stares	Directors and Officer	Reimbursement of expenses capitalized in deferred development expenditures and for promotional activities included in advertising and promotion expenses	415	961
Clint Barr	Director and Officer	Reimbursement of expenses capitalized in deferred development expenditures, for promotional activities included in advertising and promotion expenses and salaries	50,033	6,617
Barr Geological Consulting	Company controlled by Clinton Barr, Director and Officer	Payments for geological services, equipment rentals and reimbursement of expenses capitalized in deferred development expenditures and for promotional activities included in advertising and promotion expenses	-	35,362
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Director and Officer	Legal fees charged/accrued during the period	19,291	28,000
Cindy Stares	Spouse of Stephen Stares, Director and Officer	Bookkeeping services	3,715	-
Stares Prospecting	Company controlled by Alexander Stares, Brother of Stephen and Michael Stares	Prospecting services	-	32,025
Newfie Shores	Partnership controlled by Stephen Stares, Director and Officer, and Michael Stares, Director	Payments for cabin rentals capitalized in deferred development expenditures	-	4,272

## **9. RELATED PARTY TRANSACTIONS (continued)...**

The purchases from and fees charged by the related parties 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.

Included in accounts payable and accrued liabilities is \$nil (2007 - \$23,511) to Barr Geological Consulting, \$6,157 (2007 - \$5,024) to Clint Barr, \$61,897 (2007 - \$22,069) to Stares Contracting Corp., \$140 (2007 - \$140) to Stephen Stares, , \$181 (2007 - \$nil) to Michael Stares, \$19,291 (2007 - \$nil) to Gordon J. Fretwell Law Corporation, \$nil (2007 - \$24,048) to Stares Prospecting, and \$nil (2007 - \$4,272) to Newfie Shores. The repayment terms are similar to the repayment terms of non-related party trade payables.

## **10. FINANCIAL INSTRUMENTS:**

The Company's financial instruments consist of cash, temporary investments, long-term investments, accounts and other receivables, refundable security deposits and accounts payable and accrued liabilities.

### *Fair Value*

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash, temporary investments, long-term investments, accounts and other receivables, refundable security deposits and accounts payable and accrued liabilities reflected on the balance sheet approximate fair market value because of the limited term of these instruments.

## **11. LOSS PER SHARE:**

Basic loss per share figures are calculated using the weighted average number of common shares outstanding. The weighted average number of shares issued and outstanding for the period ended September 30, 2008 is 69,266,729 (June 30, 2008 – 62,081,992).

Fully diluted loss per share figures are calculated after taking into account all stock options and warrants granted. Exercise of the outstanding warrants and options would be anti-dilutive with respect to loss per share calculations, and therefore fully-diluted loss per share is not presented.

## 12. INCOME TAXES:

### (a) Provision for Current Income Taxes

The provision for (recovery of) income taxes differs from the amount that would have resulted by applying Canadian federal and provincial statutory tax rates of 33.25%.

	<u>September 30,</u> <u>2008</u> \$
Net loss before taxes	(564,137)
<u>Income tax expense reconciliation</u>	
Expected income tax expense (recovery) calculated using statutory rates	(187,576)
Tax effect of the following items:	
Non-deductible stock based compensation	60,930
Non-deductible expenses and other items	8,964
Non-deductible write-down of mineral properties	-
Adjustment to fair market value of held for trading investments	84,906
Change in effective tax rates	-
Recognized benefit of future tax assets	(3,233)
Expected income tax expense (recovery) calculated for tax purposes	(36,009)
Valuation allowance	-
Income tax recovery	<u>(36,009)</u>
Income tax recovery consists of:	
Current income taxes	-
Future income taxes	(36,009)
	<u>(36,009)</u>

### (b) Future Tax Balances

The tax effect of temporary differences that give rise to future income tax assets and future income tax liabilities at the combined Canadian federal and provincial statutory tax rates are as follows:

	<u>September 30,</u> <u>2008</u> \$	<u>June 30,</u> <u>2008</u> \$
Future tax assets (liabilities) – long term		
Share issue costs	346,857	375,497
Non-capital losses	986,580	929,450
Property and equipment	33,389	25,870
Deferred development expenditures	(2,456,402)	(2,456,402)
Valuation allowance	(97,150)	(97,150)
Net future income tax liability	<u>(1,186,726)</u>	<u>(1,222,735)</u>

## 12. INCOME TAXES (continued)...

### (c) Income Tax Information

The company has common share issue costs of approximately \$1,196,059 and non-capital losses of approximately \$3,402,000 available to reduce taxable income in future years. These non-capital losses expire as follows:

<u>Year of Loss</u>	<u>Amount \$</u>	<u>Available To</u>
2004	58,000	2014
2005	277,000	2015
2006	669,000	2026
2007	1,201,000	2027
2008	1,000,000	2028
2009	197,000	2029
	<u>3,402,000</u>	

The current period benefit of the share issue costs and \$197,000 (June 30, 2008 - \$2,870,000) of the loss carry forwards have been recognized for accounting purposes in the current period.

### 13. STOCK-BASED COMPENSATION AND COSTS:

Stock options granted to directors, officers and employees vested during the three months ended September 30, 2008 and are as follows:

<u>Grant Date</u>	<u># of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
February 7, 2007	36,647	\$0.50	February 7, 2012
November 16, 2007	2,622	\$0.93	November 16, 2012
March 14, 2008	363,319	\$0.70	March 14, 2013
May 12, 2008	23,059	\$0.70	May 12, 2013
	<u>425,647</u>		

The Company applies the fair value method of accounting for stock-based compensation awards to employees and officers and accordingly \$183,248 is recorded as compensation expense and under capital stock as contributed surplus for the 425,647 options vesting to directors, officers and employees during the year.

For the purposes of the above calculations for the options granted February 7, 2007, the fair value of each option is \$0.38 and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 4.0% and an expected life of approximately 5 years.

For the purposes of the above calculations for the options granted November 16, 2007, the fair value of each option is \$0.71 and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 4.17% and an expected life of approximately 5 years.

For the purposes of the above calculations for the options granted March 14, 2008, the fair value of each option is \$0.43 and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.98% and an expected life of approximately 5 years.

For the purposes of the above calculations for the options granted May 12, 2008, the fair value of each option is \$0.44 and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 3.00% and an expected life of approximately 5 years.

### 13. STOCK-BASED COMPENSATION AND COSTS (continued)...

Stock options granted to non-employees vested during the three months ended September 30, 2008 are as follows:

<u>Grant Date</u>	<u># of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
February 7, 2007	2,557	\$0.50	February 7, 2012
May 29, 2007	4,447	\$1.08	May 29, 2012
August 17, 2007	3,700	\$1.18	August 17, 2012
March 14, 2008	29,066	\$0.70	March 14, 2013
	<u>39,770</u>		

The Company applies the fair value method of accounting for stock-based compensation awards to non-employees and accordingly \$20,547 is recorded as consulting fees and under capital stock as contributed surplus for the 39,770 options vesting to non-employees during the year.

For the purposes of the above calculations for the options granted February 7, 2007 and May 29, 2007, the fair value of each option is \$0.38 and \$0.82 respectively and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 4.0% and an expected life of approximately 5 years.

For the purposes of the above calculations for the options granted August 17, 2007, the fair value of each option is \$0.90 and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 4.25% and an expected life of approximately 5 years.

For the purposes of the above calculations for the options granted March 14, 2008, the fair value of each option is \$0.43 and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.98% and an expected life of approximately 5 years.

### 14. SUPPLEMENTAL CASH FLOW INFORMATION:

The following transactions did not result in cash flows and have been excluded from financing and investing activities:

	<u>September 30, 2008</u>	<u>June 30, 2008</u>
Non-cash financing activities		
Common shares issued for non-cash consideration	\$36,150	\$200,200
Warrants issued for non-cash consideration	-	7,102
Non-cash investing activities		
Mineral properties financed through common share issuance	\$(36,150)	\$(200,200)
Mineral properties financed through warrant issuance	-	(7,102)
Common shares received pursuant to property option agreement for non-cash consideration	-	589,200
Increase in long term investments	-	(589,200)

## 15. CAPITAL DISCLOSURES:

CICA Handbook Section 1535 requires disclosure of an entity's objectives, policies and process for managing capital, qualitative data about what an entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

The Company's objectives when managing capital are as follows:

- i) To safeguard the Company's ability to continue as a going concern;
- ii) To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties;
- iii) To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustment to it, based on the general economic conditions, its short term working capital requirements, and its planned exploration and development program expenditure requirement. The capital structure of the Company is composed of working capital and shareholders' equity. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

There were no changes in the Company's approach to managing capital during the period.

## 16. RISK MANAGEMENT

The Company's financial instruments are exposed to certain risks, including credit risk, interest rate risk and liquidity risk.

### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Company to credit risk consist of cash, temporary investments, accounts and other receivables and refundable security deposits. The Company's cash is held through a large Canadian Financial Institution. The temporary investments are held through major Canadian Financial Institutions with only the highest credit quality as determined by rating agencies. The temporary investments are available for cash requirement purposes at the request of the Company. Refundable security deposits are held by the Government of Newfoundland. The Company has no significant concentration of credit risk arising from operations. Management believes the risk of loss to be remote.

### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. While management feels the risk of capital loss on its temporary investments is remote given its investment in only highly rated, investment grade fixed income securities with reputable Canadian financial institutions, the income derived from these securities can fluctuate as a result of changes in interest rates upon reinvestment of matured funds. The Company's temporary investments are purchased at fixed interest rates and are either fully liquid or bear short staggered maturity dates to mitigate the risk of fluctuating interest rates.

## 16. FINANCIAL RISK MANAGEMENT (continued)...

### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. The Company monitors and reviews current and future cash requirements and matches the maturity profile of financial assets and liabilities. This is generally accomplished by ensuring that cash and temporary investments are always available to settle financial liabilities. At September 30, 2008, the Company had cash on hand of \$1,832,457 and temporary investments available to the Company of \$16,656,434 to settle current liabilities of \$299,476. All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

### (d) Currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. All of the Company's operations are in Canada; therefore, management believes the foreign exchange risk derived from any currency conversions is negligible and therefore does not hedge its foreign exchange risk.

### (e) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of currency risk, interest rate risk, and other price risk. The fair value of the Company's long term investments are impacted by changes in the quoted market value price of the underlying issuer's securities with the resulting change impacting net income.

## 17. REFUNDABLE SECURITY DEPOSITS:

Refundable security deposits of \$195,542 (June 30, 2008 - \$188,242) represents security deposits paid to the Government of Newfoundland and Labrador in connection with mineral property claims located in the Province of Newfoundland. These refundable security deposits are refundable to the Company upon submission by the Company of a report covering the first year work requirements, which meets the requirements of the Government of Newfoundland and Labrador.

## 18. COMMITMENTS:

The Company leases automobiles under various operating leases, which have expiry dates ranging from April 2011 to May 2011. The future minimum annual fiscal lease payments over the term of the leases is as follows:

2009	\$ 10,095
2010	\$ 13,460
2011	\$ 11,733

## 19. SUBSEQUENT EVENT:

Subsequent to the period ended September 30, 2008, the Company amended its agreement with Bell Copper Corporation ("Bell") (formerly Grandcru Resources Corp.) to allow for share reimbursement for exploration work conducted by the Company on behalf of Bell on the Sibley Basin Property. As a result, Bell issued 845,000 common shares at an underlying price of \$0.35 per common share to the Company to settle the outstanding \$295,742 reimbursable amount.

## 20. COMPARATIVE FIGURES:

Certain financial statement line items from prior year have been reclassified to conform with the current period's presentation. These reclassifications had no effect on the net loss, loss per share and accumulated deficit as previously presented.