Adex Mining Inc.
Consolidated Financial Statements
December 31, 2008

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by and are the responsibility of the management of Adex Mining Inc. (the "Company"). The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgments based on currently available information. The Company has developed and maintains a system of internal controls in order to ensure, on a reasonable and cost effective basis, the reliability of the financial information.

The Board of Directors is responsible for ensuring that management fulfils its responsibility and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility principally through its Audit Committee. The consolidated financial statements have been audited by Sievert & Sawrantschuk LLP. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

(signed) "Errol Farr"
Chief Financial Officer
March 13, 2009

AUDITORS' REPORT

To the Shareholders of
Adex Mining Inc.

We have audited the consolidated balance sheets of Adex Mining Inc. (the "Company) as at December 31, 2008 and 2007 and the consolidated statements of loss, comprehensive loss and deficit and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
March 13, 2009

(signed) "Sievert & Sawrantschuk LLP"
Chartered Accountants
Licensed Public Accountants

ADEX Mining Inc.

Consolidated Balance Sheets

As at	**December 31 2008 $**	December 31 2007 $
Assets		
Current		
Cash and cash equivalents	**3,883,821**	5,827,894
Committed cash (note 3)	**-**	2,757,536
Prepaid expenses	**117,770**	169,336
Accounts receivable	**128,460**	119,048
Interest receivable (note 4)	**34,754**	27,660
	4,164,805	8,901,474
Mineral properties (note 5)	**5,608,741**	815,551
Reclamation bonds (note 4)	**727,533**	687,668
Property, plant & equipment net of depreciation of $12,322 (2007 - $3,107)	**9,100**	17,161
	10,510,179	10,421,854
Liabilities		
Current		
Accounts payable & accruals	**316,753**	255,805
Commitments, contingencies and guarantees (note 9)		
Shareholders' equity (note 6)		
Share capital	**38,859,324**	37,070,091
Contributed surplus	**1,424,707**	678,355
Warrants	**104,522**	762,210
Deficit	**(30,195,127)**	(28,344,607)
	10,193,426	10,166,049
	10,510,179	10,421,854

The accompanying notes are an integral part of these financial statements

Approved on behalf of the board:

(signed) "Alan Marshall"
Director

(signed) "Errol Farr"
Director

ADEX Mining Inc.
Consolidated Statements of Loss, Comprehensive Loss and Deficit

	For the year ended December 31	
	2008	2007
	$	$
Expenses		
Administrative and general	**942,696**	1,194,426
Mineral property expenses	**502,592**	360,363
Stock based compensation (note 6)	**532,152**	678,355
Depreciation	**1,176**	3,107
Interest on property tax payable	**-**	107,776
Interest on convertible debentures	**-**	49,429
Interest earned on funds on deposit	**(128,097)**	(139,683)
	1,850,519	2,253,773
Loss before recovery of income taxes	**(1,850,519)**	(2,253,773)
Income taxes - future (note 8)	**-**	1,005,000
Net loss and comprehensive loss	**(1,850,519)**	(1,248,773)
Deficit, beginning of the year	**(28,344,608)**	(27,095,834)
Deficit, end of the year	**(30,195,127)**	(28,344,608)
Weighted average number of shares outstanding	**84,579,008**	49,546,058
Basic and diluted loss per share	**(0.02)**	(0.03)

The accompanying notes are an integral part of these financial statements

ADEX Mining Inc.
Consolidated Statements of Cash Flows

	For the year ended December 31	
	2008	2007
	$	$
Operating activities		
Net loss for the period	**(1,850,519)**	(1,248,773)
Items not affecting cash:		
Stock based compensation	**532,152**	678,355
Depreciation of capital assets	**9,215**	3,107
Amortization of bond premium	**(135)**	6,224
Interest on convertible debentures	**-**	43,784
Income taxes - future	**-**	(1,005,000)
	(1,309,287)	(1,522,303)
Change in non-cash working capital (note 12)	**96,277**	(1,212,187)
	(1,213,010)	(2,734,490)
Investing activities		
Additions to property, plant and equipment	**(1,154)**	(20,268)
Additions to reclamation bonds	**(40,000)**	(157,819)
Additions to mineral properties	**(4,793,190)**	(252,081)
	(4,834,344)	(430,168)
Financing activities		
Exercise of warrants	**1,345,745**	246,535
Issuance of common shares	**-**	9,000,000
Issuance of flow through common shares	**-**	3,000,000
Issuance of convertible debentures	**-**	450,000
Share issue expense	**-**	(1,012,857)
	1,345,745	11,683,678
Change in cash and cash equivalents	**(4,701,609)**	8,519,020
Cash and cash equivalents, beginning of the year	**8,585,430**	66,410
Cash and cash equivalents, end of the year	**3,883,821**	8,585,430
Cash and cash equivalents comprises:		
Cash	**1,883,821**	5,827,894
Guaranteed investment certificate	**2,000,000**	-
Committed cash	**-**	2,757,536

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

Adex Mining Inc. (the "Company") holds 100% of the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area of New Brunswick, Canada (the "Property" or "Mount Pleasant"). Within the mineral rights area the Company owns approximately 405 hectares of land, plus the buildings, machinery and equipment on site which comprise the dormant Mount Pleasant mine.

The Company has interests in resource properties which it is in the process of exploring and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of expenditures on resource properties, including deferred exploration expenditures, is dependent upon the existence of economically recoverable mineral reserves, the ability of the Company to obtain necessary financing to complete the exploration and development of the resource properties, and upon future profitable production or proceeds from the disposition thereof.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company is a development stage enterprise that has yet to generate significant revenue from mining operations.

Principles of consolidation
The consolidated financial statements include the accounts of the Company's wholly owned subsidiary Adex Minerals Corp. ("AMC"). All inter-company accounts and transactions have been eliminated on consolidation.

Interest in mineral properties
Exploration and development expenditures related to mineral properties are deferred if it is determined that these costs will be recovered from future operations as a result of establishing proven and probable reserves, otherwise they are recorded as an expense in the period in which they are incurred. Determination as to reserve potential is based on the results of feasibility studies, which indicate whether production from a property is economically feasible. Significant acquisition costs for mineral properties are deferred until it is determined that these costs will not be recovered from future operations, at which point these costs are written down to fair value. Acquisition costs and deferred exploration and development expenditures will be depleted on a unit-of-production basis commencing at the onset of commercial production for the related property.

Property, plant & equipment
Property, plant & equipment is carried at cost, less accumulated amortization. Amortization of equipment is provided annually at rates of between 25% and 50%.

Revenue recognition
Cash inflows earned on a routine basis include interest revenue and rental income from the use of land and buildings. Interest and rental revenues are recognized on the accrual basis. As the Company is currently in the development stage, all revenues are recognized as a reduction of expenses. Interest earned on the reclamation bond is offset against mineral property expenses, whereas interest earned on corporate cash balances is offset against general expenses.

Stock based compensation
The Company uses the fair value method of accounting for stock based compensation to employees, directors and non-employees. The compensation cost for options granted is determined based on the estimated fair value of the stock options at the time of the grant using the Black-Scholes option pricing model and is amortized over the vesting period with an offset to contributed surplus. When options are exercised, the corresponding contributed surplus and the proceeds received by the Company are credited to share capital.

Flow through shares
The resource expenditure deductions for income tax purposes related to exploration and development activities

funded by flow through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the future income taxes related to the temporary difference arising at the later of renunciation and when the qualifying expenditures are incurred, are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

Income taxes
The Company follows the liability method of accounting for income taxes. Under the liability method future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using the substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period of the rate change. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Loss per share
Basic loss per share amounts are calculated using the weighted average number of common shares outstanding during the year. The treasury method is used to determine the dilutive effect of any instruments.

Cash and cash equivalents
Cash and cash equivalents represent cash and short-term deposits with original maturity dates of less than three months or which are readily convertible into known amounts of cash. Cash and cash equivalents at December 31, 2008 consists of bank deposits and a short term guaranteed investment certificate.

Use of estimates and assumptions
The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. These estimates and assumptions are based on management's historical experience, best knowledge of current events and conditions and activities that may be undertaken in the future. Items requiring estimates include evaluation of impairment of long lived assets, amortization of property, plant and equipment, contingent liabilities, warrant valuation and common stock option valuation. Actual results could differ from these estimates.

Hedging
CICA Handbook Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company does not engage in hedging transactions and, therefore, does not have any financial instruments which are subject to hedge accounting.

Comprehensive income
Comprehensive income is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive income is comprised of net income for the period and other comprehensive income, and this standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize into net earnings. Comprehensive income, and its components, are required to be presented in a separate financial statement that is displayed with the same prominence as the other financial statements. The Company had no comprehensive income or loss transactions, other than its net loss which is presented in the Consolidated Statements of Loss, Comprehensive Loss and Deficit, and did not accumulate other comprehensive income during the periods that have been presented. Accordingly a statement of comprehensive income has not been presented.

Change in accounting policy - capital disclosures

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535 - Capital Disclosures specifies the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This new section places increased emphasis on disclosures about the nature and extent of risks and as such did not have an impact on the Company's financial results or position.

Change in accounting policy – financial instruments – disclosure and presentation
CICA Handbook Sections 3862 - Financial Instruments – Disclosure and 3863 - Financial Instruments – Presentation have been adopted for interim and annual financial statements for the Company's reporting year beginning on January 1, 2008. The new Sections 3862 and 3863 replace Handbook Section 3861 - Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks and as such did not have an impact on the Company's financial results or position.

Change in accounting policy - general standards of financial statement presentation

The CICA amended CICA Handbook Section 1400 - General Standards of Financial Statement Presentation to include requirements to assess and disclose an entity's ability to continue as a going concern. The main features of the changes are as follows:

- Management is required to make an assessment of an entity's ability to continue as a going concern;
- In making its assessment, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the balance sheet date;
- Financial statements must be prepared on a going concern basis unless management intends to liquidate the entity, to cease trading or cease operations, or has no realistic alternative but to do so;
- Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern; and
- When financial statements are not prepared on a going concern basis, that fact should be disclosed, together with the basis on which the financial statements are prepared and the reason the entity is not regarded as a going concern.

The adoption of this change in accounting policy had no impact on the Company's financial results or position.

Future changes in accounting policy

Inventories
Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3031 - Inventories, replaces CICA 3030 - Inventories. The new standard is the Canadian equivalent to International Financial Reporting Standard IAS 2, Inventories. The main features of CICA 3031 are: (1) measurement of inventories at the lower of cost and net realizable value, with guidance on the determination of cost, including allocation of overheads and other costs to inventory; (2) cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects assigned by using a specific identification of their individual costs; (3) consistent use (by type of inventory with similar nature and use) of either first-in, first-out (FIFO) or weighted-average cost formula; (4) reversal of previous write-downs to net realizable value when there is a subsequent increase in value of inventories; and (5) possible classification of major spare parts and servicing stand-by equipment as property, plant and equipment (CICA 3061 – Property, Plant and Equipment, was amended to reflect this change). The effect of adopting this section had no impact on the valuation of inventory, income or retained earnings.

Goodwill and other intangible assets and financial statement concepts
In November 2007, the CICA:

- Issued amendments to CICA Handbook Section 1000 - Financial Statement Concepts and AcG 11 - Enterprises in the Development Stage;
- Issued a new Handbook Section 3064 - Goodwill and Intangible Assets to replace Handbook Section 3062 - Goodwill and Other Intangible Assets; and
- Withdrew Handbook Section 3450 - Research and Development Costs and amended EIC 27 - Revenues and Expenditures During the Pre-operating Period to not apply to entities that have adopted Section 3064.

These amendments provide guidance for the recognition of internally developed intangible assets, including assets developed from research and development activities, ensuring consistent treatment of all intangible assets, whether separately acquired or internally developed. The amendments are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and, therefore, the Company will implement them in the first quarter of 2009, retroactively with restatement of the comparative periods for the current and prior year. The impact of implementing these amendments on the Company's financial statements is currently being assessed.

International financial reporting standards

The CICA has released an exposure draft for the full adoption of International Financial Reporting Standards (IFRS) for all Canadian publicly accountable enterprises on January 1, 2011, representing a final mandate from the CICA. The Company has initiated plans to convert its basis of accounting to IFRS and is in the process of evaluating the impact that this conversion will have on the results of the Company. A project team has been engaged under the direction of an internal project manager. During 2008, the Company focused on the identification of differences in the basis of accounting in areas determined to be material to the Company's operations. With this review complete, the Company is currently focusing on the development of specific accounting policies and implementation plans. This process will continue throughout 2009. Current areas of focus for the Company include accounting for exploration and development costs and intangible assets, impairment of long-lived assets, provisions and contingent liabilities, and accounting for stock based compensation. Further disclosures as to the nature of financial and operational impacts to the Company will be made as available during the transition process.

3. COMMITTED CASH

On November 13, 2007, the Company completed a private placement of 5,000,000 flow-through common shares at a price of $0.60 per share for gross proceeds of $3,000,000. These funds were committed to be expended on Canadian exploration expenditures ("CEE") and, as such, were not available for general working capital purposes. As at December 31, 2008, the Company had expended the full amount of the committed funds.

4. RECLAMATION BONDS AND ASSET RETIREMENT OBLIGATIONS

The land on which the Mount Pleasant property is located includes a dormant mine. The Company is obliged to comply with an environmental reclamation plan which is in effect for the property. This obligation is secured by a collateral mortgage to the Province of New Brunswick for $2 million on 22 hectares of land on which the mine site and primary buildings are located.

Reclamation bonds consist of Province of New Brunswick, 8.5% bonds maturing June 28, 2013. The bonds are pledged as security under environmental regulations with the Province of New Brunswick to ensure adequate funding is available for perpetuity to treat the acid water run-off from the abandoned Mount Pleasant mine shafts. The bonds are held for the benefit of the Company, and interest is paid bi-annually, as long as the Company continues to treat the acid water run-off appropriately. Interest is held on deposit by, and is disbursed at the discretion of, the Ministry of Finance of the Province of New Brunswick.

The Company's Mount Pleasant property is governed by an Approval to Operate, which was granted by the New Brunswick Ministry of Environment in November 2007. Under the terms of the Approval to Operate, the Company has been granted permission by the Ministry of Environment to operate the Property, Tailings Impoundment Facility and Mine Water Treatment Plant on a "Care and Maintenance" basis. However, the Company is required to monitor the water quality at its Tailings Impoundment Facility on a monthly basis, and the Company provides the Ministry of Environment with monthly water quality monitoring reports and the results of its monthly water sampling and testing.

Under the Approval to Operate, the Company is permitted to carry out exploration activities and metallurgical test work on its Mount Pleasant property. Consequently, the current security posted with the Province of New Brunswick is sufficient for the Company to continue exploration activities and metallurgical test work at the Property. However, the Company may face a review of its posted security by the Ministry of Environment when the Company advances to feasibility studies on its mineral deposits or commences the dewatering of its past-producing underground tungsten mine located on the Mount Pleasant property. Dewatering activities may also trigger a provincial Environmental Impact Assessment ("EIA") and may require the Company to upgrade its current Mine Water Treatment Plant. The Company will, therefore, enter into direct consultations with the provincial Ministry of Environment prior to initiating feasibility or dewatering activities, in order to ascertain any changes that may be required with respect to the existing security, or any obligations that may arise under a EIA.

5. MINERAL PROPERTIES

Mount Pleasant Property, New Brunswick	Exploration & development $	Tailings dam upgrade $	Total $
Balance, December 31, 2007	815,551	-	815,551
Additions	4,167,273	625,917	4,793,190
Balance, December 31, 2008	4,982,824	625,917	5,608,741

The Company holds a 100% interest in the subsurface mineral rights to approximately 1,600 hectares encompassing the Mount Pleasant mine area. Within the mineral rights area, the Company owns approximately 405 hectares of land. Expenditures to December 31, 2008 relate to the drilling, consulting and other activities associated with the ongoing preparation of two new National Instrument ("NI 43-101") technical reports and, associated scoping studies. Tailings impoundment facilitiy expenditures relate to the repair and rehabilitation of the Mount Pleasant tailings dam in in order to comply with government regulations and in anticipation of future production requirements.

6. SHAREHOLDERS' EQUITY

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares. The following table provides the details of changes in the number of issued common shares for the year ended December 31, 2008:

	Number of shares	Amount $
Balance December 31, 2006	21,019,973	26,280,571
Equity portion of convertible debentures issued	-	317,581
Conversion of debentures	16,173,696	464,327
Issuance of common shares	35,000,000	12,000,000
Warrants exercised	2,465,346	334,520
Share issue expense	-	(1,321,908)
Tax benefits renounced on flow through shares	-	(1,005,000)
Balance, December 31, 2007	74,659,015	37,070,091
Warrants exercised	13,458,346	1,789,233
Balance, December 31, 2008	88,117,361	38,859,324

Contributed Surplus

On May 24, 2008, 1,800,000 common share purchase broker warrants, exercisable at $0.30, expired unexercised.

	Amount $
Balance December 31, 2006	-
Common share options expense	678,355
Balance, December 31, 2007	678,355
Common share options expense	532,152
Warrants expired unexercised	214,200
Balance, December 31, 2008	1,424,707

Stock options

On June 29, 2007, the Company made two common share stock option grants under its stock option plan to directors, officers, employees and consultants. The first grant of 2,050,000 common share stock options vested immediately. The second grant of 1,510,000 common share options vested in equal quarterly installments over a twelve month period from the date of the grant.

On August 2, 2007, the Company granted 250,000 common share stock options under its stock option plan to a director. The options vested in equal quarterly installments over a twelve month period from the date of the grant.

On August 17, 2007, the Company granted 140,000 common share stock options under its stock option plan to a consultant acting as the Company's head of investor relations

On August 20, 2007, the Company granted 140,000 common share stock options under its stock option plan to a consulting firm providing investor relations services to the Company. The options vested in quarterly installments over an eighteen month period from the date of the grant.

On November 29, 2007, the Company granted an aggregate of 150,000 common share stock options under its stock option plan to two consultants acting as technical consultants to the Company. The options vested in equal quarterly installments over a twelve month period from the date of the grant.

On January 30, 2008, the Company granted 50,000 common share stock options under its stock option plan to a consultant providing project management services to the Company. The options vested in equal quarterly installments over a twelve month period from the date of the grant.

On June 11, 2008, the Company granted an aggregate of 1,600,000 common share stock options under its stock option plan to directors, officers and certain employees and consultants of the Company. The options vest in equal quarterly installments over a twelve month period from the date of the grant.

On August 8, 2008, 190,000 common share stock options issued by the Company under its stock option plan, with a weighted average exercise price of $0.34, were cancelled.

The following summary sets out the activity in outstanding common share stock options for the year ended December 31, 2008:

	Options #	Weighted-average exercise price $
Outstanding, December 31, 2006	-	-
Granted June 29, 2007	3,560,000	0.30
Granted August 2, 2007	250,000	0.40
Granted August 17, 2007	140,000	0.35
Granted August 20, 2007	140,000	0.35
Granted November 29, 2007	150,000	0.45
Outstanding, December 31, 2007	4,240,000	0.31
Granted January 30, 2008	50,000	0.33
Granted June 11, 2008	1,600,000	0.30
Cancelled August 8, 2008	(190,000)	0.34
Outstanding, December 31, 2008	5,700,000	0.31
Options exercisable at December 31, 2008	4,895,000	0.31

The details of stock options outstanding at December 31, 2008 are as follows:

Number of stock options	Number exercisable	Remaining contractual life	Exercise price per share	Expiry date
2,050,000	2,050,000	3.51 years	$0.30	June 29, 2012
1,510,000	1,510,000	3.51 years	$0.30	June 29, 2012
250,000	250,000	3.60 years	$0.40	August 2, 2012
140,000	122,500	3.65 years	$0.35	August 20, 2012
150,000	150,000	3.93 years	$0.45	November 28, 2012
50,000	37,500	4.10 years	$0.33	January 30, 2013
1,550,000	775,000	4.46 years	$0.30	June 11, 2013

The weighted average fair value of the options granted is $0.31 per option, each contract fair value having been estimated at the date of grant using the Black-Scholes pricing model with the following assumptions: risk-free weighted-average interest rate ranging from 3.45% to 4.70%, expected dividend yield of nil, average expected volatility ranging from 91.8% to 115% and expected life term of five years. Under this method of calculation, the Company has recorded $532,152 (2007 - $678,355) as stock based compensation, being the fair value of the options vested during the year ended December 31, 2008. Options that have been issued and remain outstanding vest in one of three ways: (1) immediately on date of grant; (2) over one year from the date of grant, in equal quarterly installments commencing three months following the date of grant; or (3) over a period of eighteen months in quarterly installments commencing three months following the date of grant of 12.5%, 12.5%, 25%, 25%, 12.5% and 12.5%.

Warrants

The following summary sets out the activity in the Company's outstanding common share purchase warrants for the year ended December 31, 2008:

	Warrants	Exercise Price Range
Outstanding, December 31, 2006	11,173,696	$0.10 to $0.30
Granted	7,150,000	$0.10 to $0.60
Exercised	(2,465,346)	$0.10
Outstanding, December 31, 2007	15,858,350	$0.10 to $0.60
Exercised	(13,458,350)	$0.10
Expired	(1,800,000)	$0.30
Outstanding, December 31, 2008	600,000	$0.20 to $0.60

The details of the Company's outstanding common share purchase warrants at December 31, 2008 are as follows:

Number of warrants	Remaining contractual life	Exercise price per share	Expiry date
350,000	0.20 years	$0.60	March 13, 2009
250,000	0.54 years	$0.20	June 30, 2009

7. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2008, the Company incurred expenses of $312,000 (2007 - $613,000), related to the payment of management fees to the Company's senior officers, of which $18,500 was due and payable at December 31, 2008.

These amounts were expensed in the period incurred as administrative and general expenses. Expenses and amounts paid and owing are measured at the exchange amount.

8. INCOME TAXES

Future income tax recoveries arising from the issuance of flow through shares and renouncing of future Canadian eligible exploration costs result in recovery of Nil for the year ended December 31, 2008 (2007 - $1,005,000).

The following is a reconciliation from the Canadian statutory rates to taxes as recorded in the financial statements:

	2008	2007
	$	$
Statutory rates	**33.50%**	36.12%
Loss before income taxes	**1,850,519**	2,253,773
Non-deductible business meals and depreciation	**(11,695)**	(46,647)
Capital gains realized on expiry of warrants	**(107,100)**	-
Stock based compensation	**(532,152)**	(678,355)
Share issue expenses deductible	**202,572**	264,382
Taxable loss	**1,402,144**	1,793,153

As at December 31, 2008, the Company has remaining losses available for carry forward of approximately $4,152,965 which expire as follows:

	$
2009	29,775
2010	107,353
2014	116,196
2015	159,792
2026	544,552
2027	1,793,153
2028	1,402,144
	4,152,965

As a result of a flow through share financing, the Company renounced $3,000,000 of Canadian Exploration Expenses (“CEE”) at December 31, 2007 and has no CEE tax pool amounts.

The Company has the following future income tax assests:

	2008	2007
	$	$
Non-capital losses carried forward	**1,427,000**	1,039,000
Resource related deductions	**687,000**	741,000
Share issuance costs	**183,000**	271,000
Future income tax asset	**2,297,000**	2,051,000
Valuation allowance	**(2,297,000)**	(2,051,000)
Net future income tax asset	**-**	-

The possible tax benefits, if any, of these losses carried forward have not been recognized in the financial statements except to the extent they offset tax liabilities.

9. COMMITMENTS, CONTINGENCIES AND GUARANTEES

The Company has a contractual lease obligation related to its corporate premises that requires a minimum total lease payment of $203,982 until September 2012. The Company has the right to renew the lease for an additional three years and must provide written notice six months, prior to the expiration of the current lease term if it intends to renew the lease agreement.

	$
2009	54,395
2010	54,395
2011	54,395
2012	40,796
	203,982

The Company has a contractual lease obligation related to its equipment at the Mount Pleasant property that requires a minimum total lease payment of $31,670 until October 2009.

The Company has a $15,000 cash deposit on account with a consulting firm contracted to prepare a technical report. The contract is in force at December 31, 2008. The project is expected to be completed during the second quarter of 2009.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets and liabilities

Under Canadian generally accepted accounting principles, financial instruments are classified into one of the following five categories: held-for-trading, held to maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. The carrying values of the Company's financial instruments, including those held for sale on the consolidated balance sheet are classified into the following categories:

	December 31, 2008		December 31, 2007	
	Carrying value	**Fair Value**	Carrying value	Fair Value
	$	**$**	$	$
Held for trading (1)	**3,883,821**	**3,883,821**	8,585,430	8,585,430
Loans and receivables (2)	**113,321**	**113,321**	146,708	146,708
Held to maturity (3)	**727,533**	**727,533**	687,668	687,668
Other financial liabilities (4)	**257,445**	**257,445**	255,805	255,805

(1) Includes cash and cash equivalents.
(2) Includes accounts receivable and interest receivable.
(3) Reclamation bonds
(4) Includes accounts payable and accruals.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The fair values of the Company's financial instruments are not materially different from their carrying value.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company

The Company uses various methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks.

(a) Market risk

(i) Price risk

Commodity price risk
Commodity price risk is the risk of financial loss resulting from movements in the price of the Company's commodity inputs and outputs. The Company is exposed to commodity price risk arising from revenue derived from forecast future sales of the metals it is exploring for. The Company does not manage commodity price risk through the use of derivative instruments.

Sensitivity
At December 31, 2008, a change in the value of tungsten, molybdenum, tin or indium would not change the recognized value of any of the Company's financial instruments.

(ii) Interest rate risk

The Company does not have interest-bearing borrowings for which general rate fluctuations apply. The Company is exposed to interest rate risk to the extent of the balance of the bank accounts.

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to outstanding receivables.

The Company has no concentration of credit risk. The carrying amounts of financial assets recorded in the financial statements are adjusted for any impairment and represent the Company's maximum exposure to credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining at all times sufficient cash, liquid investments and committed credit facilities to meet the Company's commitments as they arise. The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecast and actual cash flows.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets (such as publicly traded available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the closing price.

11. MANAGEMENT OF CAPITAL

The Company's objective when managing capital is to maintain adequate levels of funding to support exploration and development of its Mount Pleasant property and to maintain corporate and administrative functions.

Capital risk
The Company manages its capital structure in a manner that provides sufficient funding for mineral exploration and operational activities. Funds are primarily secured through issuance of common share capital. There can be no assurance that the Company will be able to continue to adequately fund its business in this manner.

Sensitivity analysis
Financial instruments included in accounts receivable and prepaid expenses and deposits are classified as accounts receivable, which are measured at cost. Bank indebtedness and accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at cost. As at December 31, 2008, the carrying and fair

value amounts of the Company's financial instruments are the same. Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve month period will not have a significant impact on the Company.

12. CASH FLOW STATEMENT

Net changes in non-cash working capital balances:	**2008**	**2007**
	$	**$**
Accounts payable and accruals	**61,217**	(1,092,111)
Prepaid expenses	**51,566**	(123,336)
Bond interest receivable	**(7,094)**	(107,840)
Accounts receivable	**(9,412)**	(104,580)
	96,277	(1,212,187)

Supplemental information:		
Interest paid	-	120,434
Income taxes paid	-	-

13. SUBSEQUENT EVENTS

On January 6, 2009, an additional $28,000 of $1,000 par value Province of New Brunswick, 8.5% bonds maturing June 28, 2013 were purchased. The bonds were purchased at a premium of $122.75/100 for a total cost of $34,448.25, including accrued interest, using proceeds from our interest received account on hand with the Province of New Brunswick Department of Finance

On January 31, 2009 240,000, common share stock purchase options with an exercise price of $0.30 were cancelled.

On March 13, 2009, 350,000 common share purchase broker warrants, exercisable at a price of $0.60 per common share, expired.