

**GEOROX RESOURCES INC.**

(A DEVELOPMENT STAGE ENTERPRISE)  
(Formerly Oromonte Resources Inc.)

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 AND 2007**

# **GEOROX RESOURCES INC.**

**(A DEVELOPMENT STAGE ENTERPRISE)  
(Formerly Oromonte Resources Inc.)**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2008 AND 2007**

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McGovern, Hurley, Cunningham, LLP  
Chartered Accountants

**AUDITORS' REPORT**

To the Shareholders of  
**Georox Resources Inc.**  
**(A Development Stage Enterprise)**  
**(Formerly Oromonte Resources Inc.)**

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

**McGOVERN, HURLEY, CUNNINGHAM LLP**

**Chartered Accountants**  
**Licensed Public Accountants**

TORONTO, Canada  
March 7, 2009

**GEOROX RESOURCES INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**(Formerly Oromonte Resources Inc.)**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT DECEMBER 31,**

	2008 \$	2007 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents (Note 10)	1,433,287	1,872,318
Sundry receivables (Note 7)	20,569	95,627
Prepaid expenses	1,641	929
	1,455,497	1,968,874
<b>FIXED ASSETS</b> (Note 3)	38,881	90,725
<b>INVESTMENT</b> (Notes 4(d) and 9)	598,750	598,750
<b>INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES</b> (Statement and Notes 4 and 9)	123,380	666,901
	2,216,508	3,325,250
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities (Note 7)	79,870	226,433
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK</b> (Note 5(b))	6,844,820	6,740,220
<b>WARRANTS</b> (Note 5(c))	31,900	491,299
<b>CONTRIBUTED SURPLUS</b> (Note 5(e))	1,783,620	1,229,535
<b>(DEFICIT)</b>	(6,523,702)	(5,362,237)
	2,136,638	3,098,817
	2,216,508	3,325,250

**NATURE OF OPERATIONS AND GOING CONCERN** (Note 1)  
**CONTINGENCIES AND MATERIAL UNCERTAINTY** (Note 9)  
**SUBSEQUENT EVENTS** (Note 13)

APPROVED ON BEHALF OF THE BOARD:

Signed "Bruce E Cottingham", Director

Signed "Grant A. Simpson", Director

See accompanying notes to the consolidated financial statements.

**GEOROX RESOURCES INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**(Formerly Oromonte Resources Inc.)**  
**CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT**  
**FOR THE YEARS ENDED DECEMBER 31**

	2008 \$	2007 \$
<b>OPERATING EXPENSES</b>		
Stock-based compensation (Notes 5(d) and 5(e))	62,786	323,635
Professional fees (Note 7)	179,183	260,282
Management and consulting fees (Note 7)	180,343	207,018
Office and general	238,236	181,313
Shareholder information and promotion	26,392	141,613
Travel expenses	18,163	75,338
Transfer agent and filing fees	16,332	25,137
Rent	5,441	15,947
Interest and bank charges	1,612	3,560
Amortization	14,774	21,865
<b>LOSS BEFORE OTHER ITEMS</b>	<b>743,262</b>	<b>1,255,708</b>
<b>OTHER ITEMS</b>		
Write-down of interest in mineral properties (Note 4(e),(f), and 9)	543,521	570,021
Loss on disposal and write-down of fixed assets	5,956	981
Interest (income)	(44,881)	(96,577)
Foreign exchange (gain) loss	(86,393)	359,602
Loss on disposal of Nambija Property (Note 4(d))	-	1,094,466
	418,203	1,928,493
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>1,161,465</b>	<b>3,184,201</b>
<b>DEFICIT, BEGINNING OF YEAR</b>	<b>5,362,237</b>	<b>2,178,036</b>
<b>DEFICIT, END OF YEAR</b>	<b>6,523,702</b>	<b>5,362,237</b>
<b>NET LOSS PER SHARE</b>		
- Basic and diluted	<u>0.11</u>	<u>0.31</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>		
- Basic and diluted (Note 5(b)(i))	<u>10,353,862</u>	<u>10,234,518</u>

See accompanying notes to the consolidated financial statements.

**GEOROX RESOURCES INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
(Formerly Oromonte Resources Inc.)  
**CONSOLIDATED STATEMENTS OF MINERAL PROPERTIES AND DEFERRED**  
**EXPLORATION EXPENDITURES**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	Pangui \$	Virgen del Cisne \$	Chimbuza \$	Nambija \$	Total \$
<b>ACQUISITION COSTS</b>					
Balance, December 31, 2006	173,170	175,094	59,626	300,052	707,942
Additions	66,402	-	161,100	-	227,502
Gold sales net of expenses	-	-	-	(140,774)	(140,774)
Dispositions (Note 4(d))	-	-	-	(159,278)	(159,278)
Write-downs	-	(3,840)	(220,726)	-	(224,566)
Balance, December 31, 2007	239,572	171,254	-	-	410,826
<b>DEFERRED EXPLORATION COSTS</b>					
Balance, December 31, 2006	-	-	-	1,533,067	1,533,067
Additions	450,646	112,662	38,222	-	601,530
Dispositions (Note 4(d))	-	-	-	(1,533,067)	(1,533,067)
Write-downs	(194,571)	(112,662)	(38,222)	-	(345,455)
Balance, December 31, 2007	256,075	-	-	-	256,075
<b>BALANCE, DECEMBER 31, 2007</b>	<b>495,647</b>	<b>171,254</b>	<b>-</b>	<b>-</b>	<b>666,901</b>
<b>ACQUISITION COSTS</b>					
Balance, December 31, 2007	239,572	171,254	-	-	410,826
Write-down (Note 4(f))	(155,424)	(132,022)	-	-	(287,446)
Balance, December 31, 2008	84,148	39,232	-	-	123,380
<b>DEFERRED EXPLORATION COSTS</b>					
Balance, December 31, 2007	256,075	-	-	-	256,075
Write-down (Note 4(f))	(256,075)	-	-	-	(256,075)
Balance, December 31, 2008	-	-	-	-	-
<b>BALANCE, DECEMBER 31, 2008</b>	<b>84,148</b>	<b>39,232</b>	<b>-</b>	<b>-</b>	<b>123,380</b>

See accompanying notes to the consolidated financial statements.

**GEOROX RESOURCES INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31,**

	2008 \$	2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	(1,161,465)	(3,184,201)
Operating activities not involving cash:		
Stock based compensation	62,786	323,635
Amortization	14,774	21,865
Loss on disposal of Nambija Property (Note 4(d))	-	1,094,466
Unrealized foreign exchange loss	-	22,065
Write-down of interest in mineral properties	543,521	570,021
Loss on disposal and write-down of fixed assets	5,956	981
Changes in non cash working capital balances:		
Decrease (increase) in sundry receivables	75,058	(35,023)
(Increase) decrease in prepaid expenses	(712)	1,169
(Decrease) increase in accounts payable and accrued liabilities	(97,158)	51,572
	(557,240)	(1,133,450)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placement	136,500	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in Canuc Resources Corporation (Note 4(d))	-	(100,000)
Interest in mineral properties and deferred exploration expenses	(49,405)	(851,506)
Proceeds from disposal of Nambija Property (Note 4(d))	-	76,000
Proceeds from disposal of fixed assets	31,114	4,757
Purchase of fixed assets	-	(54,104)
	(18,291)	(924,853)
<b>(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(439,031)	(2,058,303)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,872,318	3,930,621
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	1,433,287	1,872,318

**SUPPLEMENTAL INFORMATION** (Note 10)

**GEOROX RESOURCES INC.**  
**(A DEVELOPMENT STAGE COMPANY)**  
**(Formerly Oromonte Resources Inc.)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Georox Resources Inc. (the "Company" or "Georox") was incorporated under the Canada Business Corporations Act on April 14, 2003. The Company is in the process of exploring its resource properties in Ecuador for mineral reserves and is considered to be in the development stage, as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11 "Enterprises in the Development Stage". The Company has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the carrying values of mineral properties is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing necessary to complete development of the properties, and the future profitable production there from or alternatively upon the Company's ability to dispose of its interests on an advantageous basis.

The assets of the Company that are located outside of North America are subject to the risk of foreign investment, including increases in taxes and royalties, renegotiation of contracts, currency exchange fluctuations, legislative changes and political uncertainty. All of the Company's mineral property interests are located in Ecuador and as a result of the Mining Mandate that was issued by the government of Ecuador on April 18, 2008, there is uncertainty as to whether the Company will be able to retain its interests in certain mining concessions (see Note 9).

As at December 31, 2008, the Company had working capital of \$1,375,627 (2007 - \$1,742,441) and an accumulated deficit of \$6,523,702 (2007 - \$5,362,237). These consolidated financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing year as they fall due. The Company is in the development stage with no history of profitability. There is no guarantee that the Company's exploration programs will yield positive results or that the Company will be able to obtain the necessary financing to carry out the exploration and development of its properties. If the "going concern" assumption was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported revenues and expenses, and the balance sheet classifications used. Such adjustments could be material.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Company are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year except as outlined below. Outlined below are those policies considered particularly significant.

**Basis of Consolidation**

The consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries, Ecuaro Resources S.A., Oromonte Resources S.A., Marissaoro Minerals S.A, Monteminerals S.A. and Orosources Minerals S.A., all incorporated in Ecuador. All inter-company balances and transactions have been eliminated on consolidation.

**Cash and Cash Equivalents**

Cash and cash equivalents comprise of cash on hand and short-term investments, with original maturities of less than ninety days and GIC investments that are cashable at any time without penalty. The GIC investments are held in a Canadian chartered bank or a financial institution controlled by a Canadian chartered bank.

Continued...

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investment**

The investment in Canuc Resources Corporation is carried at cost as it does not have a quoted market price in an active market, and is reviewed periodically for impairment.

**Stock-Based Compensation**

The fair value for each stock option granted is estimated on the date of grant using the Black-Scholes option-pricing model and is recognized as an expense with a corresponding increase to contributed surplus over the vesting period of the grant. As the options are exercised, the consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company's stock option plan is described in Note 5(d).

**Asset Retirement Obligations**

The fair values of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. The Company did not have any asset retirement obligations as at December 31, 2008 and 2007.

**Interest in Mineral Properties and Deferred Exploration Expenditures**

Interest in mineral properties and deferred exploration expenditures, net of pre-production revenues are carried at cost until they are brought into production, at which time they are depleted on a unit-of-production method based on proven and probable reserves. If a property is subsequently determined to be significantly impaired in value, the property and related deferred costs are written down to net realizable value. Other general exploration expenses are charged to operations as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are charged to operations in the current year.

The Company reviews capitalized costs on its property interests on a periodic basis and recognizes impairment in value, based on a review of exploration results, whether the Company has significant exploration plans in the immediate future and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. The recoverability of costs incurred on the mineral properties is dependent on numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. Management's assessment of the property's estimated current fair value may also be based upon a review of other property transactions in the same geographic area as that of the property under review.

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

Continued...

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Interest in Mineral Properties and Deferred Exploration Expenditures (Continued)**

Title to mining properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for certain problems arising from the frequently ambiguous conveyance history characteristic of many mining properties. Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defect. Titles may also be affected by changes to government legislation (Note 9).

**Fixed Assets**

Equipment is recorded at cost. Amortization is provided over the related assets' estimated useful lives using the following methods and annual rates.

Vehicles	20% declining balance
Computer equipment	30% to 45% declining balance
Office equipment	10% to 20% declining balance

**Income Taxes**

Income taxes are calculated using the asset and liability method of accounting. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and on unclaimed losses carried forward and are measured using the substantively enacted tax rates that will be in effect when the differences are expected to reverse or losses are expected to be utilized. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in income in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential benefit is taken and no asset is recognized.

**Loss Per Common Share**

Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted loss per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted loss per share calculation excludes any potential conversion of options or warrants that would increase earnings per share or decrease loss per share. As the Company had losses for the years ended December 31, 2008 and 2007, basic and diluted loss per share are the same as the exercise of all options and warrants would be anti-dilutive.

**Foreign Currency Translation**

The Canadian dollar is the functional currency of all of the Company's operations, which are classified as integrated for foreign currency translation purposes. Under this method, translation gains or losses are included in the determination of net income or loss.

Monetary assets and liabilities of the Company's integrated foreign operations are translated into Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses, except amortization which is translated at historical rates, are translated at the average exchange rates for the period.

Continued...

**GEOROX RESOURCES INC.**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed and estimates for asset retirement obligations. The Company's most significant areas of estimation are in relation to recoverability of mineral properties, valuation of the investment in common shares and warrants of Canuc Resources Corporation, stock-based compensation, warrant valuation, royalties and future tax assets and liabilities. Actual results could differ from those estimates.

**Financial Instruments**

All financial instruments are initially recognized at their fair value on the balance sheet. The Company has classified each financial instrument into five categories: financial assets and liabilities held for trading, financial assets held to maturity, loans and receivables, financial assets available for sale and other liabilities. Measurement of each of these items is contingent upon their initial classification. Unrealized gains and losses on financial instruments classified as held for trading are recognized in the statement of operations in the period incurred. Gains and losses on assets available for sale are recognized in other comprehensive income, and are charged to the statement of operations when the change in asset value is recognized. The effective interest rate method using amortized cost is applied to the remaining categories of financial instruments.

**Adoption of New Accounting Standards**

Effective January 1, 2008, the Company adopted two new CICA standards, Section 3862 "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation", which replaced Section 3861 "Financial Instruments – Disclosure and Presentation". The new disclosure standards increase the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The Company has included disclosures recommended by these sections in Note 11 to these consolidated financial statements.

Effective January 1, 2008, the Company adopted CICA Section 1535 "Capital Disclosures" which requires additional disclosures of objectives, policies and processes for managing capital. In addition, disclosures will include whether companies have complied with externally imposed capital requirements. The Company has included disclosures recommended by these sections in Note 12 to these consolidated financial statements.

**Future Accounting Pronouncements**

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

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**GEOROX RESOURCES INC.**  
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**3. FIXED ASSETS**

	2008			2007		
	Cost \$	Accumulated Amortization	Net \$	Cost \$	Accumulated Amortization	Net \$
Vehicles	-	-	-	57,137	17,052	40,085
Computer equipment	25,540	17,076	8,464	26,356	9,640	16,716
Office equipment	37,067	6,650	30,417	36,747	2,823	33,924
	62,607	23,726	38,881	120,240	29,515	90,725

**4. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

The Company has three early stage development properties in Ecuador, namely the Pangui, Virgen del Cisne and Chimbuza Properties. Exploration of the Company's properties in Ecuador is currently in abeyance due to the Ecuadorian government's mining moratorium (See Note 9). The properties and terms of the acquisition agreements are described below as well as the transfer agreement of all the Company's Nambija interests:

**a) Pangui Property**

The Company acquired a 100% interest in the Pangui Property, located in Southern Ecuador, in September, 2006 for consideration of US\$150,000 (Cdn\$174,810). In April 2007, the Company acquired a 100% ownership of an additional mining concession (San Andres), which is contiguous with and located on the southwest corner of the main Pangui property. The concession was purchased for US\$60,000 (Cdn \$66,402).

Prior to March 28, 2008, the annual patents were paid to retain five of the most promising concessions. The San Andres concession was subsequently cancelled by the Ecuadorian government, appealed and not re-appealed. The remaining four concessions have also been cancelled; however, the results of the Company's reinstatement actions are pending. See Note 4(f).

**b) Virgen del Cisne Property**

In 2006, the Company entered into an agreement to acquire a 100% interest in the Virgen del Cisne Property comprised of nineteen concessions situated southeast of Cuenca, Ecuador for US\$150,000 (Cdn\$174,810). At the time, titles to twelve concessions were transferred to the Company while seven title transfers were in progress dependent upon submission of an environmental study, subsequently submitted in April 2007.

Prior to March 28, 2008, the annual patents were paid to retain thirteen of the most promising concessions including those titles in progress. However, under the authority of the April 18, 2008 Mining Mandate, the Ecuadorian government subsequently cancelled the seven concession titles in progress. These seven concessions were written down to \$Nil as at December 31, 2007 and the final \$50,000 payment that was due to the seller for the seven concessions has not been paid. Subsequently the Ecuadorian government cancelled another concession. Thus, the Company now holds five Virgen del Cisne concession titles. See Note 4(f).

Continued...

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**4. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**  
(Continued)

**c) Chimbuza Property**

The Company entered into an agreement to acquire a 100% interest in the Chimbuza Project for US\$250,000 (Cdn\$291,350). Included in the US\$250,000 is a schedule of payments of US\$50,000 to be made semi-annually. US\$150,000 (Cdn\$171,321) was paid to December 31, 2007 and US\$50,000 (Cdn\$49,405) was paid in January 2008. The Company notified the seller that the final payments would not be made and an Agreement was signed in 2008 that the property will revert to the seller as soon as practically possible following the establishment of the new Mining Law in Ecuador. See Note 4(f).

**d) Nambija Property**

The Company entered into a mining lease and share purchase agreement dated September 3, 2003 with Canuc Resources Corporation ("Canuc"), an arm's length corporation, and Compania Minera Andos S.A. ("Andos"), a wholly owned subsidiary of Canuc, to lease certain mining rights on property in the Nambija area of Ecuador (the "Mining Rights") owned by Andos, for a five-year term. During the lease term, the Company was obligated to carry out sufficient assessment work to maintain the Nambija Property in good standing and pay all taxes, assessments and other charges lawfully levied or assessed against the Property.

In May 2006, the Company entered into a purchase agreement for eight mining rights: four rights within Condominio Norte and four rights within Condominio Sur, as well as the Goldstar Mine and its related buildings, equipment and property, from an officer of the Company for total cash consideration of US\$320,000 of which US\$120,000 was due upon transfer of the mining rights (paid), US\$80,000 was due within one year following the transfer of mining rights (Cdn\$90,744 paid), with the balance of US\$120,000 payable in monthly instalments of US\$10,000 (US\$120,000 paid), following signing of the agreement. The Goldstar Mine consists of four mining rights, located in the Nambija region.

On October 5, 2007 the Company completed an agreement in accordance with a Letter of Intent, dated August 22, 2007, to transfer all of the Company's interest in the Nambija, Ecuador gold mining property to Canuc. In exchange for the transfer and quit claim of its interests to Canuc, Georox received a total of 15,000,000 common shares of Canuc valued at \$450,000 (representing 14% of Canuc's outstanding capital at October 5, 2007) and 3,750,000 warrants for the purchase of additional common shares of Canuc, exercisable for a period of 18 months at \$0.05 per share (increasing to \$0.07 per share if Canuc shares trade in excess of \$0.07 for a period of 20 days) valued at \$48,750.

The Company also subscribed for 3,333,333 common shares of Canuc at \$0.03 per common share (for gross proceeds of \$100,000), as part of the transaction. The Canuc warrants were valued using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; risk free interest rate of 4.3%; expected life of 18 months; and expected volatility of 120%.

In addition, Canuc has granted Georox a 2.5% gross royalty on the Nambija property, subject to a US\$2,000,000 cumulative cap on royalty payments. Canuc has also assumed responsibility for certain payments made or to be made relating to the property in the aggregate of up to approximately US\$110,000 (including the reimbursement of a portion of amounts already paid by Georox of \$76,000) and the responsibility for certain former senior employees of Georox in Ecuador.

See Note 9.

Continued...

**GEOROX RESOURCES INC.**  
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**(Formerly Oromonte Resources Inc.)**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

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**4. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Continued)**

**d) Nambija Property (continued)**

The loss on disposition of the Nambija Property was calculated as follows:

Proceeds from disposition:	
15,000,000 common shares of Canuc	\$ 450,000
3,750,000 warrants of Canuc	48,750
Cash	76,000
Payables assumed by Canuc	<u>23,129</u>
	\$ 597,879
Carrying value of property	<u>1,692,345</u>
Loss on disposition	<u>\$ 1,094,466</u>

As of December 31, 2008, 5,625,000 of the Canuc common shares were subject to trading restrictions (1,875,000 were released on April 5, 2008) and the remaining common shares will be released as follows: 1,875,000 on each of the 3, 6 and 9 month anniversaries of the date the common shares of Canuc commence trading on a recognized stock exchange. As at December 31, 2008, Canuc had not commenced trading on a recognized stock exchange.

- e) During the year ended December 31, 2008, the Company staked nine mining claims encompassing 215 contiguous units in the Tillicum Mountain area in the West Kootenay region of southeastern British Columbia. The claims were acquired for the nominal cost of registering and transferring the claims approximating \$2,000. Subsequent to December 31, 2008 the Company allowed the nine mining claims to lapse and all related costs were charged to operations at December 31, 2008.
- f) As a result of the Mining Mandate discussed in Notes 1 and 9, management had reviewed its existing mineral property claims as at December 31, 2007 and 2008 and decided to abandon certain claims that comprise portions of the Pangui, Virgen del Cisne and Chimbuza properties. As a result, the Company recorded write-downs for these properties in fiscal 2007 and 2008.

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**5. CAPITAL STOCK, WARRANTS, AND OPTIONS**

The capital stock is as follows:

**a) Authorized**

Unlimited number of common shares

**b) Issued**

12,964,518 post-consolidation common shares

	Common Shares #	Amount \$
Balance, December 31, 2006 and 2007 (i)	10,234,518	6,740,220
Issued for cash (ii)	2,730,000	104,600
<b>Balance, December 31, 2008</b>	<b>12,964,518</b>	<b>6,844,820</b>

(i) As of August 26, 2008, the Company consolidated its shares on a one for three basis. All references to common shares, per share amounts, warrants, and options for all periods presented have been retroactively restated to reflect this consolidation.

(ii) 2008 Private Placement

On December 15, 2008, the Company completed a non-brokered private placement of 2,730,000 units at \$0.05 per unit for aggregate gross proceeds of \$136,500. Each unit is comprised of one common share of the Company and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder thereof to purchase one additional common share of the Corporation at a price of \$0.10 per common share at any time prior to December 15, 2010. All securities issued under the Private Placement are subject to a hold period of four months following the date of closing, in accordance with applicable securities laws. See Note 7(vi) for related party unit subscriptions.

Of the total gross proceeds above a portion was allocated to the warrants. The warrants were valued at \$0.023 per warrant for a total of \$31,900 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; risk free interest rate of 1.48%; expected life of 2 years; and expected volatility of 120%.

**c) Share Purchase Warrants**

Transactions during the years ended December 31, 2008 and 2007 were as follows:

	Warrants #	Weighted Average Exercise Price \$	Value \$
Balance, December 31, 2006 (Note 5(b)(i))	2,497,000	1.86	861,104
Expired	(1,497,000)	1.59	(369,805)
Balance, December 31, 2007	1,000,000	2.25	491,299
Expired	(1,000,000)	2.25	(491,299)
Issued for cash (Note 5(b)(ii))	1,365,000	0.10	31,900
<b>Balance, December 31, 2008</b>	<b>1,365,000</b>	<b>0.10</b>	<b>\$31,900</b>

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**5. CAPITAL STOCK, WARRANTS, AND OPTIONS (Continued)**

**c) Share Purchase Warrants (continued)**

As at December 31, 2008, the following warrants were outstanding:

Date of Grant	Warrants <u>Issued</u> #	Exercise <u>Price</u> \$	Expiry Date
December 15, 2008	1,365,000	0.10	December 15, 2010

**d) Options**

The Company has a stock option plan for the purchase of common shares for its directors, officers, employees and other service providers. The aggregate number of common shares reserved for issuance under the plan will not exceed 10% of its issued and outstanding common shares. No one person shall be granted options representing more than 5% of the issued and outstanding common shares of the Company. The maximum number of shares which may be reserved for issuance to any consultant in any 12-month period shall be 2% of the shares issued and outstanding at the time of the grant. The maximum number of shares which may be reserved for issuance to investor relations employees in any 12-month period shall be 2% of the shares issued and outstanding at the time of the grant. The options are non-assignable and non-transferable and may be granted for a term not exceeding five years. The exercise price of the options is fixed by the board of directors of the Company and shall be determined on the basis of the market price of the shares at the time of grant, subject to all applicable regulatory requirements.

	<u>Options</u> #	<u>Weighted Average</u> <u>Exercise Price</u> \$
Balance, December 31, 2006 (Note 5(b)(i))	463,333	1.62
Expired, during the year	(13,333)	2.28
Granted, during the year	206,667	1.17
Balance, December 31, 2007	656,667	1.47
Forfeited during the year	(27,778)	1.25
Expired during the year	(122,222)	1.33
Balance, December 31, 2008	506,667	1.50

No options were granted during the year ended December 31, 2008. The weighted average grant date fair value of options granted during the year December 31, 2007, amounted to \$0.28 per option. The fair value of these options at the date of grant was determined using the Black-Scholes option pricing model based on the following weighted average assumptions: expected dividend yield of 0%, risk free interest rate of 4.1%; expected life of 3 years and expected volatility of 133%.

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**5. CAPITAL STOCK, WARRANTS, AND OPTIONS (Continued)**

**d) Options (continued)**

Date of Grant	Options Outstanding #	Options Exercisable #	Exercise Price \$	Expiry Date
December 19, 2005 (i)	66,667	66,667	0.57	December 19, 2010
July 11, 2006 (i)	100,000	100,000	2.13	July 20, 2011
August 4, 2006 (iii)	66,667	66,667	1.80	July 31, 2011
November 23, 2006 (i)	100,000	100,000	2.13	November 22, 2011
February 14, 2007(ii)	25,000	25,000	1.26	February 13, 2010
April 1, 2007(ii)	100,000	100,000	1.26	March 31, 2010
April 4, 2007(i)	15,000	10,000	1.08	April 3, 2012
May 29, 2007(i)	33,333	22,222	0.81	May 28, 2012
Balance December 31, 2008	506,667	490,556	1.55	

During the year ended December 31, 2007; 66,667 options were granted to directors of the Company and 140,000 options were granted to officers and consultants of the Company. There were no options granted in 2008.

- (i) Options vest 1/3 on date of grant and 1/3 on each of the first and second anniversaries of the options.
- (ii) Options vest 1/4 on date of grant and 1/4 on each of the six, twelve and eighteen-month anniversaries of the options.
- (iii) Options vested immediately on date of grant.

**e) Contributed Surplus**

	Amount \$
Balance, December 31, 2006	536,095
Expiration of warrants (Note 5(c))	369,805
Stock-based compensation (Note 5(d))	323,635
Balance, December 31, 2007	1,229,535
Expiration of warrants (Note 5(c))	491,299
Stock-based compensation (Note 5(d))	62,786
Balance, December 31, 2008	1,783,620

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**6. INCOME TAXES**

The Company utilizes the asset and liability method of accounting for income taxes.

**(a) Provision for Income Taxes (to add current year amounts)**

Major items causing the Company's income tax rate to differ from the federal statutory rate of 32% (2007 - 34%) were as follows:

	2008	2007
	\$	\$
(Loss) before taxes	(1,161,465)	(3,184,201)
Expected income tax recovery based on statutory rates	(365,900)	(1,082,600)
Adjustments to recovery based on:		
Stock-based compensation	19,800	110,000
Expiry of losses	-	36,700
Expiry of warrants	57,400	62,800
Change in tax rate	113,300	261,000
Other	(6,400)	9,000
Change in valuation allowance	181,800	603,100
	-	-

**(b) Future Tax Balances**

The tax effect of temporary differences that give rise to future tax assets at December 31 were as follows:

	2008	2007
	\$	\$
Future income tax assets		
Non-capital losses carry forwards	628,500	615,700
Interest in mineral properties and deferred exploration expenditures	88,100	88,100
Share issue costs	39,600	59,700
Transaction costs	30,500	30,500
Fixed assets	17,300	19,900
Assets in Ecuador (i)	589,000	397,300
	1,393,000	1,211,200
Valuation allowance	(1,393,000)	(1,211,200)
	-	-

- (i) The Company believes it has tax losses and exploration expenditures in Ecuador, which under certain circumstances may be used to offset future taxable income in Ecuador. At this time, the Company cannot reasonably estimate the allocation of such tax assets; however, the Company can estimate the total future tax assets the Company holds in Ecuador.

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**6. INCOME TAXES (Continued)**

At December 31, 2008, the Company had approximately \$326,200 of foreign exploration expenditures, which under certain circumstances, may be utilized to reduce taxable income of future years in Canada. The Company has approximately \$2,320,000 of Canadian income tax losses available, which can be applied against taxable income in future years in Canada. The potential income tax benefits, of these foreign exploration expenditures and non-capital losses, have been offset by a full valuation allowance. The losses, if unutilized, will expire as follows:

Year	Amount
2009	\$ 57,300
2013	193,400
2014	32,300
2026	632,000
2027	733,000
2028	672,000
	\$2,320,000

**7. RELATED PARTY TRANSACTIONS**

- (i) During the year ended December 31, 2008, \$Nil (2007 – \$13,114) was paid to a corporation controlled by a former director of the Company and \$4,375 (2007 – \$42,900) was paid to a director for 43-101 Qualified Person (QP) services in Ecuador.
- (ii) During the year ended December 31, 2008, \$28,943 (2007 - \$114,732) was expensed for legal services provided by a law firm of which a director of the Company is a partner. Included in accounts payable and accrued liabilities at December 31, 2008 was \$30,390 (2007 - \$121,613) owing to this law firm. This amount is unsecured, non-interest bearing, with no fixed terms of repayment.
- (iii) During the year ended December 31, 2008, management and consulting fees of \$41,175 (2007 - \$61,672) were charged by a director, the spouse of an officer and director of the Company, and a corporation controlled by an officer of the Company. As at December 31, 2008, \$12,668 (2007 - \$8,535) was included in accounts payable and accrued liabilities in relation to these fees. These amounts are unsecured, non-interest bearing, with no fixed terms of repayment.
- (iv) During the year ended December 31, 2007, two directors of the Company purchased gold from the Company for \$6,954. On December 31, 2007, \$3,375 was included in sundry receivables; the entire amount was collected during the year ended December 31, 2008. The receivable balance was unsecured, non-interest bearing with no fixed terms of repayment.

The above transactions were in the normal course of operations and were recorded at the exchange amount, which is the amount agreed to by the related parties.

- (v) The Company purchased the rights to the Goldstar Mine (see Note 4(d)) from an officer of the Company for \$356,680 (US\$320,000) in May 2006.
- (vi) A director of the Company, an officer who is also a director of the Company and a corporation controlled by an officer who is also a director of the Company subscribed for an aggregate of 1,650,000 units for gross proceeds of \$82,500 pursuant to the financing described in Note 5(b)(ii).

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**8. SEGMENTED INFORMATION**

The Company's principal operations are the acquisition, exploration and development of mineral properties. All mineral properties are situated in Ecuador (see Note 4). Cash and cash equivalents of \$1,428,739 (2007 - \$1,843,621) are held in Canadian chartered banks, with the balance of \$4,548 (2007 - \$28,697) held in Ecuador. As at December 31, 2008, fixed assets with a net book value of \$5,462 (2007 - \$6,572) are situated in Canada and fixed assets of \$33,419 (2007 - \$84,153) are situated in Ecuador.

**9. CONTINGENCIES AND MATERIAL UNCERTAINTY**

**Environmental Contingencies**

The Company's mining and exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations based upon environmental studies completed and subsequently approved by the Ecuadorian government. The amounts cannot be reasonably estimated at this time.

**Ecuador's Mining Mandate**

Ecuador's Constituent Assembly issued a Mining Mandate on April 18, 2008 to initiate the re-structuring of the legal framework for mining activities in Ecuador. The Mining Mandate temporarily suspended all exploration work for medium and large-scale mining operations until the enactment of a new Mining Law. Furthermore, it ordered the cancellation of all applications for new concessions that were in process or that were not in compliance with environmental impact studies and community consultation requirements. It also ordered the cancellation of those concessions for which conservation patents had not been timely paid. The Company and its Ecuadorian subsidiaries, has been notified with cancellation resolutions for some of its mining concessions. Reinstatement actions to appeal cancellation resolutions have been issued for certain concessions. The Company's reinstatement actions are currently pending.

The government recently enacted the new Ecuadorian Mining Law (the new Mining Law). It was published in Official Gazette No. 517 on January 29, 2009. The new Mining Law cancels the Mining Mandate and establishes requirements and proceedings for the regularization of mining concessions. Only those mining concessions that were not cancelled pursuant to the Mining Mandate may now be adapted to comply with the new law's provisions. Compliance must be made within a 120-days term of the enactment of the regulations to the new Mining Law which must be issued within 120-days from January 29, 2009. In order to conduct mining activities, the new Mining Law requires titleholders to observe special requirements that have been established for each of the different mining phases. These requirements include obtaining the corresponding permits and filing the respective Environmental Impact Studies. Until new titles are issued, there will be continued uncertainty as to whether concessions that fell into one of the Mining Mandate's cancellation criteria, but for which the government has not issued a corresponding cancellation or extinguishment resolution, will continue to be valid. There is a chance that the National Mining Bureau could refuse to issue new titles for these concessions on the grounds that they fell within the cancellation provisions of the Mining Mandate.

The above government actions represent an impairment event for the Company's mineral properties in Ecuador and the resulting impairment is material to the Company. The Company has cutback its operations in Ecuador until there is greater certainty about its ability to proceed with its exploration plans there.

The value of the investment in Canuc Resources Corporation described in Note 4(d) may also be impacted by the Mining Mandate and new Mining Law as Canuc is focused on mineral exploration in Ecuador. An impairment in the investment could be material to the Company.

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**10. SUPPLEMENTAL INFORMATION**

	2008	2007
	\$	\$
Interest paid	1,612	3,560
Change in accrued mineral property and deferred exploration expenditures	(49,405)	(163,248)
	2008	2007
<b>CASH AND CASH EQUIVALENTS</b>	<b>\$</b>	<b>\$</b>
Cash	165,552	174,597
GICs (bearing interest at an average rate of 1.9% (2007 - 3.4%))	1,267,735	1,697,721
	1,433,287	1,872,318

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**11. FINANCIAL INSTRUMENTS**

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

**Credit Risk**

The Company's credit risk is primarily attributable to cash and cash equivalents and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in sundry receivables consist of goods and services tax due from the Federal Government of Canada and value added tax recoverable from the government of Ecuador. Management believes that the credit risk concentration with respect to financial instruments included in sundry receivables is remote.

**Liquidity Risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had a cash and cash equivalents balance of \$1,433,287 (2007 - \$1,872,318) to settle current liabilities of \$79,870 (2007 - \$226,433). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

**Market Risk**

**(a) Interest Rate Risk**

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

**(b) Foreign Currency Risk**

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian and US dollars. The Company funds certain operations, exploration and administrative expenses in Ecuador on a cash basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk. At December 31, 2008 the Company held cash in US dollars of \$3,734 (Cdn\$4,548).

**(c) Price Risk**

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

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**11. FINANCIAL INSTRUMENTS (Continued)**

**Fair Values**

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. Cash and cash equivalents are classified as "held for trading", sundry receivables are classified as "loans and receivables", which are measured at amortized cost, accounts payable and accrued liabilities are designated as "other liabilities" which are classified as other financial liabilities, and investments are classified as "available for sale". The carrying amounts for cash and cash equivalents, sundry receivables, and accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

**Sensitivity Analysis**

As at December 31, 2008, the carrying and fair value amounts of the Company's financial instruments are approximately the same. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

Cash equivalents include deposits at call, which are at variable rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by approximately \$12,700.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

The Company believes that price risk with respect to commodities is remote since the Company is not a producing entity.

**12. CAPITAL MANAGEMENT**

The Company's policy is to maintain a strong capital base for the objectives of maintaining financial flexibility, to sustain the development of the Company's current capital projects and for future development of the Company. The Company monitors its working capital and expected capital spending and issues share capital to manage its development plans. The Company has no externally imposed capital requirements.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

The Company considers its capital structure to include shareholders' equity and working capital. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2008.

**13. SUBSEQUENT EVENTS**

Notes 4(e) and 9.