



Management's Discussion and Analysis and
Interim Financial Statements
September 30, 2008

Unaudited

SANDSTORM RESOURCES LTD. (the “Company” or “Sandstorm”)
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Period Ended September 30, 2008

This management’s discussion and analysis (“MD&A”) should be read in conjunction with the unaudited interim financial statements for the period ended September 30, 2008. The information contained within this MD&A is current to November 26, 2008 and is stated in Canadian dollars.

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles.

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking statements and information relating to the Company which are based on the beliefs of its management as well as assumptions made by and information currently available to Sandstorm. When used in this document, the words “anticipate”, “believe”, “estimate”, “expect” and similar expressions, as they related to Sandstorm or its management, are intended to identify forward-looking statements. Such statements reflect the current views of Sandstorm with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Sandstorm to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements.

CORPORATE DEVELOPMENT AND STRATEGY

New Chief Executive Officer

During the period ended September 30, 2008, the Company welcomed Nolan Watson as the President, Chief Executive Officer, and a Director. Mr. Watson is the former Chief Financial Officer of Silver Wheaton Corp., a mining company listed on the Toronto Stock Exchange and the New York Stock Exchange. In that role, Mr. Watson helped raise over US\$1 billion in debt and equity to fund Silver Wheaton's growth. Mr. Watson is a Chartered Accountant, holds the designation of Chartered Financial Analyst charter holder and received a Bachelor of Commerce degree, with honours, from the University of British Columbia.

Option Agreement with Eagle Plains Resources Ltd

Until April 22, 2008, the Company was a “Capital Pool Company” (“CPC”) as defined by the policies of the TSX Venture Exchange (the “Exchange”). The Company’s principal business as a CPC was to identify and evaluate resource properties with a view to completing a “Qualifying Transaction” that would be accepted by the Exchange in accordance with Exchange Policy 2.4.

On January 16, 2008 the Company entered into an option agreement (“the Agreement”) with Eagle Plains Resources Ltd. to earn up to a 75% interest in certain mineral claims referred to as the Elsiar Property in British Columbia, Canada. The Agreement was approved as the Company’s “Qualifying Transaction” under the TSX Venture Exchange's policies and accordingly, on closing of this Qualifying Transaction on April 22, 2008, the Company ceased being a CPC. The Agreement constituted an arm’s length qualifying transaction and, in accordance with Exchange policies, was not subject to shareholder approval.

Option Agreement

To acquire a 60% interest the Company is required to pay \$500,000 and issue 700,000 common shares, and incur expenditures of \$3,000,000 on the Elsiar Property over a period of five years. The Company is entitled to earn a further 15% interest in the Elsiar Property, for an aggregate 75% interest, by making all expenditures required to deliver a bankable feasibility study on the property by no later than May 4, 2016. Upon satisfying the terms of the Agreement, the company and the vendor will be deemed to have formed a joint venture between the parties.

The property is subject to a 1.0% net smelter returns royalty (“NSR”) which may be bought out by the joint venture for \$1,000,000 at any time following a decision to take the property into commercial production.

The Company paid a \$7,500 finder’s fee in connection with the Agreement.

All common shares held by Principals of Sandstorm (as such term is defined in the Exchange's policies) are held in escrow in accordance with the policies of the Exchange.

Share Sub-Division

The Company sub-divided its outstanding common shares on a two for one basis effective as of April 4, 2008. All share, warrant, option, and per unit data has been updated to reflect this stock split.

Private Placement

The Company completed, concurrently with the closing of the Agreement on the Elsiar Property, a non-brokered private placement of 11,350,000 units of the Company at a price of \$0.10 per unit, for gross proceeds of \$1,135,000. In addition, the Company completed a non-brokered private placement of 2,000,000 units of flow-through financing at a price of \$0.10 per unit, for gross proceeds of \$200,000. Both the non-flow through units and the flow through units consist of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share of the Company at a price of \$0.195 per share until April 22, 2010.

The proceeds of this private placement will be used to fund the costs associated with completing the Agreement, the proposed work programs on the Elsiar Project, and for general working capital purposes.

The Resulting Issuer

On the closing of the Agreement and the private placement on April 22, 2008, the Company was classified as a natural resource issuer and had 17,892,000 common shares outstanding and 13,350,000 warrants outstanding entitling the holders to purchase an equal number of common shares. In addition, a total of 100,000 Stock Options and 198,000 Agent’s Warrants were also outstanding at the closing of the Agreement and the private placement.

The Vendor

Eagle Plains is a company incorporated under the laws of Alberta and extra-provincially registered in British Columbia. Eagle Plains currently trades on the Exchange.

Summary of the Elsiar Project

The Elsiar copper-molybdenum-gold property is comprised of 18 contiguous claim units that cover 5,330 hectares that are held 100% by Eagle Plains and is centered upon a number of Cretaceous-age quartz biotite porphyry stockworks. Little historical activity has occurred in the area, but work to date has shown that the Elsiar Property displays classic geologic features of a BC copper-molybdenum system. It benefits from excellent infrastructure including logging roads, hydroelectric power lines and close proximity to rail and deep-water international ports in Kitimat and Prince Rupert.

The Elsiar Property was acquired by Eagle Plains in 2003 and has had approximately \$1,000,000 in exploration work during 2004 and 2005 including extensive geochemical sampling programs, airborne geophysics and two successful drill programs.

A work program consisting of the geochemical sampling and detailed mapping to determine exploration drill hole targets is proposed as a Phase 1 of exploration on the Elsiar Project.

Further quantitative information concerning the Project is disclosed in a “qualifying report” dated January 22, 2008. The qualifying report was prepared by Robert J. Sharp, P. Geol, a “qualified person” as defined under National

Instrument 43-101. A copy of the “qualifying report” is available under the Company’s profile on the SEDAR website as www.sedar.com.

SUMMARY OF QUARTERLY RESULTS

Quarters Ended:

| | Sept. 30, 2008 | June 30, 2008 | Mar. 31, 2008 |
|-----------------------------|----------------|---------------|---------------|
| Interest and other Income | \$ 10,310 | \$ 10,153 | \$ |
| Net loss for the period | (239,690) | (4,545) | (27,670) |
| Net loss per share | (0.01) | (0.00) | (0.02) |
| Total assets | 1,470,925 | 1,532,961 | 1,470,832 |
| Total long-term liabilities | -- | -- | -- |

| | Dec. 31, 2007 | Sept. 30, 2007 | June 30, 2007 | 9 days ending March 31, 2007 |
|-----------------------------|---------------|----------------|---------------|------------------------------------|
| Interest and other Income | \$ 1,464 | \$ 1,118 | \$ 395 | \$ -- |
| Net loss for the period | (2,920) | (18,015) | (12,998) | (10,334) |
| Net loss per share | (0.00) | (0.00) | (0.00) | (0.00) |
| Total assets | 232,400 | 232,721 | 117,692 | 111,997 |
| Total long-term liabilities | -- | -- | -- | -- |

The Company was incorporated on March 23, 2007 and thus, the Company does not have eight quarters of information for disclosure.

ANALYSIS OF SECOND QUARTER RESULTS

During the six months ended September 30, 2008, the Company experienced a loss of \$244,235 (2007 - \$31,013) due primarily to exploration of \$198,787 (2007 - \$nil) on the Elsiar property.

The Company experienced a loss of \$239,690 during the three months ended September 30, 2008. This loss is mainly attributable to \$198,787 incurred on exploring the Elsiar property. The major exploration expenditures were \$46K for geochemistry, \$89K for geologist consulting fees, \$44K for travel, and \$12K for equipment rental and supplies. The loss for the three months ended September 30, 2008 is also attributable to \$3,800 professional fees for the review of the September 30, 2008 financial statements, \$7,100 legal fees for the Company’s annual general meeting and annual information form, \$10,300 in investor relations and market research, and \$11,950 in transfer agent and filing fees.

The loss incurred during the three months ended September 30, 2007 was attributed to expenses of \$5,927 in transfer agent and filing fees and \$8,048 in stock based compensation from stock options issued during the period which vested immediately.

The loss incurred for the three months ended June 30, 2008 resulted from \$3,500 in professional fees for the review of the June 30, 2008 financial statements and \$1,000 for exchange listing maintenance.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2008, the Company had cash of \$1,297,037 (March 31, 2008 - \$1,360,271) and working capital of \$1,132,015 (March 31, 2008 - \$1,312,317).

Cash remained consistent from March 31, 2008 as the majority of funds from the closing of the private placements in April 2008 were collected before March 31, 2008. Remaining cash collected from the private placements was offset by operating and investing expenditures.

In order to maintain the option in good standing pursuant to the Agreement, the Company is required to make the following payments to Eagle Plains:

| Due Date | Cash Payment | Post-subdivided Shares | Expenditures |
|--------------|---------------------------|---------------------------|---|
| May 4, 2008 | \$ 20,000 (<i>paid</i>) | 100,000 (<i>issued</i>) | |
| May 4, 2009 | \$ 25,000 | 100,000 | \$ 200,000 (<i>incurred \$199K to date</i>) |
| May 4, 2010 | \$ 25,000 | 100,000 | \$ 300,000 |
| May 4, 2011 | \$ 50,000 | 100,000 | \$ 500,000 |
| May 4, 2012 | \$ 120,000 | 100,000 | \$ 750,000 |
| May 4, 2013 | \$ 260,000 | 200,000 | \$ 1,250,000 |
| Total | \$ 500,000 | 700,000 | \$ 3,000,000 |

Although the Company believes it will have enough capital resources to meet its commitment to Eagle Plains, there is no guarantee that the Company will be able to secure additional financings in the future at terms that are favourable.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares of which 17,892,000 shares are outstanding as of November 26, 2008. Of these common shares, 9,320,000 are currently held in escrow and will be released pro-rata to the shareholders in five equal tranches of 1,864,000 every six months from October 24, 2008.

On April 22, 2008 upon the completion of the Qualifying Transaction, three of the Company's directors resigned. The Company has 100,000 Stock Options outstanding at an exercise price of \$0.10 per share. Of these 100,000 Stock Options, 60,000 expire April 22, 2009. The 60,000 Stock Options represent those retained for a period of one year by the resigned directors. The remaining 40,000 Stock Options expire according to their original terms on July 31, 2012. The Company has 100,000 stock options outstanding at November 26, 2008.

In addition, the Company has 13,350,000 share purchase warrants outstanding as at November 26, 2008 at an exercise price of \$0.195 per share expiring April 22, 2010 and 198,000 Agent's Warrants outstanding at an exercise price of \$0.10 per share expiring July 31, 2009. Each share purchase warrant and Agent's Warrant is exercisable into one common share of the Company. As well, 7,380,000 of the Company's outstanding share purchase warrants are currently held in escrow and will be released pro-rata to the holders in five equal tranches of 1,476,000 every six months from October 24, 2008. Any common shares acquired by the holders of these warrants upon exercise will also fall under the terms of the subject escrow agreement.

RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2008, legal fees of \$15,715 were incurred with Paul Visosky, a former director of the Company, who resigned effective April 22, 2008. During the three months ended September 30, 2008, no transactions were entered into with this related party.

Beginning during the three and six months ended September 30, 2008, rent of \$1,953 (2007 - \$nil) was charged by Pathway Capital Ltd., a firm with a Director in common. As of September 30, 2008 the Company owed this related party \$1,953 (March 31, 2008 - \$nil).

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant credit risk, currency risk, interest risk, liquidity risk or other price risk.

CHANGES IN ACCOUNTING POLICIES

Capital Disclosures

Section 1535 "Capital Disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company is required to disclose the following, based on the information provided internally to the entity's key management personnel:

- (i) qualitative information about its objectives, policies and processes for managing capital;
- (ii) summary quantitative data about what it manages as capital;
- (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject; and
- (iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Financial Instruments – Disclosure and Presentation

CICA Handbook Section 3862, *Financial Instruments – Disclosures* requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. The principles in this section complement the principles for recognizing, measuring and presenting financial assets and financial liabilities in Section 3855, *Financial Instruments – Recognition and Measurement*, Section 3863, *Financial Instruments – Presentation*, and Section 3865, *Hedges*. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

CICA Handbook Section 3863, *Financial Instruments – Presentation* is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows. This section establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007.

Assessing Going Concern

CICA Handbook Section 1400 was amended to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

FUTURE CHANGES IN ACCOUNTING POLICIES

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced

that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2011.

The Company is currently in the process of developing its IFRS conversion plan and evaluating the impact of the transition to IFRS. The Company will invest in resources during the transition to facilitate a timely conversion.

SANDSTORM RESOURCES LTD.
Interim Balance Sheets

Unaudited

| | September 30, 2008 | March 31, 2008 |
|--|-----------------------|---------------------|
| ASSETS | | |
| Current | | |
| Cash | \$ 1,297,037 | \$ 1,360,271 |
| Receivables | 23,954 | 7,579 |
| Prepaid expenses | 14,265 | -- |
| | <u>1,335,256</u> | <u>1,367,850</u> |
| Deferred charges | -- | 102,982 |
| Equipment | 3,705 | -- |
| Mineral property (Note 6) | 131,964 | -- |
| | <u>\$ 1,470,925</u> | <u>\$ 1,470,832</u> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | \$ 203,241 | \$ 55,533 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (Note 7a) | 1,128,289 | 254,152 |
| Share subscriptions received in advance | -- | 1,213,500 |
| Contributed surplus (Note 7a) | 455,567 | 19,584 |
| Deficit | (316,172) | (71,937) |
| | <u>1,267,684</u> | <u>1,415,299</u> |
| | <u>\$ 1,470,925</u> | <u>\$ 1,470,832</u> |

Nature of operations (Note 1)

ON BEHALF OF THE BOARD:

"Nolan Watson" , Director

"David Awram" , Director

SANDSTORM RESOURCES LTD.

Interim Statements of Loss, Comprehensive Loss and Deficit

Unaudited

| | Three Months Ended September 30, 2008 | Three Months Ended September 30, 2007 | Six Months Ended September 30, 2008 | Six Months Ended September 30, 2007 |
|---|--|--|--|--|
| Expenses | | | | |
| Amortization | \$ 308 | \$ -- | \$ 308 | \$ -- |
| General and administrative | 16,628 | 96 | 17,990 | 551 |
| Exploration (Note 6) | 198,787 | -- | 198,787 | -- |
| Professional fees | 17,814 | 5,062 | 24,386 | 7,312 |
| Stock-based compensation | -- | 8,048 | -- | 8,048 |
| Transfer agent and filing fees | 11,950 | 5,927 | 18,714 | 16,615 |
| Travel | 4,513 | -- | 4,513 | -- |
| Total Expenses | (250,000) | (19,133) | (264,698) | (32,526) |
| Other Item | | | | |
| Interest income | 10,310 | 1,118 | 20,463 | 1,513 |
| Loss and comprehensive loss for the Period | (239,690) | (18,015) | (244,235) | (31,013) |
| Deficit - Beginning of period | (76,482) | (23,332) | (71,937) | (10,334) |
| Deficit - End of Period | \$ (316,172) | \$ (41,347) | \$ (316,172) | \$ (41,347) |
| Loss per Share - Basic and Diluted | \$ (0.01) | \$ (0.01) | \$ (0.02) | \$ (0.01) |
| Weighted Average Number of Common Shares | 17,892,000 | 3,135,652 | 16,275,060 | 2,700,110 |

-The accompanying notes are an integral part of these financial statements -

SANDSTORM RESOURCES LTD.

Interim Statements of Cash Flows

Unaudited

| | Three Months Ended September 30, 2008 | Three Months Ended September 30, 2007 | Six Months Ended September 30, 2008 | Six Months Ended September 30, 2007 |
|--|---|---|---|---|
| Cash Provided By (Used In): | | | | |
| Operating Activities | | | | |
| Loss for the period | \$ (239,690) | \$ (18,015) | \$ (244,235) | \$ (31,013) |
| Items not affecting cash: | | | | |
| Amortization | 308 | -- | 308 | -- |
| Stock-based compensation | -- | 8,048 | -- | 8,048 |
| Changes in non-cash working capital: | | | | |
| Receivables | (13,054) | (325) | (16,375) | (2,697) |
| Prepaid expenses | 23,857 | -- | (13,837) | -- |
| Accounts payable and accrued liabilities | 171,934 | (18,492) | 177,558 | (9,799) |
| | <u>(56,645)</u> | <u>(28,784)</u> | <u>(96,581)</u> | <u>(35,461)</u> |
| Investing Activities | | | | |
| Equipment | (4,013) | -- | (4,013) | -- |
| Mineral property costs | (324) | -- | (78,466) | -- |
| | <u>(4,337)</u> | <u>--</u> | <u>(82,479)</u> | <u>--</u> |
| Financing Activities | | | | |
| Share issue proceeds | -- | 200,000 | 121,500 | 210,000 |
| Share issuance costs | 6,044 | (23,028) | (5,674) | (56,512) |
| | <u>6,044</u> | <u>176,972</u> | <u>115,826</u> | <u>153,488</u> |
| Net Increase (Decrease) in Cash | (54,938) | 148,188 | (63,234) | 118,027 |
| Cash – Beginning of Period | <u>1,351,975</u> | <u>81,836</u> | <u>1,360,271</u> | <u>111,997</u> |
| Cash - End of Period | \$ 1,297,037 | \$ 230,024 | \$ 1,297,037 | \$ 230,024 |
| Supplemental disclosure: | | | | |
| Income tax and interest paid | \$ -- | \$ -- | \$ -- | \$ -- |
| Significant non-cash transaction: | | | | |
| Shares issued for option payment | \$ -- | \$ -- | \$ 13,000 | \$ -- |
| Allocation of deferred charges to mining property | \$ -- | \$ -- | \$ 70,348 | \$ -- |
| Allocation of deferred charges to share issuance costs | \$ -- | \$ -- | \$ 32,206 | \$ -- |
| Allocation of share subscriptions received in advance | \$ -- | \$ -- | \$ 1,213,500 | \$ -- |

- The accompanying notes are an integral part of these financial statements -

SANDSTORM RESOURCES LTD.

Notes to the Interim Financial Statements

September 30, 2008

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1. Nature of Operations

Sandstorm Resources Ltd. ("the Company") was incorporated under the Business Corporations Act of British Columbia on March 23, 2007. The principal business of the Company is the acquisition and exploration of mineral properties.

The Company started as a Capital Pool Company as defined in the TSX Venture Exchange ("TSX-V") Policy 2.4. On April 22, 2008, the Company completed its Qualifying Transaction whereby the Company signed an option agreement to earn up to a 75% interest in certain mineral claims referred to as the Elsiar Property in British Columbia, Canada (*Note 6*). As a result, the Company is no longer considered a capital pool company and is considered to be in the exploration stage.

2. Going Concern

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. An adverse condition that casts doubt on the validity of this assumption is the Company has incurred operating losses over the past fiscal years.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that its capital risk management (*Note 5*) will mitigate the adverse condition that raises doubt about the validity of the going concern assumption used in the preparation of these financial statements. However, the success of this strategy cannot be assured.

If the going concern assumption was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenue and expenses, and the balance sheet classifications used.

3. Basis of Presentation

These interim unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The preparation of the financial statements is based on accounting policies and methods of application as the audited financial statements of the Company for the year ended March 31, 2008, except as described in Note 4. The accompanying unaudited interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended March 31, 2008, as they do not include all the information and note disclosure required by Canadian GAAP for annual financial statements.

4. Change in Generally Accepted Accounting Principles

a) Financial Instruments:

On April 1, 2008, the Company adopted three new presentation and disclosure standards issued by the Canadian Institute of Chartered Accountants. Sections 3862: Financial Instruments – Disclosure and 3863: Financial Instruments – Presentation have replaced Section 3861: Financial Instruments – Disclosure and Presentation. These new sections carry forward the presentation requirements for financial instruments and place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments.

Section 1535: Capital Disclosures requires disclosure of the Company's objectives, policies and processes for managing capital, quantitative data about what the Company regards as capital, whether the Company

Notes to the Interim Financial Statements

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has complied with any capital requirements, and if the Company has not complied, the consequences of such non-compliance.

b) Equipment:

Equipment is recorded at cost. The Company provides for amortization of its equipment using the straight-line method with a useful life of three years.

c) Mineral Properties:

Mineral property exploration expenditures incurred prior to the determination of the feasibility of mining operations and a decision to proceed with development are charged to operations as incurred. Development expenditures incurred subsequent to a development decision, and to increase or to extend the life of existing production, are capitalized and will be amortized on the unit-of-production method based upon estimated proven and probable reserves. The Company's accounting policy to expense exploration as incurred was revised from its policy at June 30, 2008 which was to capitalize exploration and development costs. The change had no impact on the financial statements for the period ended June 30, 2008.

Mineral property acquisition costs are capitalized and include cash costs and fair market value of common shares, based on the trading price of the shares issued for mineral property interests. Payments relating to a property acquired under an option or joint venture agreement are made at the sole discretion of the Company, and are recorded as mineral property acquisition costs upon payment. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units of production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavorable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development. If management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed in the period that this determination is made.

The recoverability of mineral properties is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

d) Share Capital:

The proceeds from the issue of units are allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values. The fair value of common shares is based on the market close on the date the units are issued and the fair value of common share purchase warrants is determined using the Black-Scholes pricing model.

e) Flow-Through Shares:

The resource expenditure deductions for income tax purposes related to exploratory 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 renunciation date are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

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5. Fair Value of Financial Instruments

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

The Company has designated its financial instruments as follows:

- Cash and receivables are classified as "Held-for-Trading". Due to their short-term nature, their carrying value equals their fair value.
- Accounts payable and accrued liabilities are classified as "Other Financial Liabilities". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest rate method.

CAPITAL RISK MANAGEMENT

The Company's objective of capital management is to ensure that it will be able to continue as a going concern, continue the exploration of the Elsiar Property, and identify, evaluate, and acquire additional resource properties. The Company's overall strategy remains unchanged from March 31, 2008. The capital of the Company consists of shareholders' equity. The Company is meeting its capital risk objectives by successfully raising, from time to time, the required funds. The Company expects to continue to raise funds, from time to time, to continue meeting its capital management objectives. The Company is not subject to externally imposed capital requirements.

CREDIT RISK

The Company's credit risk is limited to its investment in cash and cash equivalents and receivables. The Company holds its cash and cash equivalents with a large international financial institution and the balance of receivables owed to the Company in the ordinary course of business is not significant. Therefore, the Company is not exposed to significant credit risk and overall the Company's credit risk has not changed significantly from the prior year.

CURRENCY RISK

The Company's currency risk is limited to a small portion of its cash invested in a foreign currency. At September 30, 2008, the portion of cash invested in a foreign currency was 3%. Therefore, the Company is not exposed to significant currency risk.

INTEREST RATE RISK

The Company's financial instruments exposure to interest rate risk is limited to interest on cash and overall is not significant.

LIQUIDITY RISK

The Company's financial instruments are not exposed to liquidity risk as the Company has sufficient working capital to meet its obligations.

OTHER PRICE RISK

The value of the Company's mineral resource properties is related to the price of various commodities and the outlook for them. Commodity prices have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, industrial retail demand, central bank

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lending, forward sales by producers and speculators, level of worldwide production and short-term changes in supply and demand.

6. Mineral Property

The Company entered into a property option agreement with Eagle Plains to earn up to a 75% interest in certain mineral claims referred to as the Elsiar Property in British Columbia, Canada. To acquire a 60% interest the Company is required to pay \$500,000 and issue 700,000 common shares, and incur expenditures of \$3,000,000 on the Elsiar Property over a period of five years. The Company is entitled to earn a further 15% interest in the Elsiar Property, for an aggregate 75% interest, by making all expenditures required to deliver a bankable feasibility study on the property by no later than May 4, 2016. Upon satisfying the terms of the Agreement, the company and the vendor will be deemed to have formed a joint venture between the parties.

The property is subject to a 1.0% net smelter returns royalty ("NSR") which may be bought out by the joint venture for \$1,000,000 at any time following a decision to take the property into commercial production.

In order to maintain the option in good standing pursuant to the Agreement, the Company is required to make the following payments to Eagle Plains:

| Due Date | Cash Payment | Post-subdivided Shares | Expenditures |
|--------------|---------------------------|---------------------------|---------------------|
| May 4, 2008 | \$ 20,000 (<i>paid</i>) | 100,000 (<i>issued</i>) | |
| May 4, 2009 | \$ 25,000 | 100,000 | \$ 200,000 |
| May 4, 2010 | \$ 25,000 | 100,000 | \$ 300,000 |
| May 4, 2011 | \$ 50,000 | 100,000 | \$ 500,000 |
| May 4, 2012 | \$ 120,000 | 100,000 | \$ 750,000 |
| May 4, 2013 | \$ 260,000 | 200,000 | \$ 1,250,000 |
| Total | \$ 500,000 | 700,000 | \$ 3,000,000 |

The Company has incurred the following acquisition costs for the Elsiar Property:

| | | |
|-------------------------------------|-----------|----------------|
| Option payments | \$ | 33,000 |
| Finders fees | | 7,500 |
| Legal and professional fees | | 91,464 |
| Balance – September 30, 2008 | \$ | 131,964 |

During the three and six months ended September 30, 2008, the Company incurred the following exploration expenses for the Elsiar Property:

| | | |
|---------------------------------------|-----------|----------------|
| Geo Chemistry | \$ | 46,017 |
| Geological, mining & other consulting | | 88,789 |
| Travel | | 44,402 |
| Equipment rental & Supplies | | 11,839 |
| Other expenses | | 7,740 |
| Total | \$ | 198,787 |

No exploration expenses were incurred for the three and six months ended September 30, 2007.

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7. Share Capital and Contributed Surplus

a) Details are as follows:

| | Number of Shares | | Capital Stock | | Contributed Surplus |
|---|---------------------|----|------------------|----|------------------------|
| Authorized: | | | | | |
| Unlimited common shares without par value | | | | | |
| Issued and outstanding: | | | | | |
| Balance – March 31, 2007 | 2,240,000 | \$ | 112,000 | \$ | -- |
| Shares issued for capital | 200,000 | | 10,000 | | -- |
| Share issuance for initial public offering | 2,000,000 | | 200,000 | | -- |
| Share issuance costs | -- | | (56,512) | | -- |
| Agent’s warrants issued as share issuance costs | -- | | (11,653) | | 11,653 |
| Stock-based compensation | -- | | -- | | 8,048 |
| Agent’s warrants exercised | 2,000 | | 200 | | -- |
| Fair value of agent’s warrants exercised | -- | | 117 | | (117) |
| Balance – March 31, 2008 | 4,442,000 | \$ | 254,152 | \$ | 19,584 |
| Units issued for private placements (non-flow through) | 11,350,000 | | 764,333 | | 370,667 |
| Units issued for private placements (flow through) | 2,000,000 | | 134,684 | | 65,316 |
| Share issuance costs | -- | | (37,880) | | -- |
| Shares issued for option payment | 100,000 | | 13,000 | | -- |
| Balance – September 30, 2008 | 17,892,000 | \$ | 1,128,289 | \$ | 455,567 |

Effective on April 4, 2008, all common shares were split on a two-for-one basis. Accordingly, the comparative number of shares and per share amounts has been retroactively adjusted to reflect the two-for-one split.

During the six months ended September 30, 2008, the Company completed a non-brokered private placement of 11,350,000 units of the Company at a price of \$0.10 per unit, for gross proceeds of \$1,135,000. In addition, the Company completed a non-brokered private placement of 2,000,000 units of flow-through financing at a price of \$0.10 per unit, for gross proceeds of \$200,000. Units of both the non-flow through units and the flow through units consist of one common share and common share purchase warrant. Each warrant will entitle the holder to acquire one additional common share of the Company at a price of \$0.195 a share and expire April 22, 2010.

b) Stock Options

On March 26, 2007 shareholders approved an incentive stock option plan (the “Plan”) whereby the Company may grant stock options to eligible employees, officers, directors and consultants at an exercise price and vesting term to be determined by the board of directors. The Plan provides for the issuance of up to 10% of the Company’s issued common shares as at the date of the grant.

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A summary of the Company's options, which includes options issued under the Company's stock option plan at September 30, 2008 and the changes for the period are as follows:

| | Number of Options | Weighted average exercise price |
|---|----------------------|------------------------------------|
| Options outstanding at March 31, 2008 and September 30, 2008 | 100,000 | \$0.10 |

On April 22, 2008, three of the Company's directors resigned. As a result, the 60,000 stock options granted to these directors now expire April 22, 2009. The remaining 40,000 options granted during 2007 continue to expire on July 31, 2012.

A summary of the Company's options as of September 30, 2008 is as follows:

| Number | Vested | Price per Share | Expiry Date |
|---------|---------|-----------------|----------------|
| 60,000 | 60,000 | \$0.10 | April 22, 2009 |
| 40,000 | 40,000 | \$0.10 | July 31, 2012 |
| 100,000 | 100,000 | | |

c) Share Purchase Warrants

During the six months ended September 30, 2008, the Company granted 13,350,000 (2007 – 200,000) warrants with a fair market value of \$435,983 (2007 – \$11,653). The fair value of the warrants was determined using the Black-Scholes pricing model using the following assumptions:

| | Sept. 30, 2008 | Sept. 30, 2007 |
|---------------------------------|----------------|----------------|
| Expected dividend yield | 0.00% | 0.00% |
| Expected stock price volatility | 110% | 110% |
| Risk-free interest rate | 2.64% | 4.50% |
| Expected life of warrants | 2 years | 5 years |

A summary of the Company's warrants and the changes for the period are as follows:

| | Number of Warrants |
|--|--------------------|
| Warrants outstanding at March 31, 2007 | -- |
| Issued | 200,000 |
| Exercised | (2,000) |
| Warrants outstanding at March 31, 2008 | 198,000 |
| Issued | 13,350,000 |
| Warrants outstanding at September 30, 2008 | 13,548,000 |

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A summary of the Company's warrants as of September 30, 2008 is as follows:

| Number | Price per Share | Expiry Date |
|------------|-----------------|----------------|
| 198,000 | \$0.10 | July 31, 2009 |
| 13,350,000 | \$0.195 | April 22, 2010 |
| 13,548,000 | | |

d) Escrow Shares and Warrants

Included in share capital are 11,184,000 (March 31, 2008 – 2,240,000) common shares held in escrow. These common shares will be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V (released) and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

Included in warrants outstanding are 8,856,000 (March 31, 2008 – nil) warrants held in escrow. These warrants will be released pro-rata to the holders as to 10% of the warrants upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V (released) and the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. Any common shares acquired by the holders of these warrants upon exercise will also fall under the terms of the subject escrow agreement.

8. Related Party Transactions

During the three months ended June 30, 2008, legal fees of \$15,715 (2007 - \$3,800) were incurred with Paul Visosky, a former director of the Company, who resigned effective April 22, 2008. During the three months ended September 30, 2008, no transactions (2007 - \$11,064) were entered into with this related party. The legal fees for the six months ending September 30, 2008 were classified as \$11,000 in mineral properties (2007 - \$nil), \$3,928 (2007 - \$11,064) in share issuance costs, and \$787 (2007 - \$3,800) in professional fees.

During the three and six months ended September 30, 2008, rent of \$1,953 (2007 - \$nil) was charged by Pathway Capital Ltd., a firm with a Director in common. As of September 30, 2008 the Company owed this related party \$1,953 (March 31, 2008 - \$nil).

The transactions have been recorded at their exchange amount, which is the amount of consideration agreed upon by the related parties.

9. Segmented Information

The Company operates in Canada as a mineral exploration company.
