SANDSTORM
RESOURCES LTD.

Interim Financial Statements
December 31, 2008

Unaudited

SANDSTORM RESOURCES LTD.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Period Ended December 31, 2008

This management's discussion and analysis ("MD&A") should be read in conjunction with the unaudited interim financial statements for the period ended December 31, 2008. The information contained within this MD&A is current to February 12, 2009 and is stated in Canadian dollars.

The financial statements of Sandstorm Resources Ltd. ("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

<u>Option Agreement with Eagle Plains Resources Ltd</u>

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.

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.

On February 6, 2009, the Company amended the timing of share payments and exploration commitments over the period of five years per the Agreement. The total share payments and exploration commitment have not changed.

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.

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.

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:

	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008	Mar. 31, 2008
Interest and other Income	$ 9,117	$ 10,310	$ 10,153	$ 1,422
Net loss for the period	(36,854)	(239,690)	(4,545)	(27,670)
Net loss per share	(0.00)	(0.01)	(0.00)	(0.02)
Total assets	1,290,010	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	--	--	--	--

ANALYSIS OF THIRD QUARTER RESULTS

During the nine months ended December 31, 2008, the Company experienced a loss of $281,089 (2007 - $33,933) due primarily to exploration of $200,000 (2007 - $nil) on the Elsiar property and the Company incurred $12,000 (2007 - $nil) for professional fees for the review of its financial statements.

The Company experienced a loss of $36,854 during the three months ended December 31, 2008. This loss is mainly attributable to $14,620 of legal costs and professional fees for the review of the December 31, 2008 financial statement and $19,265 of general and administration expenses which include rental and website development costs.

The loss incurred during the three months ended December 31, 2007 resulted from $2,735 in professional fees.

The loss incurred for the three months ended September 30, 2008 resulted from $198,787 in exploration costs for the Elsiar property, $10,000 in investor relations and market research, and $11,950 in transfer agent and filing fees.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2008 the Company had cash of $1,119,891 (March 31, 2008 - $1,360,271) and working capital of $1,095,935 (March 31, 2008 - $1,312,317). Cash decreased consistent from March 31, 2008 due to exploration costs incurred on the Elsiar property.

In order to maintain the option in good standing pursuant to the Agreement, the Company is required to make payments to Eagle Plains. On February 6, 2009 the Company’s share payments and expenditure commitments were amended to the following:

Due Date	Cash Payment	Post-subdivided Shares	Expenditures
May 4, 2008	$ 20,000 *(paid)*	100,000 *(issued)*	
May 4, 2009	25,000	100,000	$ 200,000 *(completed)*
May 4, 2010	25,000	100,000	50,000
May 4, 2011	50,000	150,000	500,000
May 4, 2012	120,000	100,000	1,000,000
May 4, 2013	260,000	200,000	1,250,000
Total	**$ 500,000**	**750,000**	**$ 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 February 12, 2009. 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. At February 12, 2009, 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.

In addition, the Company has 13,350,000 share purchase warrants outstanding as at February 12, 2009 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

The Company entered into transactions with related parties during the nine month period ended December 31, 2008 as follows:

a) Paid or accrued legal fees of $15,715 (2007 - $16,099) respectively to a former director of the Company, Paul Visosky. The legal fees were recorded as $11,000 in mineral property (2007 - $nil), $3,928 in share issuance costs (2007 - $11,064), and $787 in professional fees (2007 - $5,035).

b) Paid or accrued rent of $7,912 (2007 - $nil) respectively to a company controlled by Marcel de Groot, a director in common.

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

		December 31, 2008		March 31, 2008
ASSETS				
Current				
Cash	$	1,119,891	$	1,360,271
Receivables		25,938		7,579
Prepaid expenses		10,286		--
		1,156,115		1,367,850
Deferred charges		--		102,982
Equipment		3,255		--
Mineral property *(Note 6)*		131,640		--
	$	1,291,010	$	1,470,832

		December 31, 2008		March 31, 2008
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	60,180	$	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		(353,026)		(71,937)
		1,230,830		1,415,299
	$	1,291,010	$	1,470,832

Nature of operations *(Note 1)*

ON BEHALF OF THE BOARD:

"Nolan Watson" , Director

"David Awram" , Director

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

SANDSTORM RESOURCES LTD.

Interim Statements of Loss, Comprehensive Loss and Deficit

Unaudited

	Three Months Ended December 31, 2008	Three Months Ended December 31, 2007	Nine Months Ended December 31, 2008	Nine Months Ended December 31, 2007
Expenses				
Amortization	$ 450	$ --	$ 758	$ --
General and administrative	19,265	107	37,256	659
Exploration *(Note 6)*	1,213	--	200,000	--
Professional fees	14,620	2,735	39,006	10,047
Stock-based compensation	--	--	--	8,048
Transfer agent and filing fees	4,416	1,069	23,130	17,683
Travel	6,007	473	10,520	473
Total Expenses	(45,971)	(4,384)	(310,670)	(36,910)
Other Item				
Interest income	9,117	1,464	29,581	2,977
Loss and comprehensive loss for the Period	(36,854)	(2,920)	(281,089)	(33,933)
Deficit - Beginning of Period	(316,172)	(41,347)	(71,937)	(10,334)
Deficit - End of Period	$ (353,026)	$ (44,267)	$ (353,026)	$ (44,267)
Loss per Share - Basic and Diluted	$ (0.00)	$ (0.00)	$ (0.02)	$ (0.01)
Weighted Average Number of Common Shares	17,892,000	4,441,804	16,816,000	3,500,968

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

SANDSTORM RESOURCES LTD.

Interim Statements of Cash Flows

Unaudited

	Three Months Ended December 31, 2008	Three Months Ended September 30, 2007	Nine Months Ended December 31, 2008	Six Months Ended September 30, 2007
Cash Provided By (Used In):				
Operating Activities				
Loss for the period	$ (36,854)	$ (2,920)	$ (281,089)	$ (33,933)
Items not affecting cash:				
Amortization	450	--	758	--
Stock-based compensation	--	--	--	8,048
Changes in non-cash working capital:				
Receivables	(1,984)	(125)	(18,359)	(2,822)
Prepaid expenses	3,979	--	(9,858)	--
Accounts payable and accrued liabilities	(143,061)	2,399	40,541	(7,400)
	(177,470)	(646)	(268,007)	(36,107)
Investing Activities				
Equipment	--	--	(4,013)	--
Mineral property costs	324	--	(78,142)	--
	324	--	(82,155)	--
Financing Activities				
Share issue proceeds	--	200	121,500	210,200
Share issuance costs	--	--	(11,718)	(56,512)
	--	200	109,782	153,688
Net Increase (Decrease) in Cash	(177,146)	(446)	(240,380)	117,581
Cash – Beginning of Period	1,297,037	230,024	1,360,271	111,997
Cash - End of Period	$ 1,119,891	$ 229,578	$ 1,119,891	$ 229,578
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 -

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.

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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.

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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.

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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.

4. Change in Generally Accepted Accounting Principles - *Continued*

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 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.

4. Change in Generally Accepted Accounting Principles - *Continued*

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 is classified as "Held-for-Trading". Due to its short-term nature, its carrying value equals its fair value.
- Receivables are classified as "Loans and Receivables".
- 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 *(Note 6)*, 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 receivables. The Company holds its cash 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 December 31, 2008, the portion of cash invested in a foreign currency was 4%. 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.

5. Fair Value of Financial Instruments - *Continued*

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

6. Mineral Property

The Company entered into a property option agreement, amended on February 6, 2009, 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, 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 *(paid)*	100,000 *(issued)*	
May 4, 2009	$ 25,000	100,000	$ 200,000 *(completed)*
May 4, 2010	$ 25,000	100,000	$ 50,000
May 4, 2011	$ 50,000	150,000	$ 500,000
May 4, 2012	$ 120,000	100,000	$ 1,000,000
May 4, 2013	$ 260,000	200,000	$ 1,250,000
Total	**$ 500,000**	**750,000**	**$ 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	91,140
Balance – December 31, 2008	**$ 131,640**

6. Mineral Property – *Continued*

During the three months ended December 31, 2008, the Company incurred $1,213 of exploration expenses. During the nine months ended December 31, 2008, the Company incurred the following exploration expenses for the Elsiar Property:

Geo Chemistry	$	46,017
Geological, mining & other consulting		89,272
Travel		8,806
Equipment rental & Supplies		47,875
Other expenses		8,030
Total	**$**	**200,000**

No exploration expenses were incurred for the three and nine months ended December 31, 2007.

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 – December 31, 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.

7. Share Capital and Contributed Surplus - *Continued*

During the nine months ended December 31, 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 one 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 September 12, 2008 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.

A summary of the Company's options, which includes options issued under the Company's stock option plan at December 31, 2008 and the changes for the period are as follows:

	Number of Options	Weighted average exercise price
Options outstanding at March 31, 2008 and December 31, 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 December 31, 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 nine months ended December 31, 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:

	Dec. 31, 2008	**Dec. 31, 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

7. Share Capital and Contributed Surplus - *Continued*

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 December 31, 2008	13,548,000

A summary of the Company's warrants as of December 31, 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 9,320,000 (March 31, 2008 – 2,240,000) common shares held in escrow. These common shares will be released pro-rata to the shareholders in five equal tranches of 15% every six months from October 24, 2008. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

Included in warrants outstanding are 7,380,000 (March 31, 2008 – nil) warrants held in escrow. These warrants will be released pro-rata to the holders in five equal tranches of 15% 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.

8. Related Party Transactions

The Company entered into transactions with related parties during the nine month period ended December 31, 2008 as follows:

c) Paid or accrued legal fees of $15,715 (2007 - $16,099) to a former director of the Company. The legal fees were recorded as $11,000 in mineral property (2007 - $nil), $3,928 in share issuance costs (2007 - $11,064), and $787 in professional fees (2007 - $5,035).

d) Paid or accrued rent of $7,912 (2007 - $nil) to a company with a Director in common.

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

9. Subsequent Event

On January 21, 2009, the Company renounced $200,000 of exploration expenses to the flow-through shareholders. Accordingly, the Company's share capital will be reduced by $60,750, the future income tax liability incurred with the renouncement. The future income tax liability will be reversed with the Company's valuation allowance, which will result in a future income tax recovery of $60,750.