CADAN RESOURCES CORPORATION
(formerly Sur American Gold Corporation)

Consolidated Financial Statements
December 31, 2008 and 2007

CADAN RESOURCES CORPORATION
916 – 925 West Georgia Street
Vancouver, BC V6C 3L2 Canada
Tel: (604) 687-0760
Fax: (604) 687-0710
Email: info@CadanResources.com
www.CadanResources.com
Symbol: CNF-TSXV

MANAGEMENT REPORT

Management is responsible for preparing the Company's consolidated financial statements and the other information that appears in this annual report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and reasonably present the Company's consolidated financial condition and results of operations in conformity with Canadian generally accepted accounting principles. Management has included in the Company's consolidated financial statements amounts that are based on estimates and judgments, which it believes are reasonable under the circumstances.

The Company maintains a system of internal accounting policies, procedures and controls intended to provide reasonable assurance, at appropriate cost, that transactions are executed in accordance with Company authorization and are properly recorded and reported in the financial statements, and that assets are adequately safeguarded.

Smythe Ratcliffe LLP audits the Company's consolidated financial statements in accordance with generally accepted auditing standards in Canada.

Cadan Resources Corporation's Board of Directors has an Audit Committee comprised of non-management directors. The Committee meets with financial management and the independent auditors to review internal accounting controls and accounting, auditing and financial reporting matters.

"Brett Taylor" (signed)

Brett Taylor
Chief Executive Officer

April 15, 2009

AUDITORS' REPORT

TO THE SHAREHOLDERS OF CADAN RESOURCES CORPORATION
(formerly Sur American Gold Corporation)

We have audited the consolidated balance sheets of Cadan Resources Corporation (formerly Sur American Gold Corporation) as at December 31, 2008 and 2007 and the consolidated statements of operations, shareholders' equity 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.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
April 2, 2009

7th Floor, Marine Building
355 Burrard Street, Vancouver, BC
Canada V6C 2G8

Fax: 604.688.4675
Telephone: 604.687.1231
Web: SmytheRatcliffe.com

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CADAN RESOURCES CORPORATION
(formerly Sur American Gold Corporation)
Consolidated Balance Sheets
December 31

	2008	2007
Assets		
Current		
Cash and cash equivalents	$ 743,203	$ 3,300,369
Amounts receivable and advances	18,819	22,097
Prepaid expenses	133,896	148,982
	895,918	3,471,448
Investments in and Expenditures on Resource Properties (note 4)	15,095,683	10,994,746
Property, Plant and Equipment (note 5)	231,445	273,814
	$ 16,223,046	$ 14,740,008
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 301,215	$ 204,646
Due to related parties (note 8)	226,815	69,744
	528,030	274,390
Non-Controlling Interest in Affiliates	84,860	83,751
	612,890	358,141
Shareholders' Equity		
Share Capital (note 6)	28,584,195	26,581,445
Contributed Surplus	4,314,298	4,268,448
Deficit	(17,288,337)	(16,468,026)
	15,610,156	14,381,867
	$ 16,223,046	$ 14,740,008

Going-Concern and Nature of Operations (note 1)
Subsequent Event (note 11)

Approved by the Board:

"Brett Taylor"
……………………………………………………… Director
Brett Taylor

"Doug Evans"
……………………………………………………… Director
Doug Evans

CADAN RESOURCES CORPORATION
(formerly Sur American Gold Corporation)
Consolidated Statements of Operations
Years Ended December 31

	2008	2007
Expenses		
Consulting fees (note 8)	$ 315,283	$ 208,547
Legal and professional	187,197	191,068
Regulatory and shareholder costs	98,886	118,455
Foreign exchange loss	72,294	25,252
Office and miscellaneous	55,110	97,581
Stock-based compensation (note 6(c))	45,850	1,021,664
Rent	41,072	23,748
Travel and accommodation	32,129	61,726
Bank charges and interest	18,089	15,984
Website	10,912	-
Salaries and benefits	-	27,980
Depreciation and amortization	10,910	3,030
Loss Before Other Items	887,732	1,795,035
Other Items		
Loss on disposal of assets, net	-	14,155
Write-off deposit on real property	-	83,825
Interest income	(68,530)	(41,360)
Loss Before Non-Controlling Interest	819,202	1,851,655
Non-Controlling Interest	1,109	(23,670)
Net Loss and Comprehensive Loss for Year	$ 820,311	$ 1,827,985
Loss Per Share – basic and diluted	$ 0.01	$ 0.02
Weighted Average Number of Common Shares Outstanding	121,543,786	90,216,616

CADAN RESOURCES CORPORATION
(formerly Sur American Gold Corporation)
Consolidated Statements of Shareholders' Equity
Years Ended December 31

	Number of Shares Issued	Share Capital	Share Subscriptions Received	Contributed Surplus	Deficit	Shareholders' Equity
Balance at December 31, 2006	81,410,589	$ 20,779,686	$ 1,155,000	$ 3,079,885	$ (14,640,041)	$ 10,374,530
Stock-based compensation	-	-	-	1,188,563	-	1,188,563
Common shares issued for cash ($0.15 per share)	36,300,000	6,105,000	(1,155,000)	-	-	4,950,000
Share issue costs	-	(303,241)	-	-	-	(303,241)
Net loss for year	-	-	-	-	(1,827,985)	(1,827,985)
Balance at December 31, 2007	117,710,589	26,581,445	-	4,268,448	(16,468,026)	14,381,867
Stock-based compensation (note 6(c))	-	-	-	45,850	-	45,850
Common shares issued for cash ($0.20 per share) (note 6(b))	10,000,000	2,000,000	-	-	-	2,000,000
Options exercised for cash ($0.11 per share) (note 6(b))	25,000	2,750	-	-	-	2,750
Net loss for year	-		-	-	(820,311)	(820,311)
Balance at December 31, 2008	127,735,589	$ 28,584,195	$ -	$ 4,314,298	$ (17,288,337)	$ 15,610,156

See notes to consolidated financial statements.

CADAN RESOURCES CORPORATION
(formerly Sur American Gold Corporation)
Consolidated Statements of Cash Flows
Years Ended December 31

		2008		2007
Operating Activities				
Net loss	$	(820,311)	$	(1,827,985)
Items not involving cash				
Depreciation and amortization		10,910		3,030
Unrealized loss on foreign exchange		(23,111)		(8,801)
Stock-based compensation (note 6©)		45,850		1,021,664
Non-controlling interest		1,109		(23,670)
Loss on disposal of fixed assets		-		14,155
		(785,553)		(821,607)
Changes in non-cash working capital				
Amounts receivable and advances		3,278		44,595
Prepaid expenses		15,086		(14,365)
Accounts payable and accrued liabilities		253,640		35,101
		272,004		65,331
Cash Used in Operating Activities		(513,549)		(756,276)
Investing Activities				
Deferred exploration costs (note 4)		(4,008,185)		(2,052,896)
Proceeds from sale of assets		-		7,500
Purchase of capital assets		(61,293)		(3,699)
Cash Used in Investing Activities		(4,069,478)		(2,049,095)
Financing Activities				
Proceeds from issuances of common shares		2,002,750		4,950,000
Share issue costs paid		-		(218,875)
Cash Provided by Financing Activities		2,002,750		4,731,125
Foreign Exchange Effect on Cash		23,111		8,801
Inflow (Outflow) of Cash		(2,557,166)		1,934,555
Cash and Cash Equivalents, Beginning of Year		3,300,369		1,365,814
Cash and Cash Equivalents, End of Year	$	743,203	$	3,300,369
Cash and Cash Equivalents consists of:				
Cash	$	367,535	$	789,369
Cash equivalents		375,668		2,511,000
	$	743,203	$	3,300,369
Supplemental Cash Flow Information				
Non-cash investing activities				
Finders' warrants (note 6(d))	$	-	$	84,366
Stock-based compensation included in investments in and expenditures on resource properties	$	-	$	82,533
Interest paid	$	-	$	-
Taxes paid	$	-	$	-

1. GOING-CONCERN AND NATURE OF OPERATIONS

Cadan Resources Corporation (formerly Sur American Gold Corporation) (the "Company") is incorporated under the laws of British Columbia. The Company changed its name to **"**Cadan Resources Corporation**"** in 2007 and continued its incorporation from the federal laws of Canada under the *Canada Business Corporations Act* to the laws of British Columbia under the *Business Corporations Act* (British Columbia), as amended. Its principal business activity is natural resource exploration, presently focusing on unproven mineral interests located in the Philippines.

These consolidated financial statements are prepared on a going-concern basis, which contemplates that the Company will continue to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not give effect to adjustments that could be material and would be necessary should the Company be unable to continue as a going-concern.

For the year ended December 31, 2008, the Company incurred a net loss of $820,311 (2007 - $1,827,985). At December 31, 2008, the Company had a deficit of $17,288,337 (2007 - $16,468,026).The Company's ability to continue in operation is dependent on its ability to secure additional financing to fund planned exploration and its ongoing administrative expenditures, and while it has been successful in doing so in the past, there can be no assurance that it will be able to do so in the future.

Mining and exploration involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The Company has no source of revenue, and has significant cash requirements to conduct its planned explorations, meet its administrative overhead and maintain its mineral interests.

The value of the Company's investment in and expenditures on resource properties is dependent on several factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development of these properties, and future profitable production or proceeds from disposition of mineral interests.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following:

(a) Principles of consolidation

These financial statements include the accounts of the Company, its wholly-owned subsidiaries, Exploradora La Esperanza S.A. (a Colombian company), and Sabena Limited (an Australian company), and the accounts of partially-owned affiliates, PhiIco Mining Corporation ("Philco"), Batoto Resources Corporation ("Batoto"), TMC Tribal Mining Corporation ("TMC") and Sunbird Philippines Holdings Inc, referred throughout the financial statements as the "Philippine companies". The Company owns 40% of each of the Philippine companies. These companies have been consolidated as they meet the criteria for variable interest entities (note 2(m)). All significant intercompany balances and transactions have been eliminated.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) 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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include valuation of resource properties, rates of amortization, accrued liabilities, valuation allowance for future tax assets and the variables used in the calculation of stock-based compensation expense. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(c) Cash and cash equivalents

The Company considers cash and cash equivalents to be cash and short-term investments with original maturities of three months or less from date of acquisition and which are readily convertible into known amounts of cash.

(d) Property, plant and equipment

Property, plant and equipment are recorded at cost and amortized using the straight-line method at the following annual rates:

Buildings	- 4%
Transportation and plant equipment	- 20 to 30%
Office furniture and equipment	- 10 to 33%
Vehicles	- 20%

(e) Foreign currency translation

The Company's functional and reporting currency is the Canadian dollar.

Amounts recorded in foreign currency are translated into Canadian dollars as follows:

(i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet dates;

(ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of the assets or assumption of the liabilities; and

(iii) Revenues and expenses (excluding amortization, which is translated at the same rate as the related asset), at the average quarterly rates of exchange during the year.

Gains and losses arising from the translation of foreign currency are included in net loss for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition

Interest income is recognized on an as-earned basis.

(g) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or mineral properties, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(h) Warrants

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on the market trading price of the common shares at the time the units are priced, and any excess is allocated to warrants.

(i) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

(j) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities classified as held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets classified as held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Financial instruments classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition. When a decline in the fair value of an available-for-sale financial asset has been recognized in comprehensive income, and there is objective evidence that the impairment is other than temporary, the cumulative loss that had been previously recognized in accumulated other comprehensive income is removed from accumulated other comprehensive income and recognized in net income even though the financial asset has not been derecognized.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments.

Comprehensive income or loss is defined as the change in equity from transactions and other events from sources other than the Company's shareholders that are excluded from the calculation of net income (loss) calculated in accordance with Canadian GAAP.

(l) Deferred exploration costs

The Company records deferred exploration costs, which consist of costs attributable to the exploration of mineral property interests, at cost. All direct and indirect costs relating to the acquisition and exploration of the resource interests are capitalized on the basis of specific claim blocks until the resource interests to which they relate are placed into production, the resource interests are disposed of through sale or where management has determined there to be an impairment. If a resource interest is abandoned, the resource interests and deferred exploration costs will be written off to operations in the period of abandonment.

On an ongoing basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject property.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Variable interest entities

The Company follows the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 15 ("AcG-15"), "Consolidation of Variable Interest Entities". AcG-15 requires the Company to consider whether it holds interests in other entities that expose the Company to the majority of the financial risk of those entities. In cases where the Company determines it is the "primary beneficiary" of another entity, consolidation of that entity is required (see note 2(a)).

(n) Adoption of new accounting standards

Effective January 1, 2008, the Company adopted the following standards of the CICA Handbook.

(i) Capital Disclosures

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital and disclose whether it has complied with any capital requirements to which it is subject and the consequences of non-compliance. Other than additional disclosure in note 9, this section does not significantly affect the consolidated financial statements of the Company.

(ii) Financial Instruments - Disclosures and Financial Instruments - Presentation

Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial Instruments – Presentation", replace Handbook Section 3861, "Financial Instruments – Disclosures and Presentation", revising its disclosure requirements, and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity's financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

Other than additional disclosure in note 3, adoption of these standards does not significantly affect the financial statements of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Future accounting changes

(i) International Financial Reporting Standards ("IFRS")

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 January 1, 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The IFRS standards will be effective for the Company for interim and fiscal period reporting commencing January 1, 2011. The effective date will require the restatement for comparative purposes of amounts reported by the Company for the interim periods and for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

(ii) Business Combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new section apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Future accounting changes (continued)

(iii) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 20, 2009, the Emerging Issues Committee ("EIC") of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which clarifies that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments. EIC-173 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-173. The Company will adopt this recommendation in its fair value determinations effective January 1, 2009 and is currently assessing the impact of this change on its consolidated financial statements.

(iv) Mining Exploration Costs

In March 2009, the EIC issued EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties. It also provides guidance for development and exploration stage entities that cannot estimate future cash flows from its properties in assessing whether impairment in such properties is required. EIC-174 also provides additional discussion on recognition for long-lived assets. EIC-174 is to be applied retrospectively without restatement of prior periods in interim and annual financial statements for periods ending on or after the date of issuance of EIC-174. The Company will adopt this recommendation in its fair value determinations effective January 1, 2009 and is currently assessing the impact of this change on its consolidated financial statements.

3. FINANCIAL INSTRUMENTS

The Company has classified its cash and cash equivalents as held-for-trading; amounts receivable and advances as loans and receivables; and accounts payable and accrued liabilities, and due to related parties as other financial liabilities.

The carrying values of cash and cash equivalents, amounts receivable and advances, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to the short-term maturity of these financial instruments.

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

(a) Credit risk

Financial assets exposed to credit risk consist primarily of cash and cash equivalents and amounts receivable and advances. Cash of $427,019 is placed with a major chartered Canadian bank, $313,495 is placed with several major Philippine financial institutions, $2,025 is placed with a Colombian financial institution and $664 is placed with an Australian financial institution. Amounts receivables of $15,003 are due from the Canadian Revenue Agency for Goods and Services Tax ("GST") refundable and the remaining $3,816 are advances for work to be performed.

3. FINANCIAL INSTRUMENTS (Continued)

(b) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities. The Company has a $375,668 guaranteed investment certificate (“GIC”) that matures on November 24, 2009 and earns interest at 1.7% per annum. The Company can withdraw funds from the guaranteed investment certificate, as needed, without penalty. An increase or decrease by 0.5% in the interest rates of similar instruments would have a nominal effect on the fair value of the GIC.

(c) Currency risk

The Company’s investments in mineral properties require it to make expenditures in Philippine pesos in relation to its exploration activities. The Company’s ability to make necessary payments will be affected by foreign currency fluctuations. As at December 31, 2008, cash included $313,495 (2007 - $543,182) denominated in Philippine pesos, $664 (2007 - $5,612) denominated in Australian dollars and $2,025 denominated in Colombian pesos (2007 - $12,434). The Company manages foreign exchange risk by only holding funds in foreign currencies for short-term requirements of no more than two months. The results of reasonably expected fluctuations in the Philippine peso during a two-month period would not have a material effect on the consolidated financial statements of the Company. The Company does not utilize derivatives to mitigate currency risk.

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet its liabilities when due. The Company manages its liquidity risk by forecasting cash flows required by operations and anticipated investing and financing activities. At December 31, 2008, the Company had cash and cash equivalents of $743,203, amounts receivable and advances of $18,819, and accounts payable and accrued liabilities of $301,215. The accounts payable and accrued liabilities are all due within six months of the year-end. The Company will require significant cash funding to conduct its exploration programs, meet its administrative overhead costs and maintain its mineral interests in 2009. This will require the Company to obtain additional financing in 2009. In February 2009, the Company announced a non-brokered private placement of up to 33,333,333 common shares at a price of $0.06 per share for gross proceeds of up to $2,000,000.

4. INVESTMENTS IN AND EXPENDITURES ON RESOURCE PROPERTIES

(a) Permits and licenses

Through its subsidiaries and the Philippine companies, the Company has interests in certain permits and licenses to explore and develop mineral properties located in the Philippines described below:

(i) Panag, Suriganon, Tagpura and Camanlangan are located in the Municipality of New Bataan, Compostela Valley Province, Philippines. The Cadan area lies partly in New Bataan but mostly in the Municipality of Nabunturan, Compostela Valley Province.

4. INVESTMENTS IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(a) Permits and licenses (continued)

(ii) Batoto, Barangay Camanlangan, Municipality of New Bataan, Compostela Valley Province, Philippines

There are no royalties payable to the government of the Philippines as the properties are located in an indigenous area. The indigenous peoples will, upon commercial production, be given a royalty equivalent to 1% of the operating cost of any operation. There are no annual work commitments.

(iii) T'boli, Barangay Kematu, Municipality of T'boli, South Cotabato Province, Philippines

There is a 2% mineral royalty payable to the government of the Philippines in respect of any future mineral production.

(b) Expenditures on resource properties

2008	Panag, Suriganon and Tagpura	Batoto	T'Boli	Total
Acquisition costs	$ 1,037,981	$ 1,038,101	$ 1,041,061	$ 3,117,143
Deferred exploration costs Balance, beginning of year	3,577,130	3,074,257	1,250,118	7,901,505
Incurred during year				
Assaying	168,888	-	1,124	170,012
Community development	49,674	87,159	29,524	166,357
Consultants	182,998	77,195	230,200	490,393
Depreciation and amortization	76,058	9,538	7,156	92,752
Drilling costs	1,479,577	-	-	1,479,577
Exploration and mineral processing	182,515	114,318	1,891	298,724
Field supplies and miscellaneous	143,286	435,906	246,291	825,483
Taxes, licenses and fees	85,900	2,102	2,139	90,141
Geological	96,934	-	-	96,934
Transportation and travel	180,511	117,301	68,850	366,662
Deferred exploration costs Total for year	2,646,341	843,519	587,175	4,077,035
Deferred exploration costs Balance, end of year	6,223,471	3,917,776	1,837,293	11,978,540
Balance, December 31, 2008	$ 7,261,452	$ 4,955,877	$ 2,878,354	$ 15,095,683

4. INVESTMENTS IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(b) Expenditures on resource properties (continued)

2007	Panag, Suriganon and Tagpura	Batoto	T'Boli	Total
Acquisition costs	$ 1,037,981	$ 1,038,101	$ 1,017,159	$ 3,093,241
Deferred exploration costs Balance, beginning of year	2,210,469	2,375,001	1,025,388	5,610,858
Incurred during year				
Assaying	191,762	151,667	-	343,429
Community development	23,534	45,840	14,240	83,614
Consultants	186,600	198,801	107,972	493,373
Depreciation and amortization	141,391	7,238	6,589	155,218
Drilling costs	377,098	-	-	377,098
Exploration and mineral processing	169,352	81,561	5,422	256,335
Field supplies and miscellaneous	91,299	183,189	71,029	345,517
Taxes, licenses and fees	-	1,990	-	1,990
Geological	99,508	-	-	99,508
Transportation and travel	86,117	28,970	19,478	134,565
Deferred exploration costs Total for year	1,366,661	699,256	224,730	2,290,647
Deferred exploration costs Balance, end of year	3,577,130	3,074,257	1,250,118	7,901,505
Balance, December 31, 2008	$ 4,615,111	$ 4,112,358	$ 2,267,277	$ 10,994,746

(c) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company. Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

4. INVESTMENTS IN AND EXPENDITURES ON RESOURCE PROPERTIES (Continued)

(d) Realization of assets

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore. The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the permits and licenses are allowed to lapse.

(e) Title to resource property interests

Although the Company has taken steps to verify the title to resource properties in which it has an interest through its permits and licenses, 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 defects.

5. PROPERTY, PLANT AND EQUIPMENT

		2008	
	Cost	Accumulated Amortization	Net
Land	$ 24,224	$ -	$ 24,224
Buildings	151,590	17,590	134,000
Vehicles and exploration equipment	476,245	442,816	33,429
Construction in progress	25,284	-	25,284
Office furniture and equipment	51,267	47,629	3,638
Leasehold improvements	12,735	1,865	10,870
	$ 741,345	$ 509,900	$ 231,445

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

	2007		
	Cost	Accumulated Amortization	Net
Land	$ 7,177	$ -	$ 7,177
Buildings	151,590	11,059	140,531
Vehicles and exploration equipment	473,039	359,049	113,990
Office furniture and equipment	48,039	35,923	12,116
	$ 679,845	$ 406,031	$ 273,814

6. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value

(b) Issued

At December 31, 2008, 127,735,589 common shares were issued and outstanding.

On August 14, 2008, the Company completed a private placement involving the issuance of 10,000,000 units at $0.20 per unit for gross proceeds of $2,000,000. Each unit consists of one common share and one common share purchase warrant. The warrant entitles the holder to purchase an additional common share at a price of $0.30 for a period of 12 months. All securities in this private placement had a four-month hold period that expired on December 14, 2008.

On September 5, 2008, a consultant exercised his stock options to purchase 25,000 common shares for $0.11 per common share for gross proceeds of $2,750.

(c) Stock options

The Company has a stock option plan whereby the Board of Directors is authorized to grant options to a rolling ceiling of 10% of the issued and outstanding common shares of the Company.

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. The terms of the option and the option price are fixed by the directors at the time of grant subject to price restrictions imposed by the TSX Venture Exchange. Stock options awarded have a maximum term of five years and vest on the date of award.

6. SHARE CAPITAL (Continued)

(c) Stock options (continued)

As at December 31, 2008, and December 31, 2007, the following incentive stock options were outstanding and exercisable:

Expiry Date	Exercise Price	**2008**	**2007**
September 5, 2008	$ 0.11	-	65,000
December 11, 2008	$ 0.20	-	165,000
September 30, 2009	$ 0.20	1,462,500	1,462,500
August 17, 2010	$ 0.20	780,000	780,000
July 12, 2011	$ 0.20	520,000	520,000
July 24, 2012	$ 0.15	2,300,000	2,800,000
November 6, 2012	$ 0.15	5,872,500	5,872,500
April 15, 2013	$ 0.15	500,000	-
		11,435,000	11,665,000

Stock option transactions and the number of stock options outstanding and exercisable are summarized as follows:

	2008		**2007**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	11,665,000	$ 0.16	7,732,500	$ 0.46
Awarded	500,000	$ 0.15	8,672,500	$ 0.15
Cancelled	(500,000)	$ 0.15	-	-
Exercised	(25,000)	$ 0.11	-	-
Re-priced	-	-	(2,927,500)	$ 0.47
Re-priced	-	-	2,927,500	$ 0.20
Forfeited/expired	(205,000)	$ 0.38	(4,740,000)	$ 0.45
Outstanding and exercisable, end of year	11,435,000	$ 0.16	11,665,000	$ 0.16

Stock options held by officers, directors and employees of the Company expire 30 days following their departure from the Company.

6. SHARE CAPITAL (Continued)

(c) Stock options (continued)

On April 15, 2008, the Company, in accordance with its approved stock option plan, granted an aggregate of 500,000 incentive stock options to a consultant working for the Company. The exercise price of the options has been set at $0.15 and the options are exercisable for a period of 5 years.

On September 5, 2008, a consultant exercised his stock options to purchase 25,000 common shares for $0.11 for gross proceeds of $2,750.

During the year ended December 31, 2008, 705,000 options previously granted to consultants were cancelled and or expired.

Stock-based compensation expense

Options granted to employees and non-employees are accounted for using the fair value method. The fair value of stock options granted during 2008 is $45,850 ($0.09 per option) as estimated at the date of grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

Risk free rate	2.88%
Expected life	5 years
Expected volatility	72.41%
Expected dividend	nil
Expected forfeitures	nil

The fair value of the options issued has been recognized as stock-based compensation expense as the options vest on issue.

(d) Warrants

As at December 31, 2008, and December 31, 2007, the following share purchase warrants were outstanding and exercisable:

Expiry Date	Exercise Price	**2008**	**2007**
January 12, 2009 (expired)	$ 0.65*/$ 0.50**	3,300,000	3,300,000
August 18, 2009	$ 0.30	10,000,000	-
October 31, 2009	$ 0.30*/$ 0.20**	33,000,000	33,000,000
October 31, 2008	$ 0.15	-	2,918,333
		46,300,000	39,218,333

*if exercised in the first twelve months
**if exercised in the second twelve months

6. SHARE CAPITAL (Continued)

(d) Warrants (continued)

Share purchase warrant transactions and the number of share purchase warrants outstanding and exercisable are summarized as follows:

	2008		2007	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	39,218,333	$ 0.33	6,250,000	$ 0.75
Issued	10,000,000	$ 0.30	3,300,000	$ 0.65
Issued	-	-	33,000,000	$ 0.20/$ 0.30
Issued finders' warrants	-	-	2,918,333	$ 0.15
Expired	(2,918,333)	$ 0.15	(6,250,000)	$ 0.75
Outstanding, end of year	46,300,000	$ 0.32	39,218,333	$ 0.23

7. INCOME TAXES

	2008	2007
Income tax benefit computed at Canadian statutory rates	$ (223,000)	$ (624,000)
Temporary differences not recognized in year		
Non-deductible stock-based compensation	14,000	349,000
Other temporary differences	10,000	6,000
Share issue costs	(14,000)	-
Adjustment due to effective rate attributable to income taxes of other countries	(1,000)	-
Change in timing differences		
Resource property expenditures	58,000	27,000
Reduction (increase) of share issue costs	12,000	(71,000)
Other changes in timing differences	1,000	20,000
Effect on change in tax rate	2,000	489,000
Change in valuation allowance	141,000	(196,000)
Income tax benefit per financial statements	$ -	$ -

7. INCOME TAXES (Continued)

The significant components of the Company's future income tax assets and liabilities as at December 31, 2008 and 2007 are as follows:

	2008	2007
Income tax rate	28.00%	28.70%
Future income tax assets		
Tax loss carry-forwards	$ 349,000	$ 200,000
Temporary differences on assets	2,000	2,000
Share issue costs	45,000	71,000
Book value in excess of tax value of mineral properties	(46,000)	(27,000)
Valuation allowance	(350,000)	(246,000)
	$ -	$ -

As at December 31, 2008, the Company has non-capital losses of approximately $1,335,000 that may be applied against future income for income tax purposes. The potential future tax benefits of these losses have not been recorded in these financial statements. The losses expire as follows:

2009	$ 5,000
2010	91,000
2011	31,000
2012	24,000
2013	10,000
2027	545,000
2028	629,000
	$ 1,335,000

The Philippine companies have net operating losses approximating $85,000, which expire over a five-year period to 2013. The Philippine companies also have deferred exploration costs approximating $14,600,000, which may be applied against income from the Philippine resource properties.

8. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Company incurred consulting fees totaling $490,654 (2007 - $171,547), which include consulting fees capitalized as part of deferred exploration costs from individuals who are officers and/or directors and/or shareholders of the Company or an affiliated company in the Philippines. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

At December 31, 2008, the Company owed $226,815 (2007 - $69,744) to the individuals. Amounts due to related parties are non-interest bearing, unsecured and without specific terms of repayment. Amounts are expected to be repaid within one year.

9. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its properties contain economically recoverable reserves of ore and currently has not earned any revenues from its mineral property interests and, therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company considers common shares to be the capital of the Company and has $28,584,195 (2007 - $26,581,445) outstanding at December 31, 2008. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company’s objectives of capital management are intended to safeguard its ability to meet normal operating requirements on an ongoing basis and continue the development and exploration of its mineral properties. To effectively manage the Company’s capital requirements, the Company has in place a planning process to determine the funds required to ensure appropriate liquidity to meet its operating and growth objectives. The Company monitors actual expenses on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company relies on equity financing to fund its exploration programs, and has responded to the recent global financial instability by initiating a strict cost control program, including reduction in drilling on its Tagpura property and reductions in compensation for senior management. In 2009, the Company expects to generate cash flow from bulk sampling on its T’Boli property to supplement existing cash reserves.

Although the Company has been successful at raising funds in the past through the issuance of share capital there can be no assurance that it will be able to do so in the future.

10. SEGMENTED INFORMATION

The Company has one operating segment: mineral resource property exploration. The Company's corporate assets are located in Canada. The Company has investments in, and advances to, corporations located in the Philippines and Australia, and natural resource exploration activities have occurred in Colombia in past years.

2008	Canada	Australia	Philippines	Colombia	Consolidated
Current assets	$ 457,140	$ 1,862	$ 434,891	$ 2,025	$ 895,918
Deferred exploration costs	-	-	15,095,683	-	15,095,683
Property, plant and equipment	972	-	219,226	11,247	231,445
Total Assets	$ 458,112	$ 1,862	$ 15,749,800	$ 13,272	$ 16,223,046
Total Liabilities	$ 250,088	$ 2,036	$ 200,359	$ 75,547	$ 528,030
Net Loss Before Non-Controlling Interest	$ 631,754	$ 14,487	$ 61,249	$ 111,712	$ 819,202
Amortization expense	$ 760	-	$ 10,150	-	$ 10,910
Stock-based compensation expense	$ 45,850	-	-	-	$ 45,950

2007	Canada	Australia	Philippines	Colombia	Consolidated
Current assets	$ 2,773,643	$ 7,438	$ 664,238	$ 26,129	$ 3,471,448
Deferred exploration costs	-	-	10,994,746	-	10,994,746
Property, plant and equipment	1,732	-	250,685	21,397	273,814
Total Assets	$ 2,775,375	$ 7,438	$ 11,909,669	$ 47,526	$ 14,740,008
Total Liabilities	$ 154,913	$ 1,227	$ 69,774	$ 48,476	$ 274,390
Net Loss Before Non-Controlling Interest	$ 1,554,194	$ 73,179	$ 123,275	$ 101,007	$ 1,851,655
Amortization expense	$ 3,030	-	-	-	$ 3,030
Stock-based compensation expense	$ 1,021,664	-	-	-	$ 1,021,664

11. SUBSEQUENT EVENT

On February 13, 2009, the Company announced that, subject to regulatory acceptance, the Company is arranging a non-brokered private placement consisting of up to 33,333,333 common shares at a price of $0.06 per share for gross proceeds of up to $2,000,000. On April 17, 2009, the Company had received $724,759 from paid subscriptions.