

# **Shear Minerals Ltd.**

(a development stage company)

Interim Financial Statements

For the three and nine months ended August 31, 2008

(Unaudited)

To the Shareholders of Shear Minerals Ltd.:

The interim balance sheet of Shear Minerals Ltd. as at August 31, 2008, and the interim statements of operations and deficit and of cash flows for the periods then ended have been compiled by management.

No audit or review of this information has been performed by the company's auditors.

# Shear Minerals Ltd.

## Interim Balance Sheets

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Nature of operations and going concern (note 1)

	August 31, 2008 (unaudited)	November 30, 2007
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 567,588	\$ 1,040,035
Restricted cash	43,348	42,926
Short-term investments	26,922	58,103
Accounts receivable	118,913	292,186
Operator recoveries	552,841	482,160
Prepaid expenses	4,040	23,253
	<hr/>	<hr/>
	1,313,652	1,938,663
<b>Equipment</b>	118,544	109,485
<b>Mineral properties</b> (note 5)	<hr/>	<hr/>
	27,811,053	23,371,962
	<hr/>	<hr/>
	\$ 29,243,249	\$ 25,420,110
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,833,095	\$ 985,432
Deposits from exploration partners	8,906	22,552
	<hr/>	<hr/>
	1,842,001	1,007,984
<b>Future income taxes</b>	<hr/>	<hr/>
	3,068,883	1,466,853
	<hr/>	<hr/>
	4,910,884	2,474,837
<b>Shareholders' equity</b>		
<b>Share capital</b> (note 6(a))	28,975,363	26,748,597
<b>Contributed surplus</b> (note 6(d))	2,741,748	2,147,857
<b>Deficit</b>	<hr/>	<hr/>
	(7,384,746)	(5,951,181)
	<hr/>	<hr/>
	24,332,365	22,945,273
	<hr/>	<hr/>
	\$ 29,243,249	\$ 25,420,110
<b>Commitments</b> (note 9)		

Approved by the Board of Directors

Signed "Pamela Strand"  
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Director

Signed "David Mullen"  
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Director

# Shear Minerals Ltd.

## Interim Statements of Operations and Deficit (unaudited)

	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
<b>Revenue</b>				
Management fees	\$ 6,312	\$ 88,912	\$ 47,803	\$ 148,071
Interest	1,736	35,729	53,667	73,820
Other	-	-	36,160	23,400
	8,048	124,641	137,630	245,291
<b>Expenses</b> (notes 6(b) and 8)				
General and administrative	30,730	122,244	581,568	345,699
Management fees	9,311	32,500	201,811	87,500
Professional fees	38,170	11,785	232,214	49,039
Consulting fees	5,462	37,445	72,447	102,753
Amortization	10,704	7,190	31,976	20,123
	94,377	211,164	1,120,016	605,114
	(86,329)	(86,523)	(982,386)	(359,823)
<b>Unrealized (loss) gain on short-term investments</b>	(12,902)	(15,140)	(31,181)	36,294
<b>Gain on disposal of short-term investments</b>	-	-	-	83,670
<b>Write down of mineral properties</b> (note 5)	(869,252)	-	(869,252)	(234,814)
<b>Net loss and comprehensive loss before income tax</b>	(968,483)	(101,663)	(1,882,819)	(474,673)
<b>Future income tax recovery</b>	304,058	-	449,254	68,100
<b>Net loss and comprehensive loss</b>	(664,425)	(101,663)	(1,433,565)	(406,573)
<b>Deficit – beginning of period</b>	(6,720,321)	(6,906,202)	(5,951,181)	(6,601,292)
<b>Deficit – end of period</b>	\$ (7,384,746)	\$ (7,007,865)	\$ (7,384,746)	\$ (7,007,865)
<b>Basic and diluted loss per common share</b>	\$ (0.008)	\$ (0.001)	\$ (0.017)	\$ (0.005)
<b>Weighted average number of common shares outstanding</b>	84,058,257	69,324,863	82,950,013	75,079,881

**Shear Minerals Ltd.**  
Interim Statements of Cash Flows  
(unaudited)

	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net loss for the period	\$ (664,425)	\$ (101,663)	\$(1,433,565)	\$ (406,573)
Items not affecting cash				
Amortization	10,704	7,190	31,976	20,123
Share-based compensation	5,868	-	589,523	-
Unrealized loss (gain) on short-term investments	12,902	15,140	31,181	(36,294)
Gain on disposal of short-term investments	-	-	-	(83,670)
Write down of mineral properties	869,252	-	869,252	234,814
Future income tax recovery	(304,058)	-	(449,254)	(68,100)
	(69,757)	(79,333)	(360,887)	(339,700)
Net change in non-cash working capital balances relating to operating activities	54,396	(258,885)	124,604	295,341
	(15,361)	(338,218)	(236,283)	(44,359)
<b>Financing activities</b>				
Issue of shares	1,141,500	6,016,815	4,512,890	6,159,257
Share issue costs	(63,247)	(524,818)	(323,750)	(540,881)
	1,078,253	5,491,997	4,189,140	5,618,376
<b>Investing activities</b>				
Mineral properties	(1,901,004)	(5,442,205)	(5,290,052)	(8,908,891)
Operator recoveries received	164,514	1,109,969	906,205	2,246,086
Purchase of equipment	(608)	(6,435)	(41,035)	(38,435)
Net proceeds from sale of short-term investments	-	-	-	151,080
Increase in restricted cash	-	-	(422)	(388)
	(1,737,098)	(4,338,671)	(4,425,304)	(6,550,548)
<b>(Decrease) increase in cash and cash equivalents</b>	(674,206)	815,108	(472,447)	(976,531)
<b>Cash and cash equivalents – beginning of period</b>	1,241,794	866,801	1,040,035	2,658,440
<b>Cash and cash equivalents – end of period</b>	\$ 567,588	\$ 1,681,909	\$ 567,588	\$ 1,681,909
<b>Supplementary information</b>				
Interest received	\$ 20,126	\$ 29,413	\$ 56,095	\$ 103,668

# Shear Minerals Ltd.

Notes to the Interim Financial Statements

For the three and nine months ended August 31, 2008

(unaudited)

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## 1. Nature of operations and going concern

Shear Minerals Ltd. (the "Company" or "Shear") is in the business of acquiring and exploring mineral properties located primarily in Canada. The Company has not yet determined whether these properties contain precious mineral reserves that are economically recoverable and the Company is not presently carrying on active exploration efforts on certain of its mineral properties. The Company reported a net loss of \$1,433,565 for the nine months ended August 31, 2008 and an accumulated deficit of \$7,384,746 at August 31, 2008.

To date, the Company has not earned significant revenues and is considered to be in the development stage, and therefore it is subject to risks and challenges similar to other companies in a comparable stage of development. These risks include, but are not limited to, continuing losses, dependence on partners, successful development, securing and maintaining title and interest in properties, and the ability to secure adequate financing to meet the minimum capital required to successfully complete exploration of properties (note 5) and to continue as a going concern. There is no assurance that these initiatives will be successful and, as a result, there is substantial doubt regarding the going concern assumption.

These unaudited interim financial statements (the "financial statements") have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

The amounts shown in note 5 represent costs to date for property acquisition (including mineral claims and permits) and exploration expenditures, and do not necessarily reflect present or future values. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and ultimately upon future profitable production or proceeds from disposition of the mineral properties.

## 2. Basis of presentation

These financial statements are prepared in accordance with generally accepted accounting principles for interim financial statements and do not include all of the disclosures normally contained in the Company's annual financial statements. Since the determination of many assets, liabilities, revenues and expenses is dependent on future events, the preparation of these financial statements requires the use of estimates and assumptions. In the opinion of management, these financial statements have been prepared within reasonable limits of materiality. Except as disclosed in note 3, these financial statements follow the same significant accounting policies as described and used in the most recent annual financial

# Shear Minerals Ltd.

Notes to the Interim Financial Statements

For the three and nine months ended August 31, 2008

(unaudited)

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statements of the Company for the year ended November 30, 2007 and should be read in conjunction with those annual financial statements.

Certain amounts from the comparative period have been reclassified to conform to the current period's presentation.

### 3. Accounting policy changes

On December 1, 2007, the Company adopted the following new Canadian Institute of Chartered Accountants' ("CICA") Handbook Sections:

- Section 3862, "Financial Instruments – Disclosures";
- Section 3863, "Financial Instruments – Presentation"; and
- Section 1535, "Capital Disclosures".

These new standards do not affect the accounting treatment of transactions. However, they require additional disclosure related to the Company's policies and processes of managing its capital and commentary related to the risks associated with its financial instruments.

Section 3862 describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. These sections replaced Section 3861, "Financial Instruments – Disclosure and Presentation".

Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure requirements of the entity's objectives, policies and processes for managing capital, the quantitative data relating to what the entity regards as capital, whether the entity has complied with capital requirements, and, if it has not complied, the consequences of such non-compliance.

The additional disclosures required as a result of the adoption of these standards have been included in note 7.

### 4. Recent accounting pronouncements not yet adopted

#### a) Goodwill and intangible assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". The purpose of this Section is to provide more specific guidance on the recognition of internally developed intangible assets and requires that research and development expenditures be evaluated against the same criteria as intangible assets. The Section harmonizes Canadian standards with International Financial Reporting Standards and is effective for the Company's interim

# Shear Minerals Ltd.

## Notes to the Interim Financial Statements

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and annual financial statements commencing December 1, 2008. The Company is currently evaluating the impact of this standard.

### b) International Financial Reporting Standards (“IFRS”)

In April 2008, the CICA published the exposure draft “Adopting IFRS in Canada”. The exposure draft proposes to incorporate IFRS into the CICA Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. At this date, publicly accountable enterprises will be required to prepare financial statements in accordance with IFRS. The Company will be reviewing the impact of adopting IFRS on its financial statements.

## 5. Mineral properties

	<b>August 31, 2008</b>			
	<b>Ownership interest (%)</b>	<b>Acquisition costs</b>	<b>Exploration costs</b>	<b>Net carrying amount</b>
Northwest and Nunavut Territories				
Churchill	58.14	\$ 4,619,149	\$ 19,084,020	\$ 23,703,169
Afridi Lake	58.20	169,010	1,958,918	2,127,928
Churchill West	26.45	57,926	304,826	362,752
Sakari	50.00	97,618	389,986	487,604
Aylmer Lake West	62.90	10,673	103	10,776
Alberta				
Piche	*51.00	9,973	197,403	207,376
Liege	*51.00	96,235	348,243	444,478
Rattlesnake North	*51.00	75,800	-	75,800
Michigan				
Crystal	100.00	118,598	272,572	391,170
		<u>\$ 5,254,982</u>	<u>\$ 22,556,071</u>	<u>\$ 27,811,053</u>

# Shear Minerals Ltd.

Notes to the Interim Financial Statements

For the three and nine months ended August 31, 2008

(unaudited)

	<b>November 30, 2007</b>			
	<b>Ownership interest (%)</b>	<b>Acquisition costs</b>	<b>Exploration Costs</b>	<b>Net carrying amount</b>
Northwest and Nunavut Territories				
Churchill	58.14	\$ 4,598,435	\$ 15,360,749	\$ 19,959,184
Afridi Lake	58.20	168,332	942,925	1,111,257
XYZ	80.00	180,956	473,937	654,893
Churchill West	26.45	57,785	261,719	319,504
Sakari	50.00	97,618	185,940	283,558
Hecla	100.00	17,102	195,509	212,611
Aylmer Lake West	62.90	10,314	-	10,314
Alberta				
Piche	*51.00	9,973	169,147	179,120
Liege	*51.00	51,492	229,792	281,284
Michigan				
Crystal	100.00	113,864	246,373	360,237
		<u>\$ 5,305,871</u>	<u>\$ 18,066,091</u>	<u>\$ 23,371,962</u>

\*The Company is in the process of earning into an ownership interest through completion of terms in option agreements.

## a) Churchill

Stornoway Diamond Corp. has chosen not to participate in the 2008 exploration program at the Churchill diamond project. As a result, the Company's interest in the project will increase, and Stornoway Diamond Corp.'s interest will dilute, based on the amount of the program expenditures that are borne solely by the Company. Based on the 2008 program budget, the Company anticipates that its interest will increase from 58.14% to approximately 62%.

## b) Liege

On May 1, 2008, the Company entered into an Amending Agreement to extend the option to acquire a 51% interest in the Liege Diamond project by incurring aggregate expenditures of \$1,000,000 by November 30, 2009. The Company issued 100,000 common shares with a fair value of \$28,000 as consideration.

## c) Rattlesnake North

On June 26, 2008, the Company entered into an option agreement with Grizzly Diamonds Ltd. to acquire an interest in the Rattlesnake North property, a land position in east central Alberta prospective for potash exploration.

# Shear Minerals Ltd.

## Notes to the Interim Financial Statements

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Under the terms of the agreement, the Company can earn into an initial undivided 51% interest on the following terms:

- \$25,000 cash on signing;
- 200,000 common shares of the Company upon regulatory approval (completed); and
- incurring a total of \$2,000,000 of exploration expenditures before September 1, 2009, including one drill hole to test a specified area of the property.

The Company can elect to increase its interest in the property to an undivided 70% interest by completing and delivering a pre-feasibility study to Grizzly Diamonds Ltd. on or before September 1, 2011.

Pursuant to the agreement, the Company issued 200,000 common shares with a fair value of \$50,000 during the three months ended August 31, 2008.

### d) XYZ and Hecla

During the three months ended August 31, 2008, the Company wrote off the carrying amounts of \$655,436 and \$213,816 related to the XYZ and Hecla properties, respectively, as the Company has no current plans for further exploration on the properties.

## 6. Share capital and contributed surplus

### a) Common shares

Authorized

Unlimited number of common shares

Unlimited number of preferred shares

Common shares issued and outstanding

	<b>Number of shares</b>	<b>Amount</b>
Balance – November 30, 2007	78,183,361	\$ 26,748,597
Shares issued for cash	8,829,266	4,328,883
Share options exercised	669,000	263,586
Shares issued for other consideration (note 5)	300,000	78,000
Share issue costs	-	(392,419)
Future income taxes	-	(2,051,284)
	<hr/>	<hr/>
Balance – August 31, 2008	87,981,627	\$ 28,975,363

In December of 2007, the Company issued 4,263,266 flow-through shares at a price of \$0.75 per share for gross proceeds of \$3,197,450. The Company will be required to incur \$3,197,450 of qualifying expenditures, which were renounced to the holders of the

# Shear Minerals Ltd.

## Notes to the Interim Financial Statements

For the three and nine months ended August 31, 2008

(unaudited)

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flow-through shares effective December 31, 2007. In addition, agents received 286,995 warrants as commission at an exercise price of \$0.75 per common share, which expire in December 2009. Related to this, the Company has recorded share-based compensation of \$60,269 as a share issue cost.

In August of 2008, the Company issued 3,962,000 flow-through shares at a price of \$0.25 per share and 604,000 units at a price of \$0.25 per unit for total gross proceeds of \$1,141,500. The Company will be required to incur \$990,500 of qualifying expenditures which will be renounced to the holders of the flow-through shares effective on or before December 31, 2008. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.40 at any time within 18 months of issue. The fair values attributable to the non-flow-through common shares and warrants were \$140,933 and \$10,067, respectively. In addition, agents received 210,000 warrants as commission at an exercise price of \$0.30 per common share, which expire in February 2010. Related to this, the Company has recorded share-based compensation of \$8,400 as a share issue cost.

In the nine months ended August 31, 2008, the Company renounced \$7,197,490 (2007 - \$2,151,450) of qualifying expenditures to holders of flow-through shares, resulting in a future income tax liability of \$2,051,284 (2007 - \$623,920) and a corresponding reduction of share capital.

During the nine months ended August 31, 2008, 669,000 options were exercised. The total addition to share capital includes \$173,940 in cash proceeds plus \$89,646 in stock-based compensation that had been recorded in contributed surplus pending exercise of the options.

### **b) Share options**

The Company has a share option plan for the benefit of directors, management and certain consultants of the Company. Under the plan, the Company may grant options to eligible recipients, provided that at the time of the grant the total number of common shares reserved for issuance under the plan does not exceed 10% of the Company's issued and outstanding common shares at that time. The exercise price of each option may be discounted up to 25% from the market price of the Company's common shares on the date of grant and an option's maximum term is five years.

# Shear Minerals Ltd.

Notes to the Interim Financial Statements

For the three and nine months ended August 31, 2008

(unaudited)

The following table summarizes activity related to share options:

	<b>Number of options outstanding</b>	<b>Weighted average exercise price</b>
Balance – November 30, 2007	4,399,000	\$ 0.60
Granted	2,920,000	0.59
Forfeited	(250,000)	0.50
Exercised	(669,000)	0.26
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Balance – August 31, 2008	6,400,000	\$ 0.63
	<hr/>	
Exercisable – August 31, 2008	5,380,000	\$ 0.66

The following table summarizes information about the Company's share options outstanding as at August 31, 2008:

<b>Expiry date</b>	<b>Number of options outstanding</b>	<b>Exercise price</b>
September 8, 2008	1,525,000	\$ 0.84
February 2, 2009	530,000	0.83
September 3, 2009	50,000	0.75
February 22, 2010	1,300,000	0.40
April 12, 2011	275,000	0.60
April 15, 2013	1,700,000	0.65
April 15, 2013	1,020,000	0.50
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	6,400,000	\$ 0.63

On April 15, 2008, a total of 2,920,000 options were granted to directors, officers, consultants and employees of the Company. Of this total, 1,700,000 options were fully vested on the grant date and 1,222,000 options vest over the 18 month period following the grant date. During the three months ended August 31, 2008, 200,000 options granted on April 15, 2008 were forfeited.

# Shear Minerals Ltd.

## Notes to the Interim Financial Statements

For the three and nine months ended August 31, 2008

(unaudited)

During the three and nine months ended August 31, 2008, the Company recorded share-based compensation and contributed surplus of \$10,758 and \$604,801, respectively, related to the options granted on April 15, 2008. The share-based compensation was recorded as follows:

	<b>Three months ended August 31, 2008</b>	<b>Nine months ended August 31, 2008</b>
General and administrative expense	\$ 2,201	\$ 314,934
Consulting fees	-	51,700
Professional fees	3,667	92,889
Management fees	-	130,000
Mineral properties:		
Churchill	4,890	9,778
Crystal	-	5,500
	<u>\$ 10,758</u>	<u>\$ 604,801</u>

The Company will record a further \$61,599 of share-based compensation in future periods as the options vest.

The fair value of each share option granted was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted average assumptions:

Risk-free rate	3.12%
Expected volatility	88.00%
Annual dividend yield	0.00%
Expected life of options	5 years

### c) Warrants

The following table summarizes activity related to warrants:

	<b>Number of Warrants</b>	<b>Weighted average exercise price</b>
Balance – November 30, 2007	2,427,340	\$ 0.87
Issued	798,995	0.50
Expired	(589,250)	0.80
	<u>2,637,085</u>	<u>\$ 0.78</u>
Balance – August 31, 2008		

The Company has recorded share issue costs in the amount of \$68,669 relating to warrants issued to agents in connection with the December 2007 and August 2008 private placements. The warrants vest four months from the issue date, and the fair

# Shear Minerals Ltd.

## Notes to the Interim Financial Statements

For the three and nine months ended August 31, 2008

(unaudited)

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values were calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	August 2008	December 2007
Risk-free rate	2.80%	4.08%
Expected volatility	64.00%	94.00%
Annual dividend yield	0.00%	0.00%
Expected life of warrants	1.5 years	2 years

### d) Contributed surplus

The following table summarizes activity related to contributed surplus:

Balance – November 30, 2007	\$ 2,147,857
Value of share options granted	604,801
Value of share options exercised	(89,646)
Value allocated to warrants issued in private placement	10,067
Value of agent warrants issued	68,669
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Balance – August 31, 2008	\$ 2,741,748

## 7. Financial instruments and risk management

### a) Fair value of financial instruments

The Company's financial instruments as at August 31, 2008 include cash and cash equivalents, restricted cash, short-term investments, certain accounts receivable, operator recoveries and certain accounts payable and accrued liabilities. Cash and cash equivalents, restricted cash and short-term investments are recognized on the balance sheet at their fair values. The fair values of accounts receivable, operator recoveries and accounts payable and accrued liabilities approximate their carrying amounts due to their short terms to maturity.

### b) Risk management

The Company has exposure to the following risks from its use of financial instruments:

#### *Credit risk*

Operator recoveries are due from companies which operate in the mining exploration industry and, accordingly, are subject to the credit risks associated with this industry. The Company regularly monitors the activities and balances in these accounts to manage its credit risk and to assess the need for an allowance for any doubtful accounts. At August 31, 2008, the maximum exposure to credit risk is the carrying value of the Company's cash and cash equivalents, accounts receivable, and operator recoveries.

# Shear Minerals Ltd.

Notes to the Interim Financial Statements

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## *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its current obligations as they are due. The Company prepares annual exploration and administration budgets and monitors expenditures to manage short-term liquidity. Due to the nature of the Company's activities, funding for long-term liquidity needs are dependent on the Company's ability to obtain additional financing through various means, including equity financing. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable.

It is management's opinion that the Company is not exposed to other significant interest, currency or credit risks arising from its financial instruments.

## **c) Capital management**

The Company considers its capital structure to include shareholders' equity and working capital. The Company's capital management objective is to ensure that there are adequate capital resources to fund planned exploration, sustain operations, and continue as a going concern.

In order to facilitate the management of its capital requirements, the Company prepares annual exploration and administrative budgets that consider various factors including successful capital deployment and general industry conditions.

The Company manages its capital and makes adjustments to it in light of the changes in economic conditions and the risk characteristics of mineral property assets. In order to maintain or adjust the capital structure, the Company may from time to time issue shares to finance its exploration spending and operational needs.

The Company's share capital is not subject to any external restriction. There were no changes in the Company's approach to capital management during the period.

## **8. Related party transactions**

During the three months ended August 31, 2008, the Company incurred fees of \$50,714 (2007 – \$32,500) to a proprietorship controlled by an officer of Shear and to a company in which a director and officer of Shear has significant influence, of which \$28,525 (2007 - \$32,500) was recorded in expenses and \$22,189 (2007 – nil) was recorded in mineral properties.

During the nine months ended August 31, 2008, the Company incurred fees of \$173,741 (2007 - \$87,500) to a proprietorship controlled by an officer of Shear and to a company in which a director and officer of Shear has significant influence, of which \$151,552 (2007 – \$87,500) was recorded in expenses and \$22,189 (2007 – nil) was recorded in mineral properties.

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Notes to the Interim Financial Statements

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(unaudited)

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In the opinion of management, these fees are considered to be at fair value and are recorded at the exchange amount.

## 9. Commitments

The Company has an obligation to incur \$4,877,565 of qualifying expenditures by December 31, 2008 related to flow-through shares issued in June and December of 2007 and to incur \$990,500 of qualifying expenditures by December 31, 2009 related to flow-through shares issued in August of 2008.

As at August 31, 2008, the Company has incurred sufficient qualifying expenditures to fulfill the December 31, 2008 commitment. Based on management's current exploration plans, the Company expects to meet the remaining commitment by the required date.