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**COGITORE RESOURCES INC.**

**(A DEVELOPMENT STAGE COMPANY)**

**FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

**(EXPRESSED IN CANADIAN DOLLARS)**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Cogitore Resources Inc. (a Development Stage Company) were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the years presented by the financial statements and (ii) the financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the years presented by the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

*(signed)*  
Gérald Riverin  
Chief Executive Officer

*(signed)*  
Orest Zajcew  
Chief Financial Officer

April 23, 2009  
Toronto, Canada

April 23, 2009

**To the Shareholders of  
Cogitore Resources Inc.**

We have audited the balance sheets of **Cogitore Resources Inc.** as at December 31, 2008 and 2007 and the statements of loss and comprehensive loss, changes in 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 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 each of the years then ended in accordance with Canadian generally accepted accounting principles.

*PricewaterhouseCoopers LLP*

Chartered Accountants, Licensed Public Accountants  
Toronto, Canada

**COGITORE RESOURCES INC.**  
**(A Development Stage Company)**  
**Balance Sheets**  
**(Expressed in Canadian Dollars)**

<b>As at December 31,</b>	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 2,400,642	\$ 5,446,692
Sundry receivables and prepaid expenses	204,659	189,194
Quebec refundable tax credit and mining duty refund	1,431,016	1,158,063
	<b>4,036,317</b>	<b>6,793,949</b>
Restricted cash (Note 5)	30,000	10,000
Exploration properties and deferred exploration expenditures (Note 6)	12,219,237	10,820,375
Property and Equipment (Note 7)	245,720	255,304
	<b>\$ 16,531,274</b>	<b>\$ 17,879,628</b>
<b>Liabilities and Shareholders' Equity</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 329,260	\$ 641,032
Income taxes payable	29,986	-
	<b>359,246</b>	<b>641,032</b>
Future income tax liability (Note 12)	2,603,213	2,354,000
	<b>2,962,459</b>	<b>2,995,032</b>
<b>Shareholders' equity</b>		
Capital stock (Note 8)	15,349,726	14,539,123
Warrants (Note 10)	1,022,481	1,022,481
Contributed surplus	1,855,340	1,827,706
Deficit	(4,658,732)	(2,504,714)
	<b>13,568,815</b>	<b>14,884,596</b>
	<b>\$ 16,531,274</b>	<b>\$ 17,879,628</b>

**Nature of Operations and Going Concern (Note 1)**  
**Commitments (Note 13)**

APPROVED ON BEHALF OF THE BOARD:

\_\_\_\_\_, "Gérald Riverin", Director

\_\_\_\_\_, "Stephen Lidsky", Director

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

**COGITORE RESOURCES INC.**  
**(A Development Stage Company)**  
**Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars)**

<b>For the years ended December 31,</b>	<b>2008</b>	<b>2007</b>	<b>Cumulative from date of inception to December 31, 2008</b>
<b>Expenses</b>			
General and administrative (Note 14)	\$ 492,586	\$ 347,382	\$ 1,565,234
Stock-based compensation (Note 9)	27,634	201,128	1,029,021
Professional fees	198,255	200,929	797,998
Amortization	11,271	6,161	19,053
Write-off of exploration costs (Note 6)	2,269,742	-	2,745,501
	<b>2,999,488</b>	<b>755,600</b>	<b>6,156,807</b>
<b>Other income</b>			
Interest income	(80,830)	(150,704)	(270,743)
<b>Net loss before the following</b>	<b>(2,918,658)</b>	<b>(604,896)</b>	<b>(5,886,064)</b>
Future tax recovery (Note 12)	764,640	313,013	1,248,653
<b>Net loss and comprehensive loss for the year</b>	<b>\$(2,154,018)</b>	<b>\$ (291,883)</b>	<b>\$(4,637,411)</b>
<b>Loss per share - basic and diluted</b>	<b>\$ (0.06)</b>	<b>\$ (0.01)</b>	
<b>Weighted average number of common shares</b>	<b>33,231,787</b>	<b>28,527,451</b>	

**Statements of Deficit**  
**(Expressed in Canadian Dollars)**

<b>For the years ended December 31,</b>	<b>2008</b>	<b>2007</b>	<b>Cumulative from date of inception to December 31, 2008</b>
Balance, beginning of year	\$ (2,504,714)	\$ (2,212,831)	\$ (21,321)
Net loss for the year	(2,154,018)	(291,883)	(4,637,411)
Balance, end of year	<b>\$(4,658,732)</b>	<b>\$(2,504,714)</b>	<b>\$(4,658,732)</b>

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

**COGITORE RESOURCES INC.**  
**(A Development Stage Company)**  
**Statements of Changes in Shareholders' Equity**  
**(Expressed in Canadian Dollars)**

<b>For the years ended December 31,</b>	<b>2008</b>	<b>2007</b>	<b>Cumulative from date of inception to December 31, 2008</b>
<b>Capital stock</b>			
Balance at beginning of year	\$14,539,123	\$ 9,820,591	\$ 200,000
Initial public offering	-	-	300,000
Private placements	1,550,000	6,610,402	19,022,753
Warrants valuation	-	(1,022,481)	(1,929,773)
Properties acquisition	359,870	293,500	2,037,370
Exercise of warrants - cash	-	-	443,885
Exercise of warrants - valuation	-	-	147,945
Flow-through tax effect	(1,013,853)	(791,700)	(3,851,866)
Costs of issue	(85,414)	(371,189)	(1,020,588)
Balance at end of year	<b>\$15,349,726</b>	\$14,539,123	\$15,349,726
<b>Warrants</b>			
Balance at beginning of year	\$ 1,022,481	\$ 468,093	\$ -
Issued	-	1,022,481	1,929,773
Exercised	-	-	(147,945)
Expired	-	(468,093)	(759,347)
Balance at end of year	<b>\$ 1,022,481</b>	\$ 1,022,481	\$ 1,022,481
<b>Contributed surplus</b>			
Balance at beginning of year	\$ 1,827,706	\$ 1,091,513	\$ -
Stock-based compensation	27,634	268,100	1,095,993
Expired warrants	-	468,093	759,347
Balance at end of year	<b>\$ 1,855,340</b>	\$ 1,827,706	\$ 1,855,340
<b>Deficit</b>			
Balance at beginning of year	\$(2,504,714)	\$(2,212,831)	\$ (21,321)
Net loss	(2,154,018)	(291,883)	(4,637,411)
Balance at end of year	<b>\$(4,658,732)</b>	\$(2,504,714)	\$(4,658,732)
Total shareholders' equity	<b>\$13,568,815</b>	\$14,884,596	\$13,568,815

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

**COGITORE RESOURCES INC.**  
**(A Development Stage Company)**  
**Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

<b>For the years ended December 31,</b>	<b>2008</b>	<b>2007</b>	<b>Cumulative from date of inception to December 31, 2008</b>
<b>Cash flows provided by (used in) operating activities</b>			
Net loss for the year	\$ (2,154,018)	\$ (291,883)	\$ (4,637,411)
Adjustments for:			
Amortization	11,271	6,161	19,053
Write-off of exploration costs	2,269,742	-	2,745,501
Stock-based compensation (Note 9)	27,634	201,128	1,029,021
Future tax recovery (Note 12)	(764,640)	(313,013)	(1,248,653)
Changes in non-cash working capital items (Note 15)	(590,204)	309,605	(1,675,050)
	<b>(1,200,215)</b>	<b>(88,002)</b>	<b>(3,767,539)</b>
<b>Cash flows used in investing activities</b>			
Acquisition of property and equipment	(1,687)	(258,754)	(264,773)
Exploration properties and deferred exploration expenditures	(3,308,734)	(2,534,943)	(12,480,397)
	<b>(3,310,421)</b>	<b>(2,793,697)</b>	<b>(12,745,170)</b>
<b>Cash flows provided by financing activities</b>			
Proceeds from issuance of shares, net of costs	1,464,586	6,239,213	18,746,051
<b>Change in cash</b>	<b>(3,046,050)</b>	<b>3,357,514</b>	<b>2,233,342</b>
Cash, beginning of year	5,446,692	2,089,178	167,300
<b>Cash, end of year</b>	<b>\$ 2,400,642</b>	<b>\$ 5,446,692</b>	<b>\$ 2,400,642</b>
<b>Supplemental cash flow information</b>			
Shares issued on acquisition of property	\$ 359,870	\$ 293,500	\$ 2,037,370
Stock-based compensation capitalized to exploration properties	\$ -	\$ 66,972	\$ 66,972
Flow-through taxes paid	\$ 48,526	\$ 40,150	\$ 167,673
Income tax paid	\$ 29,986	\$ -	\$ 29,986

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

**COGITORE RESOURCES INC.**  
**(A Development Stage Company)**  
**Notes to Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Years Ended December 31, 2008 and 2007**

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

Cogitore Resources Inc. (formerly Woodruff Capital Management Inc.) (the "Company" or "Cogitore") was incorporated by a Certificate of Incorporation issued pursuant to the provisions of the Ontario Business Corporations Act on December 13, 2002. The Company is engaged in the acquisition, exploration and development of properties for the mining of precious and base metals. As defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11, the Company is considered to be a development stage enterprise as it has yet to generate significant revenue from operations. The Company was a private entity until it completed an initial public offering during the first quarter of fiscal 2004. The Company is classified as a Tier 2 - Mining issuer, and its common shares commenced trading on the Toronto Venture Exchange on March 4, 2004.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The Company had an accumulated deficit of \$4,658,732 and net current assets of \$3,677,071 as at December 31, 2008. The Company's ability to continue to meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and its ability to obtain financing. There is no assurance that these initiatives will be successful and, as a result, there is significant doubt regarding the going concern assumption and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern. On October 23, 2008 and December 22, 2008, the Company completed private placements of a total of 12,187,500 flow through common shares for aggregate gross proceeds to the Company of \$1,550,000 to meet certain exploration requirements and contractual obligations. 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 assumptions were not appropriate. These adjustments could be material.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and include the following significant accounting policies:

**Cash**

Cash is held in chequing accounts at a major financial institution.

**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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**Property and equipment**

Property and equipment are recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis at the following annual rates:

Computer equipment	30%
Office equipment	20%
Site building	4%

**COGITORE RESOURCES INC.**  
**(A Development Stage Company)**  
**Notes to Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Years Ended December 31, 2008 and 2007**

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

**Exploration properties and deferred exploration expenditures**

Amounts incurred in respect of exploration properties and deferred exploration expenditures are carried at cost until they are brought into production, at which time the costs are depleted on a unit of production method based on proven and probable reserves. If a property is subsequently determined not to be economically viable, the property and related deferred costs are written down to fair value. Other general exploration expenses are charged to operations as incurred. The cost of exploration properties abandoned or sold and their related deferred exploration costs are charged to operations in the corresponding year.

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

**Capitalization and impairment of exploration properties**

The investment in and expenditures on exploration properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the attainment of successful production from the properties or from the proceeds of their disposal. The Company reviews its exploration properties on a regular basis to determine if events or changes in circumstances indicate that its carrying value may not be recoverable, in which case carrying value is written down to fair value. The recoverability of costs incurred on the exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near term could require a change in the determination of the need for, and amount of, any write down.

The recognized amounts of such items are based on the Company's best information and judgment. Such amounts may change materially in the future as management continues to gather information.

Based on periodic reviews made by management and where the long-term expectation is that the net carrying amount of these capitalized exploration and development costs will not be recovered, the carrying amount is then written down accordingly and the write-down amount charged to operations. A write down would be indicated where, with respect to exploration properties: exploration activities have ceased; exploration results are not promising such that exploration will not be planned for the foreseeable future; lease ownership rights expire; or insufficient funding is available to complete the exploration program.

**Asset retirement obligations**

Future costs to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site are recognized and recorded as a liability at fair value at the date the liability is incurred. The liability is accreted over time to the estimated amount ultimately payable through periodic charges to earnings. In addition, future site restoration costs are capitalized as part of the carrying value of the related resource properties at its initial discounted value and amortized over the resource properties' useful life based on a units-of-production method. At December 31, 2008 and 2007, the Company has not incurred or committed to any asset retirement obligations and reclamation costs related to the development of its resource properties.

**COGITORE RESOURCES INC.**  
**(A Development Stage Company)**  
**Notes to Financial Statements**  
**(Expressed in Canadian Dollars)**  
**Years Ended December 31, 2008 and 2007**

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

**Flow-through financing**

The Company has financed a portion of its exploration activities through the issuance of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issuance of such shares have been credited to capital stock; the related exploration costs have been charged to exploration properties and deferred exploration expenditures. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciations reduce capital stock and a future tax liability is recorded.

**Loss per share**

Basic per share amounts are calculated using the weighted average number of common shares outstanding during the period. The treasury method is used to determine the dilutive effect of stock options and other dilutive instruments. Stock options and warrants outstanding were not included in the computation of diluted loss per share as their inclusion would have been anti-dilutive. Therefore, diluted loss per share and basic loss per share are the same for both 2008 and 2007.

**Stock-based compensation**

The Company has a stock option plan that is described in *Note 9*. The fair value of any stock options granted to directors, officers, consultants and employees is recorded as an expense or capitalized to exploration properties over the vesting period with a corresponding increase recorded to contributed surplus. The fair value of the stock-based compensation is determined using the Black-Scholes option pricing model and management's assumptions as disclosed in *Note 9*. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in contributed surplus is recorded as an increase to capital stock.

**Income taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases and are measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. The Company records a valuation allowance against any portion of those future income tax assets that it believes will, more likely than not, fail to be realized.

**COGITORE RESOURCES INC.**  
**(A Development Stage Company)**  
**Notes to Financial Statements**  
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**Years Ended December 31, 2008 and 2007**

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

**Financial instruments, comprehensive income (loss) and hedges**

In January 2005, the CICA issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement"; 1530, "Comprehensive Income"; 3861, "Financial Instruments - Disclosure and Presentation" and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006. The Company has adopted these new standards effective January 1, 2007.

Effective December 1, 2006, the CICA issued Handbook Sections 3862, "Financial Instruments - Disclosures" and 3863, "Financial Instruments - Presentation" which replaced Section 3861, "Financial Instruments - Disclosure and Presentation", and which became effective for the Company on January 1, 2008.

(a) Financial instruments - recognition and measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

(b) Comprehensive income (loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

(c) Financial instruments - disclosure and presentation

Handbook Sections 3862, "Financial Instruments - Disclosures" and 3863, "Financial Instruments - Presentation" replace Handbook Section 3861, "Financial Instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged 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. The Company has included disclosures recommended by the new Handbook sections in *Note 4(b)* to these financial statements.

(d) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13, "Hedging Relationships", and the hedging guidance in Section 1650, "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

**COGITORE RESOURCES INC.**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financial instruments, comprehensive income (loss) and hedges (Continued)**

(e) Impact upon adoption of Sections 1530, 3855, 3862, 3863 and 3865

Under adoption of these new standards, the Company designated its cash as held-for-trading, which are measured at fair value. Sundry receivables and Quebec refundable tax credits and mining duty refunds are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

The adoption of these Handbook Sections had no impact on opening deficit.

**Accounting policy choice for transaction costs**

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding to the carrying amount transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement". The Company has evaluated the impact of EIC-166 and determined that no adjustments are required.

**Capital disclosures**

On December 1, 2006, the CICA issued a new accounting standard: Capital Disclosures (Handbook Section 1535). This new standard became effective for the Company on January 1, 2008.

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Company has included disclosures recommended by the new Handbook section in *Note 3* to these financial statements.

**General standards of financial statement presentation**

In June 2007, the CICA amended Handbook Section 1400, "General Standards of Financial Statement Presentation", to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. Section 1400 is effective for interim and annual reporting periods beginning on or after January 1, 2008. The application of this amended standard had no impact on the Company's financial statements as at and for the year ended December 31, 2008.

**Mining exploration costs**

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new abstract for the year ended December 31, 2008 and there was no significant impact on its financial statements as a result of applying this abstract.

**COGITORE RESOURCES INC.**  
**(A Development Stage Company)**  
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**(Expressed in Canadian Dollars)**  
**Years Ended December 31, 2008 and 2007**

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

**Future accounting changes**

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

In January 2006, the CICA's AcSB formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2011 filing, comparative financial statements in accordance with IFRS for the three months ended March 31, 2010. While the Company has begun assessing the impact of the adoption of IFRS on its financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

***Goodwill and Intangible Assets***

CICA Handbook Section 3064, "Goodwill and Intangible Assets" ("CICA 3064"), replaces CICA 3450, "Research and Developmental Costs", and amendments to Accounting Guideline 11, "Enterprises in the Development Stage" and CICA 1000, "Financial Statement Concepts". The standard intends to reduce the differences with IFRS in the accounting for intangible assets and results. Under current Canadian standards, more items are recognized as assets than under IFRS. The objectives of CICA 3064 are: (i) to reinforce the principle-based approach to the recognition of assets only in accordance with the definition of an asset and the criteria for asset recognition; and (ii) to clarify the application of the concept of matching revenues and expenses such that the current practice of recognizing asset items that do not meet the definition and recognition criteria is eliminated. The new standard also provides guidance for the recognition of internally developed intangible assets (including research and development activities) and ensuring consistent treatment of all intangible assets. The new standard takes effect for fiscal years beginning on or after October 1, 2008, with early adoption encouraged. The Company is evaluating the effects of adopting this standard.

***Business Combinations, Consolidated Financial Statements and Non-Controlling Interests***

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Section 1582, "Business Combinations" replaces section 1581, "Business Combinations", and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601, "Consolidated Financial Statements", and 1602, "Non-Controlling interests", together replace section 1600, "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27, "Consolidated and Separate Financial Statements", and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

***Credit Risk and the Fair Value of Financial Assets and Financial Liabilities***

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The Company has evaluated the new section and determined that adoption of these new requirements will have no impact on the Company's financial statements.

**COGITORE RESOURCES INC.**  
**(A Development Stage Company)**  
**Notes to Financial Statements**  
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**3. CAPITAL MANAGEMENT**

The Company defines capital that it manages as its shareholders' equity. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. As at December 31, 2008, total shareholders' equity (managed capital) was \$13,568,815 (December 31, 2007 - \$14,884,596).

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

There were no changes in the Company's approach to capital management during the year ended December 31, 2008. The Company is not subject to externally imposed capital requirements.

**4. PROPERTY AND FINANCIAL RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS**

(a) Property risk

The Company's significant mineral properties are the Estrades Project, Inmet Properties, Scott Lake Project, Normetal West Project and Caribou Project (the "Projects"). Unless the Company acquires or develops additional significant properties, the Company will be solely dependent upon these Projects. If no additional mineral properties are acquired by the Company, any adverse development affecting the Projects would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate, and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

**Credit risk**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to sundry receivables, Quebec refundable tax credits and mining duty refunds and restricted cash. The Company has no significant concentration of credit risk arising from operations. Restricted cash consists of a guaranteed investment certificate, which has been invested with a reputable financial institution, from which management believes the risk of loss to be minimal.

Sundry receivables consist mostly of goods and services tax refunds due from the Federal Government of Canada and sales tax refunds due from the Quebec Government. Quebec refundable tax credits and mining duty refunds consist of tax refunds from the Quebec Government for incurring exploration expenditures in Quebec. Sundry receivables and Quebec refundable tax credits are in good standing as of December 31, 2008. The Company has not yet received the 2007 Quebec Mining Duty refund. Management believes that the credit risk with respect to sundry receivables and Quebec refundable tax credits and mining duty refunds is minimal.

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**4. PROPERTY AND FINANCIAL RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS (Continued)**

(b) Financial risk factors (Continued)

**Liquidity risk**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at December 31, 2008, the Company had a cash balance of \$2,400,642 (December 31, 2007 - \$5,456,692) to settle current liabilities of \$359,246 (December 31, 2007 - \$641,032). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

**Market risk**

*Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high yield savings accounts and guaranteed investment certificates. The Company regularly monitors its cash management policy.

*Foreign currency risk*

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company presently has relatively little exposure to foreign currency risk.

*Commodity price risk*

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as it relates to precious and base metals, to determine the appropriate course of action to be taken by the Company.

**Sensitivity analysis**

The Company has designated, for accounting purposes, its cash and restricted cash as held-for-trading, which are measured at fair value. Sundry receivables and Quebec refundable tax credits and mining duty refunds are classified for accounting purposes as loans and receivables, which are measured at amortized cost and are equal to fair value. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost and is also equal to fair value.

As of December 31, 2008, both the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

(i) Cash and restricted cash are subject to floating interest rates. As at December 31, 2008, if interest rates had decreased/increased by 1% with all other variables held constant, the loss in 2008 would have been approximately \$39,400 higher/lower and reported shareholders' equity would have been approximately \$39,400 lower/higher, as a result of a lower/higher interest income from cash and restricted cash.

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**4. PROPERTY AND FINANCIAL RISK FACTORS AFFECTING FINANCIAL INSTRUMENTS (Continued)**

(b) Financial risk factors (Continued)

**Sensitivity analysis (Continued)**

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

(iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of precious and base metals. Precious and base metals prices have fluctuated significantly in recent years. There is no assurance that, even as commercial quantities of precious and base metals may be produced in the future, a profitable market will exist for them. As of December 31, 2008, the Company was not a producing entity. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

**5. RESTRICTED CASH**

The Company has several company credit cards with a major financial institution with an aggregate credit limit of \$30,000. The financial institution holds \$30,000 in a Guaranteed Investment Certificate as collateral on the credit amount as long as the credit cards are active. The restricted cash amounts would change if there were any changes in the credit limits on the cards.

**6. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

<b>2008</b>	<b>Balance January 1</b>	<b>Additions</b>	<b>Write-off</b>	<b>Balance December 31</b>
Estrades Project (a)	\$ 2,955,855	\$ 499,755	\$ -	\$ 3,455,610
Inmet Properties (b)	4,718,727	1,507,349	(2,112,207)	4,113,869
Scott Lake Project (c)	2,587,792	997,319	-	3,585,111
Long Lake Project (d)	123,373	33,135	(156,508)	-
Normetal West Project (e)	330,472	484,683	-	815,155
Caribou Project (f)	103,129	146,363	-	249,492
Other Projects	1,027	-	(1,027)	-
<b>Total</b>	<b>\$ 10,820,375</b>	<b>\$ 3,668,604</b>	<b>\$ (2,269,742)</b>	<b>\$ 12,219,237</b>

<b>2007</b>	<b>Balance January 1</b>	<b>Additions</b>	<b>Write-off</b>	<b>Balance December 31</b>
Estrades Project (a)	\$ 2,502,801	\$ 453,054	\$ -	\$ 2,955,855
Inmet Properties (b)	3,669,466	1,049,261	-	4,718,727
Scott Lake Project (c)	1,248,293	1,339,499	-	2,587,792
Long Lake Project (d)	123,373	-	-	123,373
Normetal West Project (e)	-	330,472	-	330,472
Caribou Project (f)	-	103,129	-	103,129
Other Projects	1,027	-	-	1,027
<b>Total</b>	<b>\$ 7,544,960</b>	<b>\$ 3,275,415</b>	<b>\$ -</b>	<b>\$ 10,820,375</b>

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**6. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Continued)**

**(a) Estrades Project**

On June 14, 2005, the Company completed the transaction to purchase 70% of the Estrades Mine in Northern Quebec from Atlas Precious Metals Inc. ("Atlas"). As consideration, the Company paid Atlas the amount of US\$500,000 (CDN\$613,483) in staged payments from June 14, 2005 to September 30, 2005 and 1,000,000 common shares (valued at \$700,000). Further staged payments of US\$2,900,000 in cash or shares (at the Company's option) are due over a five-year period and have been secured by hypothec in favour of the vendor on the Estrades Mine property.

On June 30, 2005, the Company signed an agreement to purchase the remaining 30% of the Estrades Mine from Orvilliers Resources Inc. ("Orvilliers"). As consideration for the sale of Orvilliers's 30% holding in the Estrades Mine Property, Cogitore issued 500,000 common shares (valued at \$350,000) from its treasury to Orvilliers.

On June 15, 2007, the Company issued 216,216 shares (valued at \$160,000 (US\$150,000)) to Atlas as per the purchase agreement.

On June 16, 2008, the Company issued 1,240,932 shares (valued at \$359,870 (US\$350,000)) to Atlas as per the purchase agreement.

In 2008, the Company spent \$499,755 on the Estrades Project (2007 - \$453,054). To date, the Company has spent \$3,455,610 on this property (2007 - \$2,955,855).

**(b) Inmet Properties**

The Company entered into an agreement with Inmet Mining Corporation dated September 3, 2004 to acquire a 50% interest in respect of up to nine exploration properties located in the provinces of Quebec, Ontario and Newfoundland. In addition, Inmet agreed to transfer its interest in certain equipment located in Rouyn-Noranda, Quebec to the Company together with all information and data regarding the properties. As consideration for the transfer of the equipment, information and data assets, the Company issued 400,000 common shares of the Company with a value of \$200,000.

To earn the right to exercise its option on one or more properties, the Company reimbursed Inmet for expenditures Inmet had made on the properties between December 2003 and August 2004, and was required to complete additional exploration expenditures of \$1.8 million within 12 months of the close of the agreement. In March, 2005 the Company announced that it had completed its obligations under the "Phase One Expenditures." The Company now has until June 30, 2009 to incur at least \$3 million in "Phase Two Expenditures" to complete its earn-in of its 50% interest in any property optioned from Inmet.

Subsequent to year end, the Company earned in on the Estrades Property (not part of the Estrades Mining Lease detailed above), meaning the Company has earned in on two of the Inmet properties, namely Lemoine and Estrades. The Company has determined it will not be able to meet the earn-in expenditure requirements on the remaining five Inmet properties by the June 2009 deadline. As such, for the year ended December 31, 2008, the Company has written down aggregate exploration expenditures of \$2,112,207 for the Loveland, Castagnier, Landrienne, Selbaie West, and Hebecourt properties.

In 2008, the Company spent \$1,507,349 on the Inmet Properties (2007 - \$1,049,261). To date, the Company has spent (net of write-down) \$4,113,869 on these properties (2007 - \$4,718,727).

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**6. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Continued)**

**(c) Scott Lake Project**

On July 26, 2005, the Company purchased the Scott Lake base metal sulphide property from Thundermin Resources Inc. ("Thundermin"), in consideration of staged payments totaling \$285,000 and the issuance of 300,000 treasury shares to Thundermin over a two-year period, should the Company continue exploration. Upon reaching commercial production on any mineral deposit discovered on the property, the Company will make a final payment to Thundermin ranging from \$1,000,000 to \$4,000,000, depending on the size of deposit discovered, and issue to Thundermin 1,000,000 treasury shares of Cogitore. In 2005, the Company made a payment of \$35,000 and issued 50,000 shares (valued at \$27,500) to Thundermin. On May 25, 2006, the Company made a further payment of \$100,000 cash and issued 100,000 shares (valued at \$73,000). A further staged payment of \$150,000 and 150,000 shares (valued at \$105,000) was also made on May 25, 2007. In addition, the Company was required to incur expenditures of at least \$500,000 (incurred) on this property by May 25, 2008.

As of December 31, 2008, the Company owns a 100% interest in the Scott Lake project, subject only to provisional payments upon attaining production.

In 2008, the Company spent \$997,319 on the Scott Lake Project (2007 - \$1,339,499). To date, the Company has spent \$3,585,111 on this property (2007 - \$2,587,792).

**(d) Long Lake Project**

On March 1, 2006, the Company signed an option agreement with Cornerstone Capital Resources Inc. ("Cornerstone") for Cornerstone's Long Lake property in Newfoundland.

During the year ended December 31, 2008, the Company decided to cease exploration activities on the Long Lake Project. As a result, the Company has written down aggregate exploration expenditures of \$156,508.

**(e) Normetal West Project**

In February 2007, the Company acquired a 100% interest in a major property position in Ontario. The "Normetal West" Property is situated west of, and on strike with, the past producing Normetal mine. A total of 5 claims in Ontario and 10 claims in Quebec were subsequently added to the project through an option agreement with a prospector. The agreement granted Cogitore the right to earn a 100% interest in those claims subject to a 1% NSR royalty on production, \$25,000 in staged payments and \$50,000 in exploration expenditures on the claims. The option agreement is in good standing as the Company has made the \$50,000 expenditures as of December 31, 2008. A final option payment of \$10,000 is due in 2009.

In 2008, the Company spent \$484,683 on the Normetal West Project (2007 - \$330,472). To date, the Company has spent \$815,155 on this property (2007 - \$330,472).

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**6. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Continued)**

**(f) Caribou Project**

On September 17, 2007, the Company signed an option agreement with IAMGOLD Corporation ("IAMGOLD") to acquire control of its Caribou Project located immediately to the west of the Company's Estrades properties. The agreement allows Cogitore to earn 70% of IAMGOLD's interest by spending \$2,000,000 in exploration over five years and issuing 100,000 common shares of the Company, including 50,000 shares on signing (issued and valued at \$28,500). IAMGOLD's interest in the Caribou property is currently at 86% and steadily increasing as a third party's residual interest is getting diluted. After earning the interest, a 70-30 joint venture will be formed between the Company and IAMGOLD. The agreement also calls for firm expenditure commitments of \$200,000 for each of the first two years of the agreement, and for production royalty payments to IAMGOLD if it elects not to participate in a future joint venture.

In 2008, the Company spent \$146,363 on the Caribou Project (2007 - \$103,129). To date, the Company has spent \$249,492 on this property (2007 - \$103,129).

**7. PROPERTY AND EQUIPMENT**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount 2008</b>
Computer equipment	\$ 4,181	\$ 2,691	\$ 1,490
Office equipment	4,401	1,195	3,206
Site building	256,191	15,167	241,024
	<b>\$ 264,773</b>	<b>\$ 19,053</b>	<b>\$ 245,720</b>

  

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount 2007</b>
Computer equipment	\$ 4,181	\$ 2,053	\$ 2,128
Office equipment	2,714	605	2,109
Site building	256,191	5,124	251,067
	<b>\$ 263,086</b>	<b>\$ 7,782</b>	<b>\$ 255,304</b>

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**8. CAPITAL STOCK**

Authorized

Unlimited common shares

Issued - 45,326,953 common shares

	<b>Shares</b>	<b>Amount</b>
Balance, December 31, 2006	22,788,873	\$ 9,820,591
Private Placements - flow-through common shares (i)(ii)	5,800,000	4,600,000
Private Placements (i)(ii)	2,893,432	2,010,402
Warrant valuation (i)	-	(1,022,481)
Purchase of Scott Lake Project (Note 6(c))	150,000	105,000
Purchase of Estrades Project (Note 6(a))	216,216	160,000
Purchase of Caribou Project (Note 6(f))	50,000	28,500
Cost of issue (i)(ii)	-	(371,189)
Flow-through tax effect (iii)	-	(791,700)
<b>Balance, December 31, 2007</b>	<b>31,898,521</b>	<b>14,539,123</b>
Private Placements - flow-through common shares (v)(vi)	12,187,500	1,550,000
Purchase of Estrades Project (Note 6(a))	1,240,932	359,870
Costs of issue	-	(85,414)
Flow-through tax effect (iv)	-	(1,013,853)
<b>Balance, December 31, 2008</b>	<b>45,326,953</b>	<b>\$ 15,349,726</b>

(i) On April 23, 2007, the Company completed the non-brokered portion of its private placement of 2,500,000 Flow-Through Units to raise \$2,000,000 and 1,314,860 Units to raise \$920,402 for aggregate proceeds of \$2,920,402.

On April 25, 2007, the Company completed the brokered portion of its private placement of 2,500,000 Flow-Through Units to raise \$2,000,000 and 1,428,572 Units to raise \$1,000,000 for aggregate gross proceeds of \$3,000,000.

Total aggregate gross proceeds for the private placements were \$5,920,402.

The Flow-Through Units were priced at \$0.80 and the Units were priced at \$0.70. Each Flow-Through Unit consisted of one Flow-Through Common Share and one half Common Share Purchase Warrant. Each whole Common Share Purchase Warrant that is part of the Flow-Through Unit will entitle the holder to purchase one additional Common Share at a price of \$1.05 for a period of two years after the closing of the private placement. Each Unit consisted of one Common Share and one half Common Share Purchase Warrant. Each whole Common Share Purchase Warrant that is part of the Unit will entitle the holder to purchase one additional Common Share at a price of \$0.90 for a period of two years after the closing of the private placement.

In early 2008, the renunciation of \$4,000,000 created a future income tax liability of \$881,600.

For the non-brokered portion of its private placement, the Company protected offers received from registered investment dealers. As consideration for their services, these investment dealers were paid a 6% commission for an aggregate total of \$76,224.

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**8. CAPITAL STOCK (Continued)**

- (i) (Continued) For the brokered portion of its private placement, a registered investment dealer received a 6% commission totaling approximately \$180,000, 250,000 Flow-Through Broker Warrants and 142,857 Broker Warrants, which equal 10% of the number of Flow-Through Units and Units, respectively, sold pursuant to its portion of the private placement. The Broker Warrants will be exercisable into Flow- Through Broker Units and Broker Units, respectively, at the issue price at any time prior to the date that is 24 months from the closing date of the private placement. Each Flow-Through Broker Unit and Broker Unit will consist of one common share and one half of one Common Share Purchase Warrant. The exercise price of each whole Common Share Purchase Warrant will be \$1.05 and \$0.90, respectively.

Other costs of issue associated directly with the private placements amounted to \$107,615.

The fair value of the 3,871,714 warrants and 392,857 broker warrants have been estimated using the Black-Scholes option pricing model to be \$914,245 and \$108,236 respectively. The following weighted average assumptions were used: expected dividend yield - 0%; expected volatility - 85.7%; estimated risk-free interest rate - 4.15%; and an expected average life of 2 years.

The Common Shares issued at closing, and the Common Shares issued upon exercise of the Common Share Purchase Warrants, are subject to resale restrictions pursuant to applicable securities laws requirements.

- (ii) On October 19, 2007, the Company raised \$690,000 by way of a non-brokered private placement of flow-through common shares and common shares. \$600,000 of the placement was raised through the issuance of flow-through common shares, and \$90,000 was raised through the issuance of common shares. The flow-through common shares were priced at \$0.75 per flow-through common share and the common shares were priced at \$0.60 per common share. No commissions were paid by the Company as part of this offering.

In early 2008, the renunciation of \$600,000 created a future income tax liability of \$132,253.

Other costs of issue associated directly with the private placements amounted to \$7,350.

The flow-through common shares and common shares issued at closing are subject to resale restrictions pursuant to applicable securities laws requirements and notably to a hold period of four months plus one day from the closing date.

- (iii) In 2007, the Company filed renunciation documents with the tax authorities pertaining to the flow-through shares it had issued in 2006. As a result of this renunciation, capital stock decreased and long-term future income tax liability increased by \$791,700.
- (iv) The Company filed renunciation documents with the tax authorities pertaining to the flow-through shares it had issued in 2007 (*Note 8(i)* and *(ii)*). As a result of this renunciation, capital stock decreased and long-term future income tax liability increased by \$1,013,853.

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**8. CAPITAL STOCK (Continued)**

(v) On October 23, 2008, the Company closed a non-brokered private placement of flow-through common shares. 2,187,500 flow-through common shares of the Company were issued at a price of \$0.16 per flow-through common share for aggregate gross proceeds of \$350,000. A commission of \$25,600 was paid as part of this offering, in connection with the introduction of an accredited investor to the Company.

Other costs of issue associated directly with the private placements amounted to \$36,315.

The flow-through common shares issued at closing are subject to resale restrictions pursuant to applicable securities laws requirements and notably to a hold period of four months plus one day from the closing date.

The renunciation of \$350,000 in early 2009 will create a future income tax liability of approximately \$101,500.

(vi) On December 22, 2008, the Company closed a non-brokered private placement of flow-through common shares. 10,000,000 flow-through common shares of the Company were issued at a price of \$0.12 per flow-through common share for aggregate gross proceeds of \$1,200,000. No commissions were paid by the Company as part of this offering.

Other costs of issue associated directly with the private placements amounted to \$23,499.

The flow-through common shares issued at closing are subject to resale restrictions pursuant to applicable securities laws requirements and notably to a hold period of four months plus one day from the closing date.

The renunciation of \$1,200,000 in early 2009 will create a future income tax liability of approximately \$348,000.

**9. STOCK OPTIONS**

The Company adopted an incentive stock option plan ("the Plan"), dated December 13, 2002, which provides that the directors of the Company may, from time to time, grant to directors, employees and consultants of the Company, or any subsidiary of the Company, the option to purchase common shares, provided that the number of common shares reserved for issuance under the Plan not exceed ten percent of the issued and outstanding common shares. In addition, the number of common shares reserved for issuance to any one person shall not exceed five percent of the issued and outstanding common shares in any twelve-month period. The Plan provides that the terms of the option and the option price shall be fixed by the directors of the Company. Stock options granted under the Plan may not be for a period longer than five years and the exercise price must be paid in full upon exercise of the option.

A summary of the Company's option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2006	1,923,665	\$ 0.57
Granted	620,000	0.60
Balance, December 31, 2007	2,543,665	0.58
Granted	150,000	0.50
Cancelled	(200,000)	(0.73)
<b>Balance, December 31, 2008</b>	<b>2,493,665</b>	<b>\$ 0.56</b>

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**9. STOCK OPTIONS (Continued)**

The Company determines the fair value of the employee stock options using the Black-Scholes option pricing model. The estimated fair value of the options is expensed or capitalized to the exploration properties over their respective vesting periods. The fair value of stock options was determined using the following weighted average assumptions:

	2008	2007
Risk-free interest rate	3.39% - 3.45%	4.18%
Expected life	5 years	5 years
Expected volatility	119.3% - 121.8%	110.8%
Expected dividend yield	0%	0%

The fair value of these options was \$30,300 (2007 - \$268,100), of which \$Nil (2007 - \$66,972) was capitalized to deferred exploration expenditures. The weighted average fair value of the total options granted in 2008 on the grant date was \$0.20 (2007 - \$0.43) per share.

As at December 31, 2008, the Company had the following stock options outstanding and exercisable:

Exercise price	<u>Outstanding Options</u>			<u>Exercisable Options</u>	
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price	Number of options	Weighted average exercise price
\$0.10 to \$0.20 (*)	466,665	0.18	\$ 0.15	466,665	\$ 0.15
\$0.50 to \$0.59 (**)	670,000	3.85	0.55	613,750	0.55
\$0.60 to \$0.70	920,000	1.51	0.64	920,000	0.64
\$0.80 to \$0.95	437,000	2.84	0.86	437,000	0.86
	2,493,665	2.12	\$ 0.56	2,437,415	\$ 0.56

(\*) Subsequent to year end, these options expired unexercised.

(\*\*) Subsequent to year end, 240,000 options were cancelled.

**10. WARRANTS**

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2006	3,727,372	\$ 1.03
Granted (Note 8(i))	4,264,571	0.98
Expired	(3,727,372)	1.03
Balance, December 31, 2007 and December 31, 2008	4,264,571	\$ 0.98

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**10. WARRANTS (Continued)**

As at December 31, 2008, the Company had the following warrants outstanding:

Fair Value	Number of Warrants	Exercise Price	Expiry Date
\$ 287,297	1,250,000	\$1.05	April 23, 2009
167,438	657,428	0.90	April 23, 2009
281,474	1,250,000	1.05	April 25, 2009
178,036	714,286	0.90	April 25, 2009
66,971	250,000	0.80	April 25, 2009 (*)
41,265	142,857	0.70	April 25, 2009 (*)
<b>\$ 1,022,481</b>	<b>4,264,571</b>		

(\*) Broker warrants

**11. RELATED PARTY TRANSACTIONS**

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amounts, which are the amounts of consideration established and agreed to by the related parties.

During the year, the Company paid \$Nil (2007 - \$14,114) to a company owned by a former director of the Company for the sharing of office space and related expenses.

During the year, the Company paid \$50,000 (2007 - \$53,464) to 2142058 Ontario Inc., a company controlled by an officer of the Company, for management services provided to the Company.

**12. INCOME TAXES**

(a) Major items causing the Company's income tax rate to differ from the federal statutory rate of approximately 33.5% (2007 - 36%) are as follows:

	2008	2007
Loss before income taxes	\$ 2,918,658	\$ 604,896
Expected income tax benefit based on statutory rates	977,750	218,488
Adjustments to benefit resulting from:		
Stock-based compensation	-	(134,546)
Change in future tax rates	(190,909)	279,832
Other	164,147	-
Permanent differences	(7,450)	-
Increase in valuation allowance	(178,898)	(50,761)
	<b>\$ 764,640</b>	<b>\$ 313,013</b>

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**12. INCOME TAXES (Continued)**

	2008	2007
Future tax assets		
Other temporary differences	\$ 5,314	\$ 563
Share issue costs	103,467	136,706
Non-capital losses	634,891	427,504
	<b>743,672</b>	564,773
Valuation allowance	<b>(743,672)</b>	(564,773)
Total	\$ -	\$ -
Future tax liabilities		
Flow through share issuances	\$ (2,603,213)	\$ (2,354,000)

(b) Tax loss carry-forwards

As at December 31, 2008, the Company has available non-capital loss carry-forwards for Canadian federal and Ontario tax purposes that will expire as follows:

2009	\$ 10,003
2010	23,607
2014	277,574
2015	532,317
2026	373,744
2027	319,056
2028	818,722
	<u>\$ 2,355,023</u>

**13. COMMITMENTS**

- (a) The Company entered into agreements to lease office space until May 2011. Minimum annual rental payable in each of the next 3 years are as follows:

2009	\$ 64,086
2010	64,086
2011	26,703
	<u>\$ 154,875</u>

- (b) As of December 31, 2008, the Company is committed to spending \$1,209,412 associated with the flow-through offerings that were completed on October 23, 2008 and December 22, 2008 (*Note 8(v) and (vi)*). The Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada) requirements for the lookback rule.

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**13. COMMITMENTS (Continued)**

- (c) With respect to Estrades Mining Lease (*Note 6(a)*), the Company must make a US\$950,000 payment in cash or shares to Atlas as at June 2009. If the Company was to make the payment in cash it would have to go to the equity market to raise the funds as it does not presently have enough cash to make this payment. Should the Company not make this payment, it has the option of returning 70% ownership of the Estrades Property to Atlas. The Company has not yet made a final decision on this commitment.
- (d) With respect to the Normetal West Property, the Company owes a final \$10,000 option payment in 2009 on a set of claims within the Property.

**14. GENERAL AND ADMINISTRATIVE EXPENSE DISCLOSURE**

<b>For the years ended December 31,</b>	<b>2008</b>	<b>2007</b>	<b>Cumulative from date of inception to December 31, 2008</b>
Interest and bank charges	\$ 2,613	\$ 8,926	\$ 15,651
Flow-through taxes paid	48,526	40,150	167,673
Consulting fees	-	22,367	46,402
Office and general	48,794	29,047	190,624
Transfer agent, listing and filing fees	20,091	28,031	142,257
Salaries and benefits	74,689	81,510	348,553
Rent	30,657	9,528	60,994
Shareholder/investor relations	234,697	83,694	293,992
New project development	32,519	44,129	285,966
Capital tax	-	-	13,122
<b>Total</b>	<b>\$ 492,586</b>	<b>\$ 347,382</b>	<b>\$ 1,565,234</b>

**15. SUPPLEMENTAL CASH FLOW INFORMATION**

	<b>2008</b>	<b>2007</b>	<b>Cumulative from date of inception to December 31, 2008</b>
<b>Change in non-cash working capital items:</b>			
Increase in sundry receivables and prepaid expenses	\$ (15,465)	\$ (4,676)	\$ (126,255)
(Increase) decrease in Quebec refundable tax credit and mining duty refund	(272,953)	396,473	(1,431,016)
Increase in restricted cash	(20,000)	(10,000)	(30,000)
Decrease in accounts payable and accrued liabilities	(311,772)	(72,192)	(117,765)
Increase in income tax payable	29,986	-	29,986
	<b>\$ (590,204)</b>	<b>\$ 309,605</b>	<b>\$ (1,675,050)</b>

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**16. COMPARATIVE INFORMATION**

Certain comparative figures have been reclassified to confirm with current period financial statement presentation.