

COGITORE RESOURCES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDING DECEMBER 31, 2008

The following discussion of the results of operations of Cogitore Resources Inc. ("the Company"), dated April 23, 2009, for the fiscal year ending December 31, 2008, and in comparison to the prior year, should be read in conjunction with the Company's Audited Financial Statements and accompanying notes for the years ended December 31, 2008 and December 31, 2007 prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). All dollar amounts are presented in Canadian dollars. Additional information relating to the Company is available on SEDAR at www.sedar.com and the Company's website at www.cogitore.com.

Description of Business

Cogitore Resources Inc. ("the Company"), formerly Woodruff Capital Management Inc., is a Tier-2 Mining Issuer engaged in the exploration of base metals in properties located in Quebec, Ontario and Newfoundland. The Company was incorporated on December 13, 2002, and is a reporting issuer in British Columbia, Alberta and Ontario. The Company's fiscal year end is December 31 and trades on the TSX Venture Exchange under the symbol WOO.

Forward-Looking Statements

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company's properties; the future price of base and precious metals; success of exploration activities; cost and timing of future exploration and development; the estimation of mineral resources; conclusions of economic evaluations; requirements for additional capital and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: unexpected events and delays during permitting; the possibility that future exploration results will not be consistent with the Company's expectations; timing and availability of external financing on acceptable terms and in light of the current decline in global liquidity and credit availability; uncertainty of

mineral resources; future prices of precious and base metals; currency exchange rates; government regulation of mining operations; failure of equipment or processes to operate as anticipated; risks inherent in precious and base metal exploration and development including environmental hazards, industrial accidents, unusual or unexpected geological formations; and uncertain political and economic environments. Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Corporate Events

On February 5, 2008 the Company announced that it had retained the services of Louis Morin to coordinate and expand its investor relations activities. Subject to required regulatory approvals, Mr. Morin was granted stock options to purchase up to 75,000 common shares at an exercise price of \$0.50, expiring on February 4, 2013. Mr. Morin was later granted further options to purchase up to 75,000 common shares at an exercise price of \$0.50, expiring on June 30, 2013. The options will vest in three month stages over a 12 month period in accordance with regulation authorities. Mr. Morin has a combined 35 years of experience in mineral exploration and the securities industry. He was involved in mineral exploration field work early in his career before spending 17 years working as an investment advisor with a number of major brokerage firms. For the last six years Mr. Morin has run his own investor relations consulting service.

On May 30, 2008 the Company announced that engineering firm GENIVAR had delivered preliminary results of a feasibility study on the company's 100% owned Estrades Mining Lease in northwestern Quebec. After reviewing the results, the Board and management of the Company recognized that, although the deposit could become a very valuable asset in the future, it was marginal at present day zinc prices and thus concluded that it was not in the best interests of Company shareholders to move ahead with the project at that time. Given the detailed engineering work done by GENIVAR and issuance of a government Certificate of Authorization, the Company is, however, in a good position to resume the study and the project could move ahead quickly if warranted. The Company filed the final technical report on SEDAR on December 12, 2008. Please see the 2008 Exploration Program section below for further details on the study.

On October 16, 2008 the Company announced it had closed a non-brokered private placement of flow-through common shares announced in its press release of October 16, 2008. 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 payable by the Company as part of this offering to Augen Capital Corp., in connection with the introduction of an accredited investor to the Company, whose subscription was accepted by the Company. All investors in this private placement were from Quebec. As such, the proceeds of this financing were used to fund the Company's exploration program on its projects in Quebec.

The flow-through common shares issued at closing were 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. Gérald Riverin, a director and the President and Chief Executive Officer of the Company subscribed for 125,000 flow-through common shares, thereby making the private placement a “related party transaction” as defined under Multilateral Instrument 61-101 (“MI 61-101”). The private placement was approved by six out of the seven directors of the Company, Gérald Riverin having abstained from the vote. Following the closing of the private placement Mr. Riverin owned or controlled 190,000 common shares or approximately 0.5% of the issued and outstanding shares of the Company, as well as convertible securities entitling him to acquire an additional 362,500 common shares, which upon conversion would give him 552,500 common shares or approximately 1.5% of the issued and outstanding shares of the Company. The transaction was exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of any common shares issued to or the consideration paid by such persons exceeded 25% of the Company's market capitalization.

On December 4, 2008, the Company announced that, for personal reasons, Mr. Ned Goodman resigned from the board of directors of the Company.

On December 22, 2008 the Company announced it had closed the non-brokered private placement of flow-through common shares announced in its press release of December 5, 2008. 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 (the “Private Placement”). No commissions were paid by the Company in the Private Placement. The proceeds of the Private Placement are being used to fund the Company's 2009 exploration program. 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.

A number of insiders participated in the Private Placement, thereby making the Private Placement a “related party transaction” as defined under Multilateral Instrument 61-101 (“MI 61-101”). Mr. Mark Goodman, Executive Chairman and director of the Company, subscribed for 1,250,000 common shares. Mr. Vincent O'Meara, a director of the Company, subscribed for 83,334 common shares. Mr. Stephen Lidsky, a director of the Company, subscribed for 66,666 common shares. Mr. David Comba, a director of the Company, subscribed for 40,000 common shares. Mr. Orest Zajcew, Chief Financial Officer of the Company, subscribed for 210,000 common shares. The Private Placement was approved by two out of the six directors of the Company, Messrs Goodman, O'Meara, Lidsky and Comba having abstained from the vote. Following the closing of the Private Placement, Mr. Goodman will own or control 2,149,665 common shares or approximately 4.7% of the issued and outstanding shares of the Company, as well as convertible securities entitling him to acquire an additional 314,305 common shares, which upon conversion would give him 2,463,970 common shares or approximately 5.4% of the issued and outstanding shares of the Company. Mr. O'Meara will own or control 110,001 common shares or approximately 0.2% of the issued and outstanding shares of the Company, as well as convertible securities entitling him to acquire an additional 175,000 common shares, which upon conversion would give him 285,001 common shares or approximately 0.6% of the

issued and outstanding shares of the Company. Mr. Lidsky will own or control 89,166 common shares or approximately 0.2% of the issued and outstanding shares of the Company, as well as convertible securities entitling him to acquire an additional 175,000 common shares, which upon conversion would give him 264,166 common shares or approximately 0.6% of the issued and outstanding shares of the Company. Mr. Comba will own or control 75,667 common shares or approximately 0.2% of the issued and outstanding shares of the Company, as well as convertible securities entitling him to acquire an additional 205,000 common shares, which upon conversion would give him 280,667 common shares or approximately 0.6% of the issued and outstanding shares of the Company. Mr. Zajcew will own or control 285,000 common shares or approximately 0.6% of the issued and outstanding shares of the Company, as well as convertible securities entitling him to acquire an additional 212,500 common shares, which upon conversion would give him 497,500 common shares or approximately 1.1% of the issued and outstanding shares of the Company. The transaction was exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of any common shares issued to or the consideration paid by such persons exceeded 25% of the Company's market capitalization.

2008 Exploration Program

Cogitore explores for volcanogenic massive sulphide (VMS) type deposits in areas where such deposits have been found and mined before. Exploring in such areas is preferred because of existing infrastructure, knowledgeable local workforces and broad public support for mining. Collectively, these are major competitive advantages. The Company's project portfolio presently includes eight VMS projects located in easily accessible areas of Quebec and Ontario. Significantly, among these projects two are past-producers (Lemoine and Estrades) and one encloses five distinct massive sulphide lenses (Scott Lake).

2008 was the fourth complete year of exploration activities for the Company and a total of 23,648 metres were drilled on five projects. Drilling-related activities accounted for approximately 70% of 2008 expenditures. The exploration highlight for 2008 was the discovery of high grade copper, zinc, gold and silver-bearing massive and stringer sulphides over significant thicknesses at Scott Lake. In addition, a feasibility study was completed at the Estrades project. Summaries of individual projects are presented below.

Scott Lake

The Scott Lake project, 100% owned by Cogitore, is located approximately 20 km west of the town of Chibougamau, Quebec. Chibougamau is a regional centre for forestry, mining and tourism. The Company initiated work at Scott Lake in 2006 and made its first massive sulphide discovery ("800 Lens") during the first drill program. Subsequent drill programs in 2007 and 2008 were successful in delineating new massive sulphides and expanding known mineralization. New targets were also tested. This strategy culminated with the discovery in 2008 of a new massive sulphide lens ("1750 Lens") and of an upper extension of the West Lens containing significant thicknesses of copper-rich massive and stringer sulphides with locally significant precious metal contents.

A total of 8,861 metres were drilled at the Scott Lake project. The most significant results are tabled below:

Hole	From (m)	To (m)	Length (m)	Cu %	Zn %	Au g/t	Ag g/t	Remarks
SC-28	629.7	632.8	3.1	0.21	10.80	0.09	55.6	new massive sulphide lens along the North Horizon: "1750 Lens"
SC-29	419.0	512.2	93.2	0.50	0.91	0.11	16.0	stringer sulphides
including								
	481.8	498.7	16.9	1.35	1.51	0.17	38	stringer sulphides
SC-30	590.2	615.3	25.1	2.04	0.99	0.17	52.5	massive sulphides West Lens
including								
	606.7	614.7	8.0	3.59	1.27	0.23	82.2	massive sulphides
SC-34	408.6	426.5	17.9	0.05	23.31	0.32	12.4	massive sulphides
including								
	419.75	426.50	6.75	0.10	34.90	0.07	13.6	massive sulphides
	459.7	513.4	53.7	1.88	4.89	0.39	69.5	combined massive and stringer sulphides West Lens
including								
	459.7	479.0	19.3	1.07	7.76	0.42	44.3	massive sulphides
and								
	479.0	492.4	13.4	3.73	4.54	0.60	131.5	semi-massive and stringer sulphides
and								
	492.4	513.4	21.0	1.61	2.27	0.23	58.8	stringer sulphides
	534.8	608.9	74.1	0.82	1.99	0.34	27.6	stringer sulphides
including								
	600.0	601.0	1.0	0.50	0.39	14.50	22.3	stringer sulphides
	661.5	665.1	3.6	0.25	7.25	0.21	19.0	massive sulphides "1750 Lens" (?)
	674.3	686.7	12.4	0.3	6.00	0.23	26.3	massive sulphides "1750 Lens"
including								
	674.3	677.6	3.3	0.25	10.45	0.75	43.7	massive sulphides "1750 Lens"
and								
	680.7	686.7	6.0	0.42	5.74	0.05	26.2	massive sulphides "1750 Lens"

Cogitore's management has qualified Holes SC-30 and SC-34 as the most significant finds of copper-rich volcanogenic massive sulphides (VMS) in the Chibougamau area since the discovery of the Lemoine deposit in 1973. They show very substantial improvement in copper and silver grades over significant widths in the West Lens. Similarly, the high grade zinc interval starting at

408.6 metres down the hole in SC-34 is considered to be the most significant zinc mineralized interval ever reported from the Chibougamau district. The Scott Lake property hosts at least five separate VMS lenses on two distinct mineralized volcanic horizons. Such a clustering of VMS deposits is characteristic of many successful VMS mining camps and augurs well for further VMS discoveries. While these results are most encouraging, a significant amount of follow-up drilling remains to be completed. The initial 2009 program will focus entirely around the West Lens and the 1750 Lens with the purpose of testing the continuity and establishing the shape and size of the mineralized zones encountered in 2008.

Estrades

The Estrades project is located in Northwestern Quebec approximately 95 km southwest of Matagami, Quebec. The property includes four distinct blocks: the **Estrades Block**, the **Newiska Block**, the **Estrades Mining Lease** and the **Caribou Project**. The mining lease is owned 100% by Cogitore (subject to final payments due in June 2009 and June 2010), whereas the Estrades and Newiska blocks are subject to an April 23, 2004 agreement between Cogitore and Inmet Mining Corporation (“Inmet”). Subsequent to year end, Cogitore completed the earn-in of a 50% interest in the claims. Inmet declined to participate in the first JV program on these claims in 2009, and is thus undergoing dilution. The Caribou project is subject to a 2007 agreement with IAMGOLD Corporation (“IAMGOLD”) allowing Cogitore to earn a 70% interest in IAMGOLD’s approximate 87% interest on the property. A portion of the Caribou claims are in an area of interest that are subject to the 2004 agreement with Inmet.

In late 2008, the Company received from engineering firm GENIVAR the final report on the feasibility study on its 100% owned Estrades Mining Lease in northwestern Quebec. The study consists of an exhaustive evaluation of all costs involved with rehabilitating the former producing Estrades mine, mining ore zones to a depth of 415 metres, trucking the ore to a custom mill, producing and smelting three base metal concentrates, and analysing costs of reclamation work at the end of mining operations. Total Indicated Resources on the Main and Central Zones are now established by GENIVAR at 709,000 tonnes grading 9.8% zinc, 0.8% copper, 0.9% lead, 5.0 g/t gold and 163 g/t silver. GENIVAR’s mining plan involves a mining reserve of 451,900 tonnes grading 9.8% zinc, 1.0% copper, 1.0% lead, 5.3 g/t gold and 169 g/t silver to be mined from the Main and Central zones, including development ore and appropriate dilution. The ore would be mined by long hole mining techniques in the former producing area and by shrinkage stoping in all new areas.

The financial and sensitivity analysis prepared by GENIVAR showed that the project has interesting economic potential but is extremely sensitive to the exchange rate and to metal prices, especially to the price of zinc. After reviewing the results, the Board and management of the Company determined that the deposit could become a very valuable asset in the future but also concluded that it was not in the best interests of Company shareholders to move ahead with the project under current economic conditions. However, given the detailed engineering work done by GENIVAR and issuance of a government Certificate of Authorization, the Company is in a good position to resume the study and the project could move ahead quickly if warranted. The Company will continue monitoring zinc prices and the availability of nearby custom milling facilities.

According to the terms of the Estrades Mining Lease purchase, the Company must make a US\$950,000 payment in cash or common shares of Cogitore to Atlas Precious Metals Inc. (“Atlas”) by June 2009. If the Company is to make the payment in cash it will have to raise the funds in the debt or equity markets as the Company does not presently have enough cash to make the payment. Should the Company not make this payment, it has the option of returning 70% of the Estrades Mining Lease to Atlas. The Company has yet to make a final decision on this commitment.

A total of 6,412 metres and 612 metres respectively were drilled at the Estrades and Caribou claims in 2008. The program at Estrades focused on the East Zone sector at depth where the 2007 drilling program was successful in discovering a new copper zone returning 0.84% copper over 23 metres, including a higher grade zone of **3.1% copper and 21 g/t silver over 4.4 metres**. The results of the follow-up drilling were disappointing. The Company remains focused on exploring for additional Estrades-type deposits, especially along strike to the west on the Caribou property.

A deep penetrating electromagnetic (InfiniTEM) survey was completed at the Caribou claims immediately to the west of the Estrades mine. Several conductors were identified, including some that are potentially located along the Estrades mine horizon. One drill hole was completed in the Caribou claims in the first week of April 2008 but the drilling program had to be aborted due to early break-up conditions. However, this first hole at Caribou was successful in finding two previously unknown massive pyrite horizons associated with altered rhyolites. Promising coincident geophysical and geological targets were identified in the Caribou claims in the winter of 2008 and drilling of these targets is planned in early 2009.

Lemoine

The Lemoine Project, located 25 km south of Chibougamau, Quebec encloses the former producing Lemoine Mine, which produced 0.76Mt of high grade massive sulphide ore. Although small, Lemoine ranks number 2 in Canada (second only to Eskay Creek) and is within the top 1% of all VMS deposits worldwide in terms of total base and precious metal grade. The property encompasses a 17 km segment of the favourable horizon hosting the deposit. The project is a joint venture with Inmet, whose interest has been reduced to about 23% as a result of its non-participation in the 2008 program.

In 2008, a total of 3,851 metres were drilled in 7 holes, including the deepening of two pre-existing holes. Two holes were drilled around a significant “off-hole” borehole anomaly detected at the end of hole LEM-59, which was targeting a TITAN 24 geophysical anomaly. The geophysical anomaly was well explained by envelopes of conductive but low grade sulphide mineralization. Other geological or geophysical targets tested in 2008 failed to show encouraging results. The Company has decided to refocus its exploration efforts in the Chibougamau district on Scott Lake.

Selbaie West

At Selbaie West, located in northwestern Quebec, the 2008 program consisted of testing isolated conductors identified by a 2005 VTEM airborne survey and of doing a fence of stratigraphic holes designed to locate the package that hosted the Selbaie Mine, located 8 kilometres to the east. Eleven holes were completed and one was lost in overburden for a total of 3,689 metres drilled. The first hole of the program, SW-01, intersected a 2 metre-thick horizon of massive pyrite hosted by altered felsic fragmental rocks correlated with those hosting the past producing Selbaie mine. Although no significant base metals are present in the newly discovered sulphide horizon, hole SW-01 is considered very encouraging since it shows that a massive sulphide system is present at Selbaie West, in altered rock units similar to those hosting the Selbaie Mine. Encouraging zinc and silver values were, however, obtained in hole SW-04 drilled on the same fence as SW-01 and about 800 metres to the south. The best assays from SW-04 were as follows:

Hole	From (m)	To (m)	Length (m)	Cu %	Zn %	Pb %	Au g/t	Ag g/t
SW-04	288.0	291.4	3.1	0.01	0.27	0.11	0.01	31.2
Including								
	289.1	289.4	0.3	0.02	1.66	0.70	0.54	264.0
SW-04	303.2	318.5	15.3	0.02	0.25	0.10	tr.	2.5
Including								
	312.4	312.8	0.4	0.01	1.92	0.40	tr.	3.4
SW-04	364.6	367.7	3.1	0.23	1.65	0.10	tr.	11.3
Including								
SW-04	366.4	366.7	0.3	0.32	7.11	0.03	0.10	16.5

The Selbaie West property was enlarged by the acquisition of important new claims located to the south and to the northeast of the existing claims. Being adjacent to the original Selbaie West project optioned from Inmet, these new claims also become part of the Inmet Agreement. The Company has the right to earn a 50% interest in the property and is still in the earn-in phase. However, the Inmet agreement expires in June 2009 and the Company will be unlikely to meet the earn-in requirements by that date. The Company thus considers the property impaired and has written down the capitalized exploration expenditures on the property in 2008 to \$0.

Hebecourt

The Hebecourt property straddles the boundary between the Quebec and Ontario provinces and is underlain by volcanic rocks that are at the base of the prolific Blake River Group of the Abitibi Belt. The Blake River Group is host of Agnico-Eagle's LaRonde mine and of the past producing

world class Horne Mine, and also of numerous other successful VMS mines. The core of the Hebecourt property is marked by a 200-300m thick rhyolite unit that is found across the center of the property and which hosts a series of VMS-style zinc and copper showings.

A hole started in December 2007 was completed in early January 2008 and intersected a 25 cm thick quartz vein hosting a 10 cm pod of massive sphalerite which assayed **21.0% zinc** and 0.95% copper over 25 cm. This vein may represent remobilization of metals from a nearby massive sulphide lens. However, borehole PEM failed to detect a conductor, which indicates that there are no conductive sulphide lenses within 150m from the hole. This property is a part of the Inmet agreement. However, the agreement expires in June 2009 and the Company will be unlikely to meet the earn-in requirements by that date. The Company thus considers the property impaired and has written down the capitalized exploration expenditures on the property in 2008 to \$0.

Normetal West

In February 2007, the Company acquired a 100% interest in a major property position in Ontario. The “Normetal West” Property is situated 14 kilometres west of, and on strike with, the past producing Normetal mine. A total of five claims in Ontario and ten 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 September 2009.

In 2008 a deep penetrating electromagnetic (InfiniTEM) survey was completed on the 24 kilometre long property and many good quality conductors were identified at the top of a felsic unit interpreted to be the same as the one hosting the Normetal mine. Some conductors had been selected for diamond drilling but, due to unacceptable permitting delays imposed by staff of the Ontario Ministry of Natural Resources, the Company reluctantly decided to indefinitely defer the drill testing of these targets. There are no work commitments at Normetal West and the Company has full flexibility in scheduling work programs on the property.

Landrienne, Loveland and Castagnier

No exploration work was carried out in 2008 on the Landrienne, Loveland and Castagnier projects. The three properties are subject to the Inmet Agreement. Although the projects are still in the earn-in phase, the Inmet agreement expires in June 2009 and the Company will be unlikely to meet the earn-in requirements on these properties by that date. The Company considers the properties impaired and has written down the capitalized exploration expenditures on the properties in 2008 to \$0.

Newfoundland

In Newfoundland, a borehole PEM survey was completed at the Long Lake project. In light of the results of the borehole geophysical survey and of the 2007 drilling program, the Long Lake project was terminated. The Company wrote down the Long Lake expenditures in 2008.

Outlook

The Company has developed a strategic focus on base metal exploration in prospective areas that also feature infrastructure favourable for mining development. Accordingly, it will focus its work in the Abitibi Belt of Quebec and Ontario, and in the Central Belt of Newfoundland. Management of the Company was particularly encouraged by the 2008 results at Scott Lake and believes that the substantial improvement in copper and silver grades over significant widths in the West Lens took the Company a step closer to its ultimate objective of identifying a copper-rich orebody. The recent spectacular downturn in equity and credit markets worldwide has, however, dramatically affected the share prices of junior exploration companies, including Cogitore, and therefore diminished their ability to raise the capital necessary to carry out their exploration activities.

Although Cogitore has an exceptional portfolio of base metal exploration projects, the Company has adjusted to this new market reality. As such, the Company has considerably decreased its exploration budget for 2009 to focus its drilling efforts on the Scott Lake and Caribou projects. Company management believes that these projects have the best chance to lead to a short term mineral discovery. The Company presently expects to spend approximately \$1.7 Million on exploration in 2009, including approximately \$800,000 at Scott Lake and \$600,000 at Caribou. The Company has enough cash to fund this present budget. However, should the Company wish to expand its present budget, it would have to return to the equity markets to raise the necessary funds. The Company has no present plans for any material capital expenditures in 2009.

COGITORE RESOURCES INC.

(A Development Stage Company)

Statements of Exploration Properties and Deferred Exploration Expenditures

	December 31,		Cumulative from date of inception to December 31,
	2008	2007	2008
Estrades Project			
Opening balance	\$ 2,955,855	\$ 2,502,801	\$ -
Property acquisition costs	360,796	175,805	2,206,539
Travel, hotel and meals	-	53	607
Property maintenance	6,228	6,254	25,683
Geochemistry and geophysics	11,595	48,860	102,088
Drilling	250,548	92,899	928,737
Environment	39,060	-	39,060
Linecutting	-	1,125	8,865
General and geology	66,938	366,541	705,700
Professional fees	-	-	125,858
Regional office expenses	7,510	7,198	110,625
Quebec refundable tax credit and mining duties refund	(242,920)	(245,681)	(798,152)
Activity during the period	499,755	453,054	3,455,610
Closing balance	\$ 3,455,610	\$ 2,955,855	\$ 3,455,610
Inmet Properties			
Opening balance	\$ 4,718,727	\$ 3,669,466	\$ -
Property acquisition costs	1,000	6,025	613,983
Property maintenance	13,004	19,247	70,763
Geochemistry and geophysics	93,997	102,807	898,698
Drilling	1,872,454	887,923	4,972,471
Linecutting	-	-	48,776
General and geology	157,068	206,665	1,252,194
Professional fees	-	-	56,951
Participant's share	-	-	1,223,726
Travel, hotel and meals	357	522	29,631
Write-off of exploration expenditures	(2,112,207)	-	(2,587,966)
Regional office expenses	75,892	71,753	302,015
Quebec refundable tax credit and mining duties refund	(706,423)	(245,681)	(2,767,373)
Activity during the period	(604,858)	1,049,261	4,113,869
Closing balance	\$ 4,113,869	\$ 4,718,727	\$ 4,113,869

COGITORE RESOURCES INC.

(A Development Stage Company)

Statements of Exploration Properties and Deferred Exploration Expenditures

	December 31,		Cumulative from date of inception to December 31, 2008
	2008	2007	
Scott Project			
Opening balance	\$ 2,587,792	\$ 1,248,293	\$ -
Property acquisition costs	-	260,150	517,053
Travel, hotel and meals	1,163	1,435	7,608
Property maintenance	3,449	4,114	14,235
Geochemistry and geophysics	195,957	86,789	541,756
Drilling	1,032,463	955,772	2,920,488
Linecutting	-	16,428	60,212
General and geology	164,685	184,811	504,115
Professional fees	-	-	12,076
Regional office expenses	61,450	75,681	200,261
Quebec refundable tax credit and mining duties refund	(461,848)	(245,681)	(1,192,693)
Activity during the period	997,319	1,339,499	3,585,111
Closing balance	\$ 3,585,111	\$ 2,587,792	\$ 3,585,111
Long Lake Project			
Opening balance	\$ 123,373	\$ 123,373	\$ -
Property acquisition costs	-	-	10,000
General and geology	-	-	323
Participant's share	30,422	-	138,823
Regional office expenses	2,713	-	7,362
Write-off of exploration expenditures	(156,508)	-	(156,508)
Activity during the period	(123,373)	-	-
Closing balance	\$ -	\$ 123,373	\$ -
Normetal West Project			
Opening balance	\$ 330,472	\$ -	\$ -
Property acquisition costs	5,065	43,488	48,553
Property maintenance	673	334	1,007
Geochemistry and geophysics	310,862	82,995	393,857
General and geology	79,426	135,062	214,488
Drilling	19,915	269	20,184
Linecutting	52,245	54,950	107,195
Travel	151	69	220
Regional office expenses	16,346	13,305	29,651
Activity during the period	484,683	330,472	815,155
Closing balance	\$ 815,155	\$ 330,472	\$ 815,155

COGITORE RESOURCES INC.

(A Development Stage Company)

Statements of Exploration Properties and Deferred Exploration Expenditures

	December 31,		Cumulative
	2008	2007	from date of inception to December 31, 2008
Caribou Project			
Opening balance	\$ 103,129	\$ -	\$ -
Property acquisition costs	-	28,500	28,500
Property maintenance	6,233	2,111	8,344
Geochemistry and geophysics	80,497	40,640	121,137
General and geology	55,745	7,677	63,422
Drilling	74,392	255	74,647
Linecutting	-	20,473	20,473
Regional office expenses	1,155	3,473	4,628
Quebec refundable tax credit and mining duties refund	(71,659)	-	(71,659)
Activity during the period	146,363	103,129	249,492
Closing balance	\$ 249,492	\$ 103,129	\$ 249,492
Other Projects			
Opening balance	\$ 1,027	\$ 1,027	\$ -
Participant's share	-	-	1,027
Write-off of exploration expenditures	(1,027)	-	(1,027)
Activity during the period	(1,027)	-	-
Closing balance	\$ -	\$ 1,027	\$ -
TOTAL	\$ 12,219,237	\$ 10,820,375	\$ 12,219,237

Qualified Person

Work is carried out by the personnel of Cogitore Resources Inc., under the supervision of Gérald Riverin, PhD, P.Geo. He is a qualified person (as defined by National Instrument 43-101) and has more than 30 years of experience in VMS exploration.

Selected Financial Information

A summary of selected financial information for the years ended December 31, 2008 and December 31, 2007 is as follows:

	<u>Year Ended December 31, 2008</u>	<u>Year Ended December 31, 2007</u>
Total Revenue	\$0	\$0
Net Income (Loss)		
- Total	\$(2,154,018)	\$(291,883)
- Per Share	\$(0.06)	\$(0.01)
Total Assets	\$16,531,274	\$17,879,628
Long-Term Financial Liabilities	\$2,603,213 ⁽¹⁾	\$2,354,000 ⁽¹⁾

For the years ended 2008 and 2007, the Company reported no discontinued operations and declared no cash dividends.

- (1) The Company has adopted the recommendations of CICA Emerging Issues Committee Abstract 146, Flow-Through Shares (“EIC-146”). Under EIC-146, a future income tax liability should be recognized, and shareholders’ equity reduced, on the date that a company renounces the tax credits that are associated with resource expenditures, provided there is reasonable assurance that the expenditures will be made. As a result, the Company recognized a \$2,603,213 future income tax liability for the year ended December 31, 2008 and a \$2,354,000 future income tax liability for the year ended December 31, 2007.

The following table provides selected financial information that is derived from the unaudited interim financial statements and audited financial statements of the Company:

For the quarter ended	<u>March 31</u>	<u>June 30</u>	<u>Sept.30</u>	<u>Dec 31</u>
<u>2008</u>				
Revenues	\$0	\$0	\$0	\$0
Net Loss	(\$115,411)	(\$151,440)	(\$337,472)	(\$1,549,695)
Net Loss per Share	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.04)
<u>2007</u>				
Revenues	\$0	\$0	\$0	\$0
Net Income (Loss)	(\$141,134)	(\$103,419)	(\$194,666)	\$147,336
Net Loss per Share	(\$0.01)	(\$0.00)	(\$0.01)	\$0.01

Additional Disclosure for Venture Corporations without Significant Revenue

The following table sets forth a breakdown of material components of the general and administration costs of the Company for the years ended December 31, 2008 and December 31, 2007:

	<u>Year ended December 31, 2008</u>	<u>Year ended December 31, 2007</u>
Interest & Bank Charges	\$2,613	\$8,926
Flow Through Taxes Paid	\$48,526	\$40,150
Consulting Fees	\$0	\$22,367
Office and General	\$48,794	\$29,047
Transfer agent, listing & filing fees	\$20,091	\$28,031
Salaries & Benefits	\$74,689	\$81,510
Rent	\$30,657	\$9,528
Shareholder/investor relations	\$234,697	\$83,694
Corporate Development	<u>\$32,519</u>	<u>\$44,129</u>
Total	\$492,586	\$347,382

Results of Operations

The Company's loss in 2008 was \$2,154,018 compared with an operating loss of \$291,883 for the same period in 2007. There were a number of reasons for this difference year over year. Most significantly, management wrote off a number of its exploration properties in 2008, creating an expense of \$2,269,742. There were no such write-offs in 2007. Second, the Company had general and administrative expenses of \$492,586 in 2008 compared to \$347,382 in 2007. Most of this difference was due to increased shareholder/investor relations activity, as the Company hired a full-time director of investor relations, and the Company participated in a number of conferences and trade shows throughout the year. Third, the Company's future income tax liability (from issuing flow through common shares) increased to \$2,603,213 from \$2,354,000 at the end of 2007. The Company also had lower interest revenue in 2008 (\$80,830) compared to 2007 (\$150,704).

Over the last eight quarters most of the net losses have been fairly consistent. The main exception has been with respect to the fourth quarter of 2008, due to the write-off of a number of exploration properties as detailed above. Also, as noted, the Company has increased its investor relations activities throughout 2008.

The costs 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 net realizable value. As detailed earlier, the Company wrote down \$2,269,742 in deferred exploration expenditures in 2008, most of which were properties that were part of the Inmet agreement, where the Company does not believe it will presently be able to earn in by the June 30, 2009 agreement date. In 2008 the Company had exploration expenditures of \$5,151,464 before write-downs and Quebec tax refund effects. The Company spent \$1,526,791 on the Estrades Mining Lease and Property, \$1,459,167 on the Scott Lake Property, \$695,593 on Lemoine, \$685,541 on

Selbaie West, and \$484,683 on Normetal West. The remainder was split amongst the other properties.

Liquidity and Capital Resources

At December 31, 2008, the Company had working capital of \$3,677,071 compared to \$6,152,917 as at December 31, 2007. The Company anticipates receiving approximately \$1,431,016 in refundable tax credits and refundable mining duties from the Quebec government as a result of its exploration expenditures in Quebec during the year ended December 31, 2008 (this total includes refundable Mining Duties from 2007). Working capital is being used for exploration as described under the Outlook section of this report and to support corporate overhead. The Company has sufficient working capital to meet its present budget plan and financial commitments.

With respect to the Estrades Mining Lease, as detailed earlier, the Company must make a US\$950,000 payment in cash or shares to Atlas Precious Metals Inc. (“Atlas”) by June 2009. If the Company was to make the payment in cash it would have to go to the equity or debt markets to raise the funds as it does not presently have enough funds to make the 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.

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.

In 2007, the Company paid \$14,114 to a company owned by a former director of the Company for the sharing of office space and related expenses. This relationship ended in the fourth quarter of 2007.

In 2008, 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.

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 and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short-term investments with original maturity of three months or less and which are readily convertible into cash.

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	4%

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.

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 of the Audited Financial Statements for the year ending December 31, 2008. 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 of the Financial Statements. 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.

Accounting changes

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes ("Section 1506"). The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retroactively unless doing so is impracticable, requires prior period errors to be corrected retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The adoption of Section 1506, effective January 1, 2007, had no impact on these financial statements.

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.

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

Under adoption of these new standards, the Company designated its cash and cash equivalents 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 the Audited Financial Statements for the year ended December 31, 2008.

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.

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"), results in withdrawal of 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 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 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), 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 CICA approved EIC 173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities. This guidance clarified that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities including derivative instruments. This guidance is applicable to fiscal periods ending on or after January 20, 2009. The Company is continually evaluating its counterparties and their credit risks.

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.

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 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.

Outstanding Share Data

As at the date of this report, the following is a description of the outstanding equity securities and convertible securities previously issued by the Company:

	<u>Authorized</u>	<u>Outstanding</u>
Voting or Equity Securities Issued and Outstanding	Unlimited Common Shares	45,326,953 Common Shares
Securities convertible or exercisable into voting or equity securities-stock options	Stock Options to acquire up to 10% of outstanding Common Shares	Stock options to acquire 1,787,000 Common Shares

The Company has the following warrants outstanding as at December 31, 2008:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
1,250,000	\$1.05	April 23, 2009
657,428	\$0.90	April 23, 2009
1,250,000	\$1.05	April 25, 2009
714,286	\$0.90	April 25, 2009
250,000	\$0.80	April 25, 2009 (*)
142,857	\$0.70	April 25, 2009 (*)

*Broker Warrants

Risk and Uncertainties

The operations of the Company are speculative due to the high-risk nature of its business, which is the acquisition, financing, exploration and development of mining properties. The risks below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected.

Nature of mineral exploration and mining

At the present time the Company does not hold any interest in a mining property in production. The Company's viability and potential success is based on its ability to develop, exploit and generate revenue from mineral deposits. The exploration and development of mineral deposits involve significant financial risk over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. While discovery of a mine

may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the current or proposed exploration programs on exploration properties in which the Company has an interest will result in a profitable commercial mining operation.

The operations of the Company are subject to all of the hazards and risks normally incident to exploration and development of mineral properties, any of which could result in damage to life and property, the environment and possible legal liability for any and all damage. The activities of the Company may be subject to prolonged disruptions due to weather conditions depending on the location of the operations in which the Company has interests. Hazards, such as unusual or unexpected geological structures, rock bursts, pressure, cave-ins, flooding or other conditions may be encountered in the drilling and removal of material. While the Company may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or could be excluded from coverage. There are also risks against which the Company cannot insure or against which it may elect not to insure. The potential costs which could be associated with any liabilities not covered by insurance or in excess of insurance coverage or associated with compliance with applicable laws and regulations may cause substantial delays and require significant capital outlays, adversely affecting the future earnings and competitive position of the Company and, potentially, its financial position.

Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are the particular attributes of the deposit, such as size and grade, proximity to infrastructure, financing costs and governmental regulations, including regulations relating to prices, taxes, royalties, infrastructure, land use, importing and exporting and environmental protection. The effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Fluctuating Prices

Factors beyond the control of the Company may affect the marketability of gold or any other minerals discovered. Commodity prices have fluctuated widely and are affected by numerous factors beyond the Company's control. The effect of these factors cannot accurately be predicted.

Permits and Licenses

The operations of the Company require licenses and permits from various governmental authorities. The Company believes that it presently holds all necessary licenses and permits required to carry out the activities which it is currently conducting under applicable laws and regulations and the Company believes it is presently complying in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in regulations and in various operating circumstances. There can be no assurance that the Company

will be able to obtain all necessary licenses and permits required to carry out exploration, development and mining operations at its projects.

Competition

The mineral exploration and mining business is competitive in all its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and the acquisition of attractive mineral properties, the acquisition of mining equipment and related supplies and the attraction and retention of qualified personnel. The ability of the Company to acquire properties, purchase required equipment, and hire qualified personnel in the future will depend not only on its ability to develop its present properties, but also on its ability to identify, arrange, negotiate, select or acquire suitable properties or prospects for mineral exploration, source suitable equipment and hire qualified people. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring such properties or prospects, sourcing equipment or hiring people.

Environmental and Climate Change Regulation

The operations of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement, fines and penalties for non compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of future operations. The impacts of the Kyoto Protocol are difficult to predict and are not yet fully understood. Such impacts may have an adverse effect on the capital and operating cost of the Company's operations or those of its future customers that may materially affect future operations.

Aboriginal Title and Rights Claims

Aboriginal title and rights may be claimed with respect to Crown properties or other types of tenure with respect to which mining rights have been conferred. The Company is not aware of any aboriginal land claims having been formally asserted or any legal actions relating to aboriginal issues having been instituted with respect to the properties. There can be no assurance that title and rights claims will not be asserted in the future in respect of the Company's properties. The Company is aware of the mutual benefits afforded by co-operative relationships with indigenous people in conducting exploration and development activity and is supportive of measures established to achieve such cooperation including preferential hiring practices, local business development activities, involvement in environmental stewardship and other forms of accommodation. In addition, other parties may dispute the Company's title to the properties and the properties may be subject to prior unregistered agreements or transfers or land claims by

aboriginal peoples, and title may be affected by undetected encumbrances or defects or government actions.

Estimates of mineral resources may not be realized

The mineral resource estimates published from time to time by the Company with respect to its properties are estimates only and no assurance can be given that any particular level of recovery of minerals will in fact be realized or that an identified resource will ever qualify as a commercially mineable (or viable) deposit which can be legally and economically exploited. In addition, the grade of mineralization ultimately mined may differ from that indicated by drilling results and such differences could be material. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations, inaccurate or incorrect geological, metallurgical or engineering work, and work interruptions, among other things. Short-term factors, such as the need for orderly development of deposits or the processing of new or different grades, may have an adverse effect on mining operations or the results of operations. There can be no assurance that minerals recovered in small-scale laboratory tests will be duplicated in large scale tests under on-site conditions or in production scale operations. Material changes in resources, grades, stripping ratios or recovery rates may affect the economic viability of projects. The estimated resources described herein should not be interpreted as assurances of mine life or of the profitability of future operations.

Dependence on key personnel

The Company is dependent on the services of its senior management and a small number of skilled and experienced employees and consultants. The loss of any such individuals could have a material adverse effect on the Company's operations.

Limited financial resources

The existing financial resources of the Company are not sufficient to bring any of its properties into commercial production. The Company will need to obtain additional financing from external sources in order to fund the development of its properties. There is no assurance that the Company will be able to obtain such financing on favourable terms, or at all. Failure to obtain financing could result in delay or indefinite postponement of further exploration and development of the Company's properties.

IFRS Implementation Plan

The Canadian Accounting Standards Board (AcSB) has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises, effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended March 31, 2011.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is currently in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all current accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures
- Property, plant and equipment (measurement and valuation),
- Provisions, including asset retirement obligations,
- Stock-based compensation,
- Accounting for joint ventures, and
- Accounting for income taxes

As the analysis of each of the key areas progresses, other elements of our IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required.	In progress, expected to be completed during Q2 2009
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives.	Throughout 2009
Assessment of first-time adoption (IFRS 1) requirements and alternatives.	Throughout 2009
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Q4 2009 – Q1 2010
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q4 2009 – Q2 2010
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout 2010