

**FIRST BAUXITE CORPORATION**  
(formerly Academy Ventures Inc.)

**Consolidated Financial Statements (Unaudited)**  
**December 31, 2008 and 2007**

**Consolidated Financial Statements**

Consolidated Balance Sheets

Consolidated Statements of Operations and Deficit

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

These financial statements have been prepared by management of the Company and have not been reviewed by the Company's independent auditor.

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

**FIRST BAUXITE CORPORATION**  
**(formerly Academy Ventures Inc.)**  
**Consolidated Balance Sheets (Unaudited)**  
**December 31, 2008 and September 30, 2008**

	December 31 2008	September 30 2008 (Audited)
<b>ASSETS</b>		
CURRENT		
Cash	\$ 182,534	\$ 24,349
Short-term investments (note 4)	660,685	1,719,260
Receivable and advances	2,491	-
GST receivable	26,477	17,447
Due from related parties (note 11)	14,918	9,534
Mining tax credit receivable	57,017	57,017
Prepaid expenses	81,229	10,604
	1,025,351	1,838,211
ADVANCES TO GUYANA INDUSTRIAL MINERALS INC.	-	874,621
PROPERTY AND EQUIPMENT (note 5)	217,116	35,146
RECLAMATION BOND	8,168	-
RENTAL DEPOSIT	4,042	4,042
MINERAL PROPERTY INTEREST (note 7)	7,933,739	-
DEFERRED ACQUISITION COSTS	-	96,743
	\$ 9,188,416	\$ 2,848,763
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 72,407	\$ 117,291
Due to related parties (note 11)	349,085	4,115
	421,492	121,406
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (note 8)	9,275,719	3,113,798
CONTRIBUTED SURPLUS (note 8(e))	1,262,329	1,262,944
DEFICIT	(1,771,124)	(1,649,385)
	8,766,924	2,727,357
	\$ 9,188,416	\$ 2,848,763

Nature of Operations and Going-Concern (note 1)  
 Commitments (note 12)  
 Subsequent Event (note 14)

APPROVED BY THE DIRECTORS:

"Harry Katevatis"  
 Harry Katevatis, Director

"Yannis Tsitos"  
 Yannis Tsitos, Director

See notes to consolidated financial statements

**FIRST BAUXITE CORPORATION**  
**(formerly Academy Energy Corp.)**  
**Consolidated Statement of Loss and Deficit (Unaudited)**  
**Three Monthss Ended December 31, 2008 and 2007**

	2008	2007
<b>EXPENSES</b>		
Amortization	\$ 2,263	\$ -
Insurance	3,906	-
Interest expense	348	-
Investor relations	16,667	11,160
Management and administration fees	9,000	12,000
Office and others	23,314	10,401
Professional fees	13,079	11,642
Salaries and benefits	30,257	-
Stock-based compensation	10,806	246,687
Stock exchange and filing fees	2,215	532
Transfer agent fees	-	1,684
Travel and promotion	15,235	-
	127,090	294,106
Interest income	(5,351)	(2,367)
<b>NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(121,739)</b>	<b>(291,739)</b>
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>(1,649,385)</b>	<b>(394,332)</b>
<b>DEFICIT, END OF PERIOD</b>	<b>\$ (1,771,124)</b>	<b>\$ (686,071)</b>
<b>BASIC AND DILUTED LOSS PER SHARE</b>	<b>\$ -</b>	<b>\$ (0.01)</b>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<b>35,861,306</b>	<b>23,368,698</b>

See notes to consolidated financial statements

**FIRST BAUXITE CORPORATION**  
**(formerly Academy Energy Corp.)**  
**Consolidated Statements of Cash Flows (Unaudited)**  
**Three Monthss Ended December 31, 2008 and 2007**

	2008	2007
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (121,739)	\$ (291,739)
Add items not affecting cash:		
Amortization	2,263	-
Stock-based compensation	10,806	246,687
Net changes in non-cash working capital items		
Short-term investments	1,058,575	(851,426)
Receivable and advances	4,897	-
GST receivable	(9,030)	(4,276)
Prepaid expenses	(70,625)	39,300
Accounts payable and accrued liabilities	(486,297)	(6,500)
	388,850	(867,954)
<b>FINANCING ACTIVITIES</b>		
Amounts from (to) related parties	(1,835)	7,302
Shares issued for cash, net of share issuance costs	(14,500)	826,500
	(16,335)	833,802
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(6,986)	-
Reclamation bond	(8,168)	-
Purchase of interest in resource properties	(1,103)	-
Deferred exploration costs	(106,266)	-
Cash acquired from purchase of Bonasika	439,074	-
Acquisition of Bonasika, net of cash and advances to Bonasika	(530,881)	-
	(214,330)	-
<b>INFLOW (OUTFLOW) OF CASH DURING THE PERIOD</b>	<b>158,185</b>	<b>(34,152)</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>24,349</b>	<b>160,244</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 182,534</b>	<b>\$ 126,092</b>

Supplemental Cash Flow Information (note 13)

See notes to consolidated financial statements

**FIRST BAUXITE CORPORATION**  
**(formerly Academy Ventures Inc.)**  
**Notes to Consolidated Financial Statements (Unaudited)**  
**Three Months Ended December 31, 2008 and 2007**

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

First Bauxite Corporation (the "Company") was incorporated under the laws of the province of British Columbia on July 8, 2003. On December 5, 2008, the Company changed its name from Academy Ventures Inc. to First Bauxite Corporation. The Company is an exploration stage company and is in the process of acquiring and exploring its mineral properties, and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The Company has determined that it will not pursue the exploration and development of its Canadian mineral property interests and, as described in note 6, has decided to concentrate all of its efforts on the exploration and development of its Guyana mineral interests.

On December 9, 2008, the Company completed a stock split of its share capital, warrants and options on a basis of two new shares for one old share. All share, warrant, option and per unit data included in these financial statements have been adjusted to retroactively reflect this split.

These financial statements were prepared on a "going-concern" basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As of December 31, 2008, the Company had working capital of \$603,859 (September 30, 2008 - \$1,716,805). The Company does not currently hold any revenue-generating properties and thereby continues to incur losses. The Company has an accumulated deficit of \$1,771,124 as at December 31, 2008 (September 30, 2008 - \$1,649,385).

The Company's ability to discharge its liabilities and fulfill its commitments as they come due is dependent upon its success in obtaining additional equity financing and, ultimately, on locating economically recoverable resources and attaining profitable operations. Failure to continue as a going-concern would require the restatement of assets and liabilities on a liquidation basis, which could differ materially from the going-concern basis.

These financial statements do not reflect any adjustments that would be necessary if the going-concern assumptions were not appropriate because management believes that actions taken or planned will mitigate the adverse conditions that raise doubts about the Company's viability.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and are stated in Canadian dollars.

(a) Basis of consolidation

These consolidated financial statements include the accounts of the parent company and its wholly-owned subsidiaries Boniska Ltd., Guyana Industrial Minerals Inc., and Rafters Investment Corp. all of which were acquired on November 17, 2008 (note 6). All significant inter-company balances and transactions have been eliminated.

(b) Use of estimates

The preparation of financial statements in accordance 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 amount of expenses during the reporting period.

**FIRST BAUXITE CORPORATION**  
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**Notes to Consolidated Financial Statements (Unaudited)**  
**Three Months Ended December 31, 2008 and 2007**

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

(b) Use of estimates (Continued)

Significant areas requiring the use of management estimates relate to determining the amount of impairment of mineral property interests, amount of mining tax credit receivable, determination of accrued liabilities, rates of amortization, the variables used in the calculation of stock-based compensation and the determination of the valuation allowance for future tax assets. While management believes the estimates are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(c) Mineral property interests

All costs related to the acquisition of, exploration for and development of mineral property interests, net of recoveries, are capitalized on a property-by-property basis. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed, the property is sold or the Company's mineral rights are allowed to lapse. All capitalized costs are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount (as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments) or when, in the Company's assessment, it will be unable to sell the property for an amount greater than the deferred costs, the property is written down for the impairment in value.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as property costs or recoveries when the payments are made or received.

(d) Revenue recognition

Interest income is recorded as earned at the effective rate of interest of the short-term investment over the term to maturity.

(e) General and administrative expenses

The Company charges all general and administrative expenses not directly related to exploration activities to operations as incurred.

(f) Earnings (loss) per share

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

**FIRST BAUXITE CORPORATION**  
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**Three Months Ended December 31, 2008 and 2007**

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

(g) Stock-based compensation

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

(h) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively assured. Future tax benefits, such as non-capital loss carry-forwards, are recognized to the extent that realization of such benefits is considered to be more likely than not.

(i) Property and equipment

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

Office equipment	20% to 50%
Furniture	20%
Machinery and equipment	20%
Motor vehicles	20%

Additions during the year are amortized at one-half the annual rates.

(j) Comparative figures

The comprehensive figures as at September 30, 2008 and for the three months ended December 31, 2007 reflect the accounts of the Company prior to the acquisition of Bonasika (note 6).

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**Notes to Consolidated Financial Statements (Unaudited)**  
**Three Months Ended December 31, 2008 and 2007**

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

(k) Asset retirement obligation ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. At present the Company has determined that it has no material AROs.

(l) Foreign currency translation

The reporting currency of the Company is the Canadian dollar. Monetary assets and liabilities denominated in foreign currency are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenue and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are recognized in the determination of net income or loss in the year in which they arise.

(m) Deferred acquisition costs

The Company has capitalized all expenditures directly related to the acquisition of Bonasika Ltd. ("Bonasika"). The expenditures include legal fees, exchange filing fees and due diligence work completed by the Company. These expenditures will be included in the purchase price allocation upon completion of the acquisition.

(n) Future accounting changes

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of October 1, 2011 will require the restatement for comparative purposes of amounts previously reported by the Company during the year ended September 30, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

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**Notes to Consolidated Financial Statements (Unaudited)**  
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**3. FINANCIAL INSTRUMENTS**

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale, or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition. In accordance with the new standards, the Company has classified its financial instruments as follows:

- Cash – as held-for-trading
- Short-term investment – as loans and receivables
- Advances receivable – as loans and receivables
- Due to/from related parties – as loans and receivables
- Accounts payable and accrued liabilities – as other liabilities.

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

**4. SHORT-TERM INVESTMENTS**

The investment is a guaranteed investment certificate ("GIC") issued and guaranteed by a major Canadian chartered bank with a maturity greater than 90 days and less than one year. The GIC has a principal balance of \$1,700,000 and an interest rate of prime minus 2.25%. The GIC matures on May 5, 2009.

**5. PROPERTY AND EQUIPMENT**

	December 31, 2008			September 30, 2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 22,280	\$ 2,472	\$ 19,808	\$ 3,400
Furniture	29,211	3,971	25,240	24,310
Land	90,410	-	90,410	-
Office equipment	9,805	1,982	7,823	7,436
Machinery and equipment	18,848	2,007	16,841	-
Vehicles	63,786	6,792	56,994	-
	<u>\$ 234,340</u>	<u>\$ 17,224</u>	<u>\$ 217,116</u>	<u>\$ 35,146</u>

**FIRST BAUXITE CORPORATION**  
**(formerly Academy Ventures Inc.)**  
**Notes to Consolidated Financial Statements (Unaudited)**  
**Three Months Ended December 31, 2008 and 2007**

**6. ACQUISITION OF BONASIKA LTD.**

In February 2008, the Company executed a binding letter of intent with Bonasika Ltd. ("Bonasika"), a British Virgin Islands company, pursuant to which the Company agreed to purchase all of the outstanding shares of Bonasika by issuing 9,000,000 common shares of the Company subject to regulatory approval. Bonasika holds 100% of Guyana Industrial Minerals Inc. ("Ginmin") of Georgetown, Guyana, which is the holder of the Bonasika mining licence, the Waratilla-Cartwright prospecting licence, and the Essequibo-Demerara ("Esse-Dem") permission for geophysical and geological survey in Guyana, issued by the Guyana Geology and Mines Commission and the Minister of Mines of Guyana.

On November 13, 2008, the Company received final acceptance from the TSX Venture Exchange for the acquisition of Bonasika. The Company issued 9,000,000 common shares in exchange for 100% of the outstanding shares of Bonasika on November 17, 2008 to complete the acquisition.

The acquisition is accounted for using the purchase method of accounting, with the Company being identified as the acquirer and Bonasika as the acquiree. The purchase consideration of \$6,265,243 is allocated to the underlying assets and liabilities based on their fair values at the date of acquisition. Total consideration of \$6,265,243 exceeds the carrying value of the net assets acquired by \$6,262,846, which is applied to increase the carrying value of mineral property interests. There is no resulting temporary difference between accounting and tax values.

The allocation of the purchase cost to assets and liabilities is as follows:

Cash	\$ 439,074
Receivable and advances	7,388
Due from related parties	5,722
Investment in Rafters	90,410
Property and equipment - Cost	97,185
Accumulated depreciation	(5,264)
Deferred expenses	1,559,543
Accounts payable and accrued liabilities	(2,339)
Advances from First Bauxite Corporation	(1,842,179)
Due to related parties	(347,143)
<b>Net assets acquired</b>	<b>\$ 2,397</b>
Issue of share capital	\$ 6,165,000
Acquisition costs	100,243
<b>Fair value of consideration</b>	<b>\$ 6,265,243</b>
<b>Fair value of consideration issued in excess of net assets acquired</b>	<b>\$ 6,262,846</b>
<b>Allocation to mineral property interests</b>	<b>\$ 6,262,846</b>

The final purchase price allocation is subject to change.

**FIRST BAUXITE CORPORATION**  
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**Notes to Consolidated Financial Statements (Unaudited)**  
**Three Months Ended December 31, 2008 and 2007**

**6. ACQUISITION OF BONASIKA LTD. (Continued)**

On May 23, 2008, the Company entered into a Letter of Understanding (“LOU”) with Rio Tinto Mining and Exploration Limited (“Rio Tinto”), covering the Essequibo-Demerara bauxite exploration project in Guyana, excluding the Bonasika Mining License and the Waratilla-Cartwright Prospecting License (“JV Property”). Under the terms of the agreement, Rio Tinto has been granted an option to earn a 51% interest in the JV Property by funding 100% of exploration expenditures totaling US\$8,000,000 within four years. Rio Tinto must incur US\$350,000 (the “Initial Commitment”) in exploration expenditures by December 31, 2008 (incurred) and thereafter at least US\$1,000,000 in each subsequent calendar year. Rio Tinto cannot terminate the agreement before completing the Initial Commitment. Once Rio Tinto has earned its 51% interest and within 90 days from that time, Rio Tinto has the right to earn a further 24% (75% in aggregate) interest by funding a further US\$50,000,000 in the exploration and development of the JV Property. On each of the first to fourth anniversaries of execution of this LOU, Rio Tinto will have the right to acquire 2,000,000 common shares of the Company at a 10% discount to the volume-weighted average closing price on the 10 days prior to that anniversary date. Dilution clauses will apply during the joint venture period and any party diluting itself to 10% or under, this interest will be converted to a 1.5% gross royalty. Either party will have the right at any time to buy down any royalty interest held by the other party, for a fixed price of \$25 million for every 0.5%.

**7. MINERAL PROPERTY INTEREST**

**Doctor’s Point**

Pursuant to an option agreement dated July 6, 2006 and subsequent amendment, the Company was granted the sole and exclusive right and option to acquire an undivided 100% interest, subject to a 2% net smelter return, in nine mineral claims situated in the New Westminster Mining District of British Columbia. The Company has agreed to pay \$37,500 and incur total aggregate expenditures on the property of \$300,000 as follows:

	Cash Payments	Exploration Expenditures
Upon execution of the agreement	\$ 7,500 (paid)	\$ -
On or before July 6, 2007	10,000 (paid)	100,000 (incurred)*
On or before September 30, 2008	20,000	200,000 (incurred)*
	\$ 37,500	\$ 300,000

\*The Company’s total exploration expenditures totaled \$291,524, including claim staking fees. Under the terms of the option agreement, the Company may include an additional 5% overhead charge in order to meet its option agreement requirements. With the additional 5% overhead charge, the Company met its exploration expenditure requirements as outlined in the above table.

During the year ended September 30, 2008, the Company determined that it would not pursue the exploration and development of its Canadian mineral property interests and decided to concentrate all of its efforts on the exploration and development of its Guyana mineral interests. Consequently, the Company wrote off all its costs in the Doctor’s Point Property.

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**7. MINERAL PROPERTY INTEREST (Continued)**

**Bonasika Property**

Through its wholly-owned subsidiary, the Company is the holder of the following mineral titles in Guyana issued by the Guyana Geology and Mines Commission and the Minister of Mines of Guyana:

- (a) The Bonasika Mining License dated May 7, 2001 valid until May 7, 2016 with an option to renew for further seven years;
- (b) The Waratilla Carwright Prospecting License dated January 20, 2006 expiring January 20, 2009, and
- (c) The Essequibo-Demerara Permission for Geophysical and Geological Survey dated September 6, 2007 expiring September 6, 2010.

The Company also holds an Environmental Permit for the Bonasika 1, 2 and 5 blocks, granted on October 15, 2004 and valid until October 31, 2009.

**Mineral Property Interest**

	Three Months Ended December 31, 2008
Option payments - shares	\$ 6,165,000
Other acquisition expenses	97,846
<b>Balance, end of period</b>	<b>6,262,846</b>

**Deferred Exploration Costs**

The Company incurred the following deferred exploration costs:

	Three Months Ended December 31, 2008
Amortization	\$ 10,348
Assays, sampling and prospecting	37,469
Consultant Fees	35,384
Drilling	444,966
Excavating and trenching	109,170
Field supplies and fuel	124,295
Food	51,990
Geological consultants and reports	115,102
Labour	149,515
Project management	322,268
Rental and lease payments	196,495
Repair and maintenance	44,266
Travel	29,625
<b>Balance, end of period</b>	<b>\$ 1,670,893</b>

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**7. MINERAL PROPERTY INTEREST (Continued)**

**Realization**

The Company's investment in and expenditures on its mineral property interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent on establishing legal ownership of the properties, on the attainment of successful commercial production or from the proceeds of their disposal. The recoverability of the amounts shown for mineral property interests is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, and upon future profitable production or proceeds from the disposition thereof.

**Title**

Although the Company has taken steps to ensure the title to mineral property interests in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

**Environmental**

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions. If the restrictions adversely affect the scope of exploration and development on the mineral property interests, the potential for production on the property may be diminished or negated.

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**8. SHARE CAPITAL**

(a) Authorized

On November 17, 2008, the Company increased its authorized capital from 100,000,000 common shares to an unlimited number of common shares.

(b) Issued and fully paid

	Number of Shares	Share Capital
Balance, September 30, 2007 (audited)	21,600,002	\$ 720,001
Initial public offering	6,000,000	900,000
Private placement	3,000,000	1,568,250
Exercise of agent warrants	480,000	72,000
Reallocation of fair value of agent warrants issued	-	(46,608)
Reallocation of fair value of agent warrants on convers	-	46,608
Share issue costs	-	(146,453)
<b>Balance, September 30, 2008 (audited)</b>	<b>31,080,002</b>	<b>3,113,798</b>
Purchase of Bonasika Ltd.	9,000,000	6,165,000
Stock options exercised	100,000	15,000
Fair value of stock options exercised	-	11,421
Share issue costs	-	(29,500)
<b>Balance, December 31, 2008</b>	<b>40,180,002</b>	<b>\$ 9,275,719</b>

Effective December 5, 2008, the Company split its common shares on a one old common share for two new common shares basis.

On November 17, 2008, the Company completed the acquisition of Bonasika, its wholly-owned subsidiaries, Guyana Industrial Minerals Inc. and Rafters Investment Corp., by issuing 9,000,000 common shares.

In May 2008, the Company completed a non-brokered private placement of 3,000,000 units at a price of \$0.725 per unit, for gross proceeds of \$2,175,000. Each unit consists of one common share and one-half of one purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of \$0.90 per share for a period of two years. The estimated fair value of the warrants is \$606,750 and has been included in contributed surplus and as a reduction of the gross proceeds of the private placement. The estimated fair value was calculated using the Black-Scholes option pricing model with a volatility of 100%, risk-free interest rate of 2.8% and an expected life of 2 years. If the common shares of the Company trade at a price of \$1.25 per share or higher for a period of 10 consecutive trading days, the holders will have to exercise their warrants within 15 trading days after notified by the Company. If the warrants are not exercised within this period, the warrants will be cancelled. For a period of three years, the shareholders of this private placement will have the right to participate in any further equity financings of the Company in order to maintain 9.65% of the issued and outstanding share capital of the Company.

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**8. SHARE CAPITAL (Continued)**

(b) Issued and fully paid (Continued)

In December 2007, the Company completed an initial public offering of 6,000,000 common shares at a price of \$0.15 per share. The Company paid the agent a 10% commission and \$30,000 in corporate finance and administration fees. The remaining share issue costs were for legal expenditures and filing fees. In addition, the Company issued agent warrants to acquire up to 480,000 common shares at \$0.15 per share expiring December 10, 2008. The estimated fair value of the warrants was \$46,608.

As at December 31, 2008, a total of 5,430,002 (September 30, 2008 - 6,787,502) common shares issued to directors and officers of the Company are being held in escrow. These shares are being released 10% upon listing on the TSX Venture Exchange (listed December 10, 2007); and 15% every six months thereafter for 36 months.

(c) Stock options

The Company has granted share purchase options to directors and officers of the Company to purchase common shares of the Company. These options are granted with an exercise price equal to the market price of the Company's stock on the date of grant.

During the year ended September 30, 2008, the Company adopted a rolling stock option plan (the "Plan") whereby the maximum number of common shares the Company may issue under the Plan will not exceed 10% of the number of common shares issued and outstanding on the date of grant.

A summary of the stock options activities is as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, September 30, 2007 (audited)	-	\$ -
Granted	3,260,000	0.2740
Balance, September 30, 2008 (audited)	3,260,000	0.2740
Exercised	(100,000)	0.1500
Balance, December 31, 2008	3,160,000	\$ 0.2780

During the year ended September 30, 2008:

- On December 10, 2007, the Company granted 2,160,000 options to directors of the Company with an exercise price of \$0.15 per option. All options vest immediately.
- On January 2, 2008, the Company granted 600,000 options to a director with an exercise price of \$0.45 of which 25% vested immediately and the remaining vesting 25% each quarter thereafter.
- On February 4, 2008, the Company granted 500,000 options to a consultant with an exercise price of \$0.60 of which 25% vested on May 1, 2008 and the remaining vesting at 25% each quarter thereafter.

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**8. SHARE CAPITAL (Continued)**

(c) Stock options (Continued)

Stock options outstanding at December 31, 2008 were as follows:

Expiry Date	Number of Options	Exercise Price	Exercisable
February 3, 2010	500,000	\$ 0.60	375,000
December 10, 2012	2,060,000	\$ 0.15	2,060,000
January 2, 2013	600,000	\$ 0.45	600,000
	3,160,000		3,035,000
Weighted average contractual life in years	3.51		3.61

During the three months ended December 31, 2008, the Company recognized fair value of \$10,806 (2007 - \$246,687) in stock-based compensation expense recorded in the statements of operations for the stock options granted and vested to directors, officers and consultants of the Company. Stock-based compensation expense of \$10,806 would be attributed to investor relations.

During the year ended September 30, 2008, the Company recognized fair value of \$656,194 (2007 - \$nil) in stock-based compensation expense recorded in the statements of operations for the stock options granted and vested to directors, officers and consultants of the Company. Stock-based compensation expense of \$549,117 would be attributed to directors fees and \$107,077 would be attributed to investor relations.

The fair value of the share options used to calculate compensation expense was estimated using the Black-Scholes option pricing model with the following assumptions:

	Three Months Ended December 31, 2008	Year Ended September 30, 2008
Risk-free interest rate	Nil	3.15% - 3.89%
Expected dividend yield	Nil	0.00%
Expected stock price volatility	Nil	100%
Expected life of options	Nil	5 years
Weighted average fair value of options	Nil	\$0.22
Weighted average exercise price of options granted	Nil	\$0.27

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**8. SHARE CAPITAL (Continued)**

(d) Warrants

	Number of Warrants	Average Exercise Price
Balance, September 30, 2007 (audited)	-	\$ -
Issued	1,980,000	0.72
Exercised	(480,000)	0.15
Balance, September 30, 2008 (audited)	1,500,000	0.90
Issued	-	-
Exercised	-	-
Balance, December 31, 2008	1,500,000	\$ 0.90

Warrants exercisable and outstanding at December 31, 2008 have a remaining contractual life of 1.36 years and were as follows:

Number of Warrants	Exercise Price	Expiry Date
1,500,000	\$ 0.90	May 10, 2010

There were 1,500,000 warrants exercisable and outstanding at December 31, 2008.

(e) Contributed surplus

Balance, September 30, 2007 (audited)	\$ -
Stock-based compensation	656,194
Fair value of warrants issued in private placement (note 8(b))	606,750
Rellocation of fair value of agent warrants issued	46,608
Rellocation of fair value of agent warrants on conversion to shares	(46,608)
Balance, September 30, 2008 (audited)	1,262,944
Stock-based compensation	10,806
Fair value of stock option exercised	(11,421)
Balance, December 31, 2008	\$ 1,262,329

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**9. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going-concern in order to pursue the development of its mineral property interests and to maintain flexible capital structure for its projects for the benefit of its stakeholders. In the management of capital, the Company includes components of shareholders' equity.

	December 31, 2008	September 30, 2008
		(Audited)
Share capital	\$ 9,275,719	\$ 3,113,798
Contributed surplus	1,262,329	1,262,944
	\$ 10,538,048	\$ 4,376,742

The Company manages the capital structure and makes adjustments to it in light of changes in the economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, enter into joint venture property arrangements, acquire or dispose of assets, or adjust the amount of cash.

Management reviews the capital structure on a regular basis to ensure that the above-noted objectives are met. There have been no changes to the Company's approach to capital management during the period and the Company's share capital and contributed surplus are not subject to external restrictions.

**10. FINANCIAL RISK MANAGEMENT**

The Company may be exposed to risks of varying degrees of significance that could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that the risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

(a) Credit risk

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing by the Company. The Company's credit risk is summarized below:

	December 31, 2008	September 30, 2008
		(Audited)
Cash	\$ 182,534	\$ 24,349
Shor-term investments	660,685	1,719,260
Receivable and advances	2,491	-
Due from related parties	14,918	9,534
Advances to Guyana Industrial Mienrals Inc.	-	874,621
	\$ 860,628	\$ 2,627,764

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**10. FINANCIAL RISK MANAGEMENT (Continued)**

(i) Cash and short-term investments

Credit risk is minimized substantially by ensuring these financial assets are placed with a major financial institution.

(ii) Receivable and advances

Credit risk has been assessed as low by management as the Company has strong working relationships with the parties involved.

(iii) Due from related parties

Credit risk has been assessed as low by management as the Company has strong working relationships with the related parties involved.

(iv) Advances to Guyana Industrial Minerals Inc.

The credit risk has been assessed as low by management due to the circumstances relating to the advances. The Company has completed the acquisition of Bonasika on November 17, 2008.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company maintains, on hand, sufficient cash and short-term investments, which at December 31, 2008 was of \$182,534 and \$660,685 respectively, in order to meet short-term business requirements. At December 31, 2008 the Company had accounts payable and accrued liabilities of \$72,407 (September 30, 2008 - \$117,291) and due to related parties of \$349,085 (September 30, 2008 - \$4,115).

(c) Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as interest rate risk and currency risk, affect the fair values of financial assets and liabilities.

(i) Interest rate risk

The Company's short-term investments consist of cash held in guaranteed investment certificates that earn interest at variable interest rates. Due to the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of December 31, 2008. Future cash flows from interest income on cash and short-term investments will be affected by interest rate fluctuations. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on the preservation of capital and liquidity.

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**10. FINANCIAL RISK MANAGEMENT (Continued)**

(ii) Foreign currency risk

The Company is primarily exposed to currency fluctuations related to the Canadian (CDN) dollar on advances that are denominated in United States (US) dollars. The Company does not actively manage this risk.

(iii) Price risk

The Company is not exposed to price risk as it is in the exploration stage.

(d) Sensitivity analysis

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.

The Company has advances as at December 31, 2008 that are denominated in US dollars. Fluctuations in the exchange rates between the US dollar and the CDN dollar could have a material effect on the Company's business, financial condition and results of operations. Based on the December 31, 2008 balance, an increase of 25% in the Canada to US dollar exchange would result in an increase in net loss of \$472,000, and a decrease of 25% would result in a reduction in net loss of \$472,000. Management believes that it is not likely but it is possible that the exchange rate could fluctuate by more than 25% within the next 12 months.

**11. RELATED PARTY TRANSACTIONS**

During the three months ended December 30, 2008, the Company had the following related party transactions:

- (a) paid \$7,500 (2007 - \$7,500) for management fees and \$3,000 (2007 - \$3,000) for administration expenses to a company controlled by a director;
- (b) paid \$Nil (2007 - \$9,493) for legal fees and reimbursements to a company controlled by an officer. As of December 31, 2008, \$Nil (2007 - \$118) was included in due to related parties;
- (c) recorded \$2,887 (2007 - \$nil) as reimbursement for office rent from a company with common directors. As of December 31, 2008, a balance of \$11,935 was due from (September 30, 2008 - \$9,294) this company. The amount was non-interest bearing and unsecured, with no fixed terms of repayment;
- (d) recorded \$17,528 for project administration and \$35,056 for drill rental to a director and a private company controlled by this director. At December 31, 2008, a balance of \$2,983 (September 30, 2008 - \$nil) was due from this company. At December 31, 2008, \$347,017 (September 30, 2008 - \$nil) was payable to the director for unpaid services and reimbursement of expenses; and
- (e) paid \$10,401 (2007 - \$10,476) to directors and officers and a company controlled by a director for advances and reimbursement of expenses. At December 31, 2008, \$2,068 (September 30, 2008 - \$nil) was payable to an officer for unpaid services.

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**11. RELATED PARTY TRANSACTIONS (continued)**

All transactions were measured by the exchange amount, which is the amount agreed upon by the transacting parties and are on terms and conditions similar to non-related entities. Balances due to and from related parties have no stated terms of repayment and are non-interest bearing.

The fair value of due to and from related parties have not been disclosed as their fair values cannot be reliably measured since the parties are not at arm's length

**12. COMMITMENTS**

The Company is committed to the following payments related to premises rental payments, investor relation fees and equipment lease as follows:

2009	\$	36,990
2010		48,493
2011		48,695
2012		48,914
2013		41,453
	\$	224,545

- a. The premises rental agreement is for a five-year period ending July 31, 2013, with monthly payments of \$3,850.
- b. The investors relation payments relate to a contract entered into by the Company for payments of \$7,500 per month to January 2010. The contract was mutually ended, effective December 31, 2008.
- c. The Company entered into a lease agreement on September 30, 2008 for a photocopier. The Company is committed to payments of \$3,120 per year, including interest, and has \$2,110 in minimum lease payments due in 2009.

**13. SUPPLEMENTAL CASH FLOW INFORMATION**

	2008	2007
Income taxes paid	\$ -	\$ -
Interest received	5,351	2,367
Interest paid	348	-
Guyana expenditures included in accounts payable	11,539	-
	\$ 17,238	\$ 2,367

**14. SUBSEQUENT EVENT**

Subsequent to the period end, the Company granted an aggregate of 1,000,000 stock options to directors, officers, and employees exercisable at a price of \$0.80 per share for a period of five years.