



# SLATER

## MINING

**FINANCIAL STATEMENTS**

**December 31, 2008**

**(Expressed in Canadian Dollars)**

## AUDITORS' REPORT

To the Shareholders of  
**Slater Mining Corporation**

We have audited the balance sheet of **Slater Mining Corporation** [the "Company"] as at December 31, 2008 and the statements of loss, comprehensive loss and deficit, and cash flows for the period from incorporation on June 5, 2008 to December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and the results of its operations and its cash flows for the period then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada,  
January 26, 2009.

*Ernst & Young LLP*

Chartered Accountants

**SLATER MINING CORPORATION**  
**BALANCE SHEET**  
AS AT DECEMBER 31, 2008  
(Expressed in Canadian Dollars)

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**ASSETS**

**Current**

Cash and equivalents	\$	209,936
Short term investments	\$	700,000
Receivables		<u>7,030</u>
	\$	<u>916,966</u>

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**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Liabilities**

Accounts payable	\$	10,556
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**Shareholders' equity**

Share capital (Note 6)	\$	941,865
Contributed surplus (Note 6)		55,000
Deficit		<u>(90,455)</u>
	\$	<u>906,410</u>
	\$	<u>916,966</u>

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**Nature and continuance of operations** (Note 1)

**On behalf of the Board:**

“Jeffrey Mason” Director      “Ian Slater” Director

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

**SLATER MINING CORPORATION**  
**STATEMENT OF LOSS AND COMPREHENSIVE LOSS AND DEFICIT**  
**PERIOD FROM INCORPORATION ON JUNE 5, 2008 TO DECEMBER 31, 2008**  
(Expressed in Canadian Dollars)

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<b>REVENUE</b>	
Interest income	\$ 5,650
<b>EXPENSES</b>	
Stock based compensation (Note 6)	\$ 45,000
Project evaluation	27,436
Office expenses	11,416
Professional fees	10,000
Filing fees	<u>2,253</u>
	<u>\$ 96,105</u>
<b>Loss and comprehensive loss, being deficit, end of period</b>	<u>\$ (90,455)</u>
<b>Basic and diluted loss per common share</b>	<u>\$ (0.01)</u>
<b>Weighted average number of common shares outstanding</b>	<u>12,430,769</u>

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

**SLATER MINING CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**PERIOD FROM INCORPORATION ON JUNE 5, 2008 TO DECEMBER 31, 2008**  
(Expressed in Canadian Dollars)

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<b>OPERATING ACTIVITIES</b>	
Loss for the period	\$ (90,455)
Stock based compensation	45,000
Increase in receivables	(7,030)
Increase in accounts payable	<u>10,556</u>
Net cash used in operating activities	\$ <u>(41,929)</u>
<b>INVESTING ACTIVITIES</b>	
Purchase of short term investments	\$ <u>(700,000)</u>
Net cash used in investing activities	\$ <u>(700,000)</u>
<b>FINANCING ACTIVITIES</b>	
Common shares issued for cash, net of issue costs	\$ <u>951,865</u>
Net cash provided by financing activities	\$ <u>951,865</u>
<b>Increase in cash and equivalents during the period, being cash end of period</b>	<b>\$ 209,936</b>
<b>Cash paid during the period for interest</b>	<b>\$ -</b>
<b>Cash paid during the period for income taxes</b>	<b>\$ -</b>
<b>Supplemental disclosure of non-cash items</b>	
Issuance of warrants – consideration for initial public offering	\$ 10,000

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

**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company was incorporated under the *Business Corporations Act* (British Columbia) on June 5, 2008 and is classified as a Capital Pool Company as defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company’s continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses and its ability to raise capital sufficient to attain profitable operations. Such an acquisition will be subject to shareholder and regulatory approval.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Cash and equivalents**

Cash and equivalents consist of cash and highly liquid investments, with a maturity of 90 days or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**Short term investments**

Short term investments are classified as held for trading and recorded at their fair value, with movements in fair value recorded in income. Short term investments have maturities less than one year.

**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 amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses reported during the period. The assumptions used in determining stock based compensation are a significant area requiring the use of management estimates. Actual results could differ from these estimates.

**Income taxes**

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

2. **SIGNIFICANT ACCOUNTING POLICIES** (cont'd...)

**Loss per share**

Basic loss per share is calculated using the weighted-average number of 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 recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

**Stock-based compensation**

The fair value method of accounting is used for stock-based awards. Under this method, the compensation cost of options are estimated at fair value at the grant date and charged to earnings over the vesting period, with the offsetting credit recorded as an increase in contributed surplus. If the stock options are exercised, the proceeds are credited to share capital and the fair value at the date of grant is reclassified from contributed surplus to share capital.

**Adopted standards**

The following accounting pronouncements are applicable to annual and interim periods beginning on or after October 1, 2007:

*CICA 1535, Capital - Disclosure* requires that a company disclose information that enables users of its financial statements to evaluate its objectives, policies and procedures for managing capital including disclosures of any externally imposed capital requirements and the consequences for non-compliance.

*CICA 3862, Financial Instruments – Disclosure* requires disclosure of information related to the significance of financial instruments to a Company's financial position and performance. A company is also required to disclose information related to the risks of its use of financial instruments and how those risks are managed.

*CICA 3863, Financial Instruments – Presentation* established standards for presentation of financial instruments. It deals with the presentation of financial instruments and the circumstances in which financial assets and financial liabilities are offset.

The adoption of these new pronouncements does not have a material effect on the Company's financial statements.

**Future accounting changes**

The Company will adopt the new standard *CICA 3064, Goodwill and Intangible Assets* for its fiscal year beginning January 1, 2009. This Section replaces *CICA 3062, Goodwill and Intangible Assets* and *CICA 3450 Research and Development Costs*. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in *CICA 3062*. The company does not anticipate that the adoption of this new Section will have a material effect on the Company's financial statements.

**2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)**

The Canadian Accounting Standards Board (“AcSB”) in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS. The date is for interim and annual financial statement relating to fiscal years beginning on or after January 1, 2011. For the company the transition date will be effective January 1, 2011 and will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

**3. FINANCIAL INSTRUMENTS**

*Fair Values*

The company’s financial instruments include cash and equivalents, short term investments, receivables and accounts payable. The fair value of these financial instruments equals their carrying value, due to the short-term nature of these instruments. Cash and equivalents and short term investments are classified as “held for trading” for accounting purposes. Receivables and accounts payable are recorded at amortized cost.

*Credit risk*

Credit risk is the risk of potential loss to the Company if a counterparty to a financial instrument fails to fulfill its contractual obligations. The Company’s credit risk is attributable to its liquid financial assets including cash and equivalents and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash and equivalents with high-credit quality financial institutions. The Company does not have financial assets that are invested in asset backed commercial paper. The Company is not exposed to significant credit risk.

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures that there is sufficient capital and liquidity to meet liabilities when due. As at December 31, 2008 the Company had a cash balance of \$909,936 to settle current liabilities of \$10,556. All of the Company’s financial liabilities have contractual maturities of 30 days or due on demand and are subject to normal trade terms. The Company is not exposed to significant liquidity risk.

*Interest rate risk*

The Company has cash balances, investment-grade short-term deposit certificates issued by its banking institutions and no interest-bearing debt. Interest income is not material to the Company. The Company is not exposed to significant interest rate risk.

*Foreign currency risk*

The Company is not exposed to significant foreign currency risk.

**SLATER MINING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

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**4. CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. The Company considers the components of shareholders' equity, as well as its cash and equivalents, as capital. The Company's cash resources at December 31, 2008 are sufficient for its present needs, specifically the identification and evaluation of assets or a business for acquisition. There were no changes to the Company's approach to capital management during the period. The Company has no externally imposed capital requirements.

**5. RELATED PARTY TRANSACTIONS**

The Company paid \$22,727 for legal services relating to the initial public offering to a company with a director in common. There were no accounts payable to related parties as of December 31, 2008. This transaction was in the normal course of operations and was recorded at the exchange amount as determined by management.

**6. SHARE CAPITAL**

	Share Capital		Contributed Surplus
	Number of Shares	Amount	
Private placement, July 2008	13,600,000	\$ 860,000	\$
Initial public offering, October 2008	2,000,000	91,865	
Warrants granted		(10,000)	10,000
Stock options granted			45,000
Balance - December 31, 2008	15,600,000	\$ 941,865	\$ 55,000

The Company has authorized unlimited common shares, without par value. On July 8, 2008, the Company issued 10,000,000 common shares at a price of \$0.05 per common share and 3,600,000 common shares at a price of \$0.10 per common share for total gross proceeds of \$860,000. 10,300,000 of these common shares will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of notice of final acceptance of a Qualifying Transaction by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

**Initial public offering**

On September 26, 2008 the Company completed an initial public offering of 2,000,000 common shares at \$0.10 per share. Pursuant to an Agency Agreement between the Company and Woodstone Capital Inc. (the "Agent"), the Agent received a cash commission equal to 10% of the gross proceeds, a corporate finance fee of \$15,000 and Agent's warrants to acquire 200,000 common shares at \$0.10 per share exercisable for a period of 24 months from October 1, 2008. The Company also reimbursed the Agent for its legal fees and expenses incurred in connection with the offering. The share issuance costs totaled \$108,135.

**SLATER MINING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

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**6. SHARE CAPITAL (cont'd...)**

**Stock options**

On July 9, 2008, the Company adopted an incentive stock option plan (the "Option Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with TSX-V regulations, grant to directors, officers, employees and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares. Such options will be exercisable for a period of up to 5 years from the date of grant. Vesting terms will be determined at the time of grant by the Board of Directors.

On October 1, 2008, options were granted to directors of the Company to acquire 900,000 common shares at a price of \$0.10 per common share exercisable for a period of 5 years from the date of grant. The options vested immediately on the date of grant.

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	Number of Options	Weighted Average Exercise Price
Stock options granted, expiry October 1, 2013	900,000	\$ 0.10
Stock options granted and exercisable at December 31, 2008	900,000	\$ 0.10

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The following assumptions were used for the Black-Scholes valuation of the options granted during the period. The fair value of each option on the grant date was calculated at \$0.05, resulting in stock based compensation of \$45,000 for the period.

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Risk free interest rate	2%
Expected life of options	2 years
Expected volatility	100%
Dividend rate	0%

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**Warrants**

On October 1, 2008, Agent's warrants were issued to acquire 200,000 common shares at a price of \$0.10 per common share exercisable for a period of 2 years from the date of grant. These warrants have been recorded as a share issuance cost.

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	Number of Warrants	Exercise Price
Warrants issued, expiry October 1, 2010	200,000	\$ 0.10
As at December 31, 2008	200,000	\$ 0.10

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**SLATER MINING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008**

**6. SHARE CAPITAL (cont'd...)**

The following assumptions were used for the Black-Scholes valuation of the warrants granted during the period. The fair value of each warrant on the grant date was calculated at \$0.05, resulting in a reclassification from share capital to contributed surplus of \$10,000 for the period.

Risk free interest rate	2%
Expected life of options	2 years
Expected volatility	100%
Dividend rate	0%

**7. INCOME TAXES**

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

Loss for the period	\$	(90,455)
Expected income tax-recovery	\$	(27,715)
Adjustment for non-deductible amounts		13,788
Adjustment for deductible share issuance costs		(3,813)
Difference due to tax rate change		2,687
Change in valuation allowance		<u>15,053</u>
Total income tax recovery	\$	-

The significant components of the Company's future income tax assets are as follows:

Loss carry forwards	\$	15,053
Share issuance costs		<u>24,880</u>
		39,933
Valuation allowance		<u>(39,933)</u>
Net future income tax assets	\$	-

The Company has available for deduction against future taxable income non-capital losses of \$57,898 and share issuance costs of \$95,692. The losses, if not utilized, will expire in 2028. Future tax benefits which may arise as a result of these non-capital losses and share issuance costs have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.