

**MICREX DEVELOPMENT CORPORATION**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**AUGUST 31, 2008**

## AUDITORS' REPORT

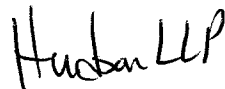
To: The Shareholders of  
**Micrex Development Corporation**

We have audited the consolidated balance sheet of **Micrex Development Corporation** (the "Company") as at August 31, 2008 and the consolidated statements of operations and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

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

The previous year was audited by another firm of chartered accountants who expressed an unqualified opinion on the August 31, 2007 figures on December 7, 2007.



Calgary, Alberta  
December 12, 2008

HUDSON LLP  
Chartered Accountants

**MICREX DEVELOPMENT CORPORATION**  
**CONSOLIDATED BALANCE SHEET**

AUGUST 31	2008	2007
<b>ASSETS</b>		
CURRENT		
Cash	\$ 61,856	\$ 28,938
Accounts receivable	27,394	72,242
Deposits	10,250	10,000
	99,500	111,180
PROPERTY, PLANT AND EQUIPMENT (note 5)	9,534	13,608
MINERAL EXPLORATION PROPERTIES (note 6)	3,696,428	3,373,116
	\$ 3,805,462	\$ 3,497,904
<b>LIABILITIES</b>		
CURRENT		
Accounts payable and accrued liabilities	\$ 33,817	\$ 137,521
Due to shareholders and directors (note 7)	235,259	21,959
	269,076	159,480
DUE TO SHAREHOLDERS AND DIRECTORS (note 7)	240,000	-
	509,076	159,480
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (note 8)	9,141,008	8,955,373
CONTRIBUTED SURPLUS (note 9)	1,125,456	909,254
DEFICIT	(6,970,078)	(6,526,203)
	3,296,386	3,338,424
	\$ 3,805,462	\$ 3,497,904

Nature of operations (note 1)

Approved on behalf of the Board

Director (signed "S.E. Marshall")

Director (signed "Max Murpurgo")

**MICREX DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT**

YEAR ENDED AUGUST 31	2008	2007
<b>EXPENSES</b>		
Consulting fees (note 14)	\$ 150,000	\$ 150,000
Subcontract (note 14)	133,000	130,500
Professional fees	81,183	62,424
Stock based compensation (note 8)	64,682	225,790
Interest and bank charges (note 8)	58,939	142
Office	12,248	7,421
Telephone	8,285	6,329
Travel and promotion	7,863	7,956
Amortization	4,073	5,816
Automotive	2,125	9,768
Insurance	1,449	1,427
	(523,847)	(607,573)
<b>LOSS BEFORE THE FOLLOWING ITEMS</b>		
	(14,300)	187,613
	(538,147)	(419,960)
<b>LOSS BEFORE INCOME TAXES</b>		
	(94,272)	(96,652)
	(443,875)	(323,308)
<b>NET AND COMPREHENSIVE LOSS</b>		
<b>DEFICIT, beginning of year</b>	(6,526,203)	(6,202,895)
	\$ (6,970,078)	\$ (6,526,203)
<b>DEFICIT, end of year</b>		
	\$ (0.013)	\$ (0.010)
<b>BASIC AND DILUTED LOSS PER SHARE (note 10)</b>		

**MICREX DEVELOPMENT CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

YEAR ENDED AUGUST 31	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net and comprehensive loss	\$ (443,875)	\$ (323,308)
Items not affecting cash		
Amortization	4,073	5,816
Future income taxes	(94,272)	(96,652)
Gain on sale of property, plant and equipment	-	(187,613)
Stock based compensation	64,682	225,790
Writedown of mineral properties	14,300	-
Warrant value in interest expense	57,600	-
	(397,492)	(375,967)
Change in non-cash working capital items		
Accounts receivable	44,848	(63,500)
Deposits	(250)	-
Accounts payable and accrued liabilities	(103,705)	109,673
	(456,599)	(329,794)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds on disposal of property, plant and equipment	-	300,000
Purchase of mineral exploration properties	(255,054)	(624,912)
	(255,054)	(324,912)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advance from shareholders and directors	453,300	197,816
Advances to shareholders	-	(302,897)
Share issue costs	(33,329)	(38,712)
Issuance of share capital	324,600	763,088
	744,571	619,295
<b>CHANGE IN CASH POSITION</b>	32,918	(35,411)
<b>CASH, beginning of year</b>	28,938	64,349
<b>CASH, end of year</b>	\$ 61,856	\$ 28,938

**OTHER INFORMATION (note 12)**

**MICREX DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

AUGUST 31, 2008

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**1. NATURE OF OPERATIONS**

Micrex Development Corporation (the "Company") was incorporated under the Business Corporations Act (Alberta) on February 16, 1987.

The Company is considered to be primarily in the exploration stage with respect to its mineral properties. Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable reserves. The Company has a working capital deficiency and has suffered recurring losses. The recoverability of the amounts shown for mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development and upon future profitable production.

These consolidated financial statements have been 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 in the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing, receive continued support from its creditors and to commence profitable operations in the future.

These consolidated financial statements do not give effect to any adjustment which might be necessary if the "going concern" basis were not appropriate.

Although the Company has taken steps to verify the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, transfers or Native land claims and may be affected by other undetected items.

**2. BASIS OF PRESENTATION**

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements of Micrex Development Corp. (the "Company") include the financial statements of the Company and those of Gold Standard Mining Corp. in which the Company holds a 100% interest. Gold Standard Mining Corp. is the registered owner of the Big Horn Mine property and related equipment and has no other assets or liabilities and has no separate ongoing operations

The Company holds a 100% (2007 - 51%) interest in Gee Cee Mines Ltd. This Company essentially acts as a bare trustee and owns claims relating to the Wild Horse placer mine. The Company has recorded its interest in these claims at the purchase price of the shares plus amounts expended on development. Gee Cee Mines Ltd. has no other operations, assets or liabilities.

**MICREX DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**3. CHANGE IN ACCOUNTING POLICY**

On September 1, 2007, in accordance with the applicable transitional provisions, the Company adopted without restating prior periods, the new recommendations of the CICA Handbook: Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement, Section 3865, Hedges, Section 3861, Financial Instruments – Disclosure and Presentation, and Section 3251, Equity.

Section 1530, Comprehensive Income, requires the presentation of comprehensive income and its components in a new financial statement. Comprehensive income is the change in the net assets of a company arising from transactions, events and circumstances not related to shareholders, Section 3251, Equity, establishes standards for the presentation of equity and changes in equity during the reporting period.

Section 3855, Financial Instruments – Recognition and Measurement, and Section 3861, Financial Instruments – Disclosure and Presentation, establish standards for classification, recognition, measurement, presentation and disclosure of financial instruments (including derivatives) and non-financial derivatives in the financial statements. This standard prescribes the basis of presentation for gains and losses on financial instruments. Based on financial instrument classification, gains and losses on financial instruments are recognized in net income or other comprehensive income.

The Company has made the following classifications:

- Cash is classified as “assets held for trading”. It is measured at fair value and the gains and losses resulting from the remeasurement at the end of each period are recognized in net income.
- Accounts receivable are classified as “loans and receivables”. They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measures are recorded at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities and due to shareholders and directors are classified as “other liabilities”. They are recorded at cost, which upon their initial measurement is equal to their fair value. Subsequent measures are recorded at amortized cost using the effective interest method.

Section 3865, Hedges, sets out standards specifying when and how an entity can use hedge accounting. The adoption of this new standard is optional. It offers entities the possibility of applying different reporting options than those set out in Section 3855, Financial Instruments – Recognition and Measurement, to qualifying transactions that they elect to designate as hedges for accounting purposes.

These changes had no impact at the time of initial adoption of the recommendations on the opening balances.

**4. SIGNIFICANT ACCOUNTING POLICIES**

These consolidated financial statements have been prepared using the historical cost basis in accordance with Canadian generally accepted accounting principles. These consolidated financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized as follows

**MICREX DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**4. SIGNIFICANT ACCOUNTING POLICIES, continued**

**Use of estimates**

The preparation of consolidated 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 balance sheet date and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. The significant estimates pertain to the recovery of mineral exploration expenditures, the physical and economic lives of equipment, the completeness of the accounts payable and the assumptions utilized in determining fair value of stock-based compensation for options and the fair value of warrants.

**Cash**

Cash includes balances held in financial institutions.

**Property, plant and equipment**

Property, plant and equipment is recorded at cost. The Company provides for amortization using the following methods at rates designed to amortize the cost of the property, plant and equipment over its estimated useful life. The annual amortization rates and methods are as follows:

Equipment	30% Declining balance
Automotive	30% Declining balance
Furniture and fixtures	30% Declining balance
Computer equipment	20% Declining balance

**MICREX DEVELOPMENT CORPORATION**  
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4. **SIGNIFICANT ACCOUNTING POLICIES, continued**

**Mineral Properties**

*Development Properties*

At present, all activities of the Company are in the exploration stage. The cost of mineral properties or interests therein and all related exploration costs excluding administration costs are being capitalized until the respective properties are determined to be capable of sustained commercial production, or there has been an impairment in value. Each property is assessed periodically by management to see if there is an impairment in the overall value. When a property is determined to be non-commercial, non-productive or its carrying value is not considered to be fully recoverable based on the net present value of future expected cash flows, or its value is otherwise impaired, those costs in excess of estimated future recoveries are charged to operations. The ultimate recovery of the costs of exploration expenditures and the satisfaction of future commitments is dependent on the Company's ability to raise sufficient capital in order to further develop and determine the commercial viability of the properties. The Company expenses administration costs as incurred. On commencement of commercial production, net acquisition costs and exploration and development costs on a property-by-property basis will be amortized to operations on the unit-of-production basis, based on the economic reserves of the property.

*Asset Retirement Obligation*

The Company recognizes the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, with a corresponding increase in the carrying amount of the long-lived asset. The liability accretes until the Company expects to settle the retirement obligation. These asset retirement costs are depleted using the unit of production method and actual costs to retire the asset will be deducted from the liability as incurred. At this time, the Company does not foresee the necessity to make any material expenditures in this area and the Company is not committed to any significant reclamation or other asset retirement obligations until such time as production commences.

*Value*

The amounts shown for the mineral properties represent costs to date (net of impairment write-downs), and do not necessarily represent present or future values as they are entirely dependent upon the economic recovery of current and future reserves.

**Future income taxes**

The Company follows the asset and liability method of accounting for income taxes. Under this method, the Company records future income taxes for the effect of any difference between the accounting and income tax basis of an asset or liability, using the substantively enacted income tax rates. Accumulated future income tax balances are adjusted to reflect changes in income tax rates that are substantively enacted with the adjustment being recognized in earnings in the period that the change occurs. Future tax assets are recognized to the extent that they are more likely than not to be realized.

**Flow-through shares**

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. A future tax liability is generated upon the issuance of such shares. The liability is reduced when the related expenditures are incurred.

**MICREX DEVELOPMENT CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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**4. SIGNIFICANT ACCOUNTING POLICIES, continued**

**Stock-based compensation**

The Company has a stock based compensation plan, which is described in note 8. Awards of options under this plan are expensed based on the fair value of the options at the grant date. The amount is credited to contributed surplus. Fair values are determined using the Black-Scholes option-pricing model. If the options are subject to a vesting period, the expense is recognized over this period. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital plus the amounts originally recorded as contributed surplus.

**Earnings (Loss) per share**

The calculation of basic earnings (loss) per share is based on net earnings divided by the weighted average number of common shares outstanding.

The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period. In addition, diluted common shares also include the effect of the potential exercise of any outstanding warrants.

**5. PROPERTY, PLANT AND EQUIPMENT**

	2008		
	Cost	Accumulated amortization	Net
Equipment	\$ 427,331	\$ 422,624	\$ 4,707
Automotive	40,540	37,702	2,838
Furniture and fixtures	750	678	72
Computer equipment	36,322	34,405	1,917
	\$ 504,943	\$ 495,409	\$ 9,534
	2007		
	Cost	Accumulated amortization	Net
Equipment	\$ 427,331	\$ 420,607	\$ 6,724
Automotive	40,540	36,486	4,054
Furniture and fixtures	750	659	91
Computer equipment	36,322	33,583	2,739
	\$ 504,943	\$ 491,335	\$ 13,608

**MICREX DEVELOPMENT CORPORATION**  
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**6. MINERAL EXPLORATION PROPERTIES**

	2008	2007
Acquisition costs	\$ 2,028,732	\$ 1,815,302
Deferred exploration costs	1,667,696	1,557,814
	\$ 3,696,428	\$ 3,373,116

Consists of:

Burmis Magnetite Mine, Alberta	\$ 2,025,651	\$ 1,751,434
Big Horn Mine, British Columbia	850,663	850,568
Deadwood Mine, New Mexico	366,506	366,506
St. Charles de Bourget, Quebec	453,608	404,608
	\$ 3,696,428	\$ 3,373,116

a) Burmis Magnetite Mine, Alberta

The Company has a 32% (2007 - 30%) equity interest in the claims and 100% interest in all production from the claims relating to the Burmis Magnetite deposit located in the Crowsnest Pass area of Alberta. The Company originally acquired a 12% equity interest in this property in 1997 by the issuance of 100,000 common shares having a value of \$103,000, plus \$10,000 cash, plus a \$200,000 expenditure commitment which was fulfilled in a previous year. The purchase agreement provides the Company the right to acquire an additional 2% equity interest per year by the annual payment of \$70,000 by way of cash or common shares or the Company can purchase outright the remaining equity interest at any time. Accordingly, future payments totaling \$2,380,000 would be necessary to acquire the remaining 68% interest, although there is no commitment in place to acquire this additional interest.

b) Big Horn Mine, British Columbia

The Company has an 87.5% interest in Big Horn hard rock mine located in the Atlin area of British Columbia. In the 2007 year, the Company sold a 12.5% interest in this site to an arms length third party for proceeds of \$300,000, resulting in a gain on disposition of \$187,613. This property was acquired in 1993 by the issuance of 2,747,283 common shares having a value of \$631,875 (\$159,270 for plant and equipment; \$472,605 for mining property).

c) Deadwood Mine, New Mexico

The Company owns a 100% interest in Deadwood patented hard rock mine and Sunburst patented hard rock mine claim located in Catron County, New Mexico, U.S.A. The Company owns the land and mineral rights. The license is current on this property and the Company still considers it an active property.

