CAP-EX VENTURES LTD.

FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Cap-Ex Ventures Ltd.

We have audited the balance sheets of Cap-Ex Ventures Ltd. as at August 31, 2009 and 2008 and the statements of operations, comprehensive loss and deficit, and cash flows for the years ended August 31, 2009 and 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 audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at August 31, 2009 and 2008, and the results of its operations and its cash flows for the years ended August 31, 2009 and 2008 in accordance with Canadian generally accepted accounting principles.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

December 21, 2009

CAP-EX VENTURES LTD.
BALANCE SHEETS
As at August 31

	2009	2008
ASSETS		
Current		
Cash	$ 3,382	$ 101,428
GST recoverable	3,711	-
	7,093	101,428
	$ 7,093	$ 101,428
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 86,834	$ 19,264
Advances (Note 4)	5,557	-
	92,391	19,264
Shareholders' equity		
Capital stock (Note 5)	227,495	227,495
Contributed surplus (Note 5)	29,327	29,327
Deficit	(342,120)	(174,658)
	(85,298)	82,164
	$ 7,093	$ 101,428

Nature and continuance of operations (Note 1)

On behalf of the Board:

/s/ "Andrew Bowering"	/s/ "Graham Harris"
Andrew Bowering, Director	Graham Harris, Director

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

CAP-EX VENTURES LTD.
STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT
Year Ended August 31

	2009	2008
EXPENSES		
Office	$ 4,817	$ 1,675
Professional fees	19,012	18,442
Project investigation costs (Note 1)	90,405	67,113
Rent	15,000	30,000
Stock-based compensation	-	21,465
Transfer agent and filing fees	13,590	7,043
Travel and related costs	24,638	20,080
Loss and comprehensive loss for the year	(167,462)	(165,818)
Deficit, beginning of year	(174,658)	(8,840)
Deficit, end of year	$ (342,120)	$ (174,658)
Basic and diluted loss per common share	$ (0.04)	$ (0.05)
Weighted average number of common shares outstanding	4,000,000	3,287,671

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

CAP-EX VENTURES LTD.
STATEMENTS OF CASH FLOWS
Year Ended August 31

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (167,462)	$ (165,818)
Item not effecting cash:		
Stock-based compensation	-	21,465
Change in non-cash working capital items:		
GST recoverable	(3,711)	647
Prepaid expenses	-	1,140
Accounts payable and accrued liabilities	67,570	4,245
Net cash used in operating activities	(103,603)	(138,321)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from advances	5,557	-
Net proceeds from share subscriptions	-	159,122
Net cash provided by financing activities	5,557	159,122
Change in cash during the year	(98,046)	20,801
Cash, beginning of year	101,428	80,627
Cash, end of year	$ 3,382	$ 101,428
Supplemental Disclosure		
Cash paid during the year for interest	$ -	$ -
Cash paid during the year for income tax	$ -	$ -

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 February 27, 2007, its shares were listed for trading on January 10, 2008 and it 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, if required, and acceptance by regulatory authorities.

The Company is in the process of identifying and evaluating business opportunities with the objective of completing a "qualifying transaction" under TSX-V rules. Under these rules, the Company must identify and complete a Qualifying Transaction within 24 months from the date the Company's shares are listed for trading on the TSX-V. On April 7, 2009, trading in the shares of the Company was halted at the request of the Company's management in order to complete negotiations for a Qualifying Transaction with Swazi Gold Ventures Pty Ltd. to acquire a 74% beneficial interest in the CAPE-X Gold Project in South Africa. While the stock was halted, the Company pursued a second Qualifying Transaction with Chayouzhongqi Xingda Mining and Development Company Ltd. Despite incurring $90,405 in project investigation costs, these negotiations were not concluded successfully and the Company did not proceed with either of these transactions. The shares of the Company resumed trading on June 2, 2009 at the request of the Company.

The 24 month period for the Company to complete its Qualifying Transaction ends January 13, 2010. In August, 2009, the Company applied for a six month extension to the time for it to complete its Qualifying Transaction. The Exchange has not made a decision on this application. The Exchange may, if the extension is not granted, at any time choose to delist the Company's shares or halt trading in them. The Exchange may also choose to transfer the Company's listing to the NEX exchange. The Exchange has not advised the Company that it intends to take any imminent action and the Company continues to seek a Qualifying Transaction.

These financial statements have been prepared 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 the acquisition of or participation in properties, assets or businesses. Such an acquisition will be subject to regulatory and shareholder approval.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are presented in Canadian dollars.

Use of estimates and assumptions

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. Significant areas requiring the use of management estimates and assumptions relate to the expected tax rates for future income tax recoveries and determining the fair value of stock-based payments. Where estimates have been used, financial results, as determined by actual events, could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents, when applicable, consist of cash and highly liquid short-term investments with a maturity of less than 90 days from the date of acquisition that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

Loss per share

The Company uses the treasury stock method in computing loss per share. Under this method, basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the year.

For the period ended August 31, 2009 and 2008, the existence of options affect the calculation of loss per share on a fully diluted basis. As the effect of this dilution is to reduce the reported loss per share, fully diluted loss per share information has not been shown.

Financial instruments

On September 1, 2007, the Company adopted CICA Handbook Sections 3855 and 3861, financial instruments and Section 3856, hedges. Sections 3855 and 3861 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. Under Section 3855, financial instruments must be classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured at the balance sheet date at fair value except for loans and receivables, held-to-maturity investments, and other financial liabilities which are measured at amortized cost. The adoption of these policies had no significant impact on the financial statement presentation or disclosures.

The Company's financial instruments consist of cash, receivables and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted. The Company does not have derivatives or embedded derivatives.

Comprehensive income

The Company adopted CICA Handbook Section 1530, "Comprehensive Income". Section 1530 establishes standards for the reporting and presenting of comprehensive income which is defined as the change in equity from transaction and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net loss. At August 31, 2009 and 2008 the Company had no significant items that caused other comprehensive loss to be different than net loss.

Comparative figures

Certain figures presented for comparative purposes have been reclassified to conform with the presentation adopted for the current year.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, ("Section 1582"), 1601, Consolidated Financial Statements, ("Section 1601") and 1602, Non-controlling Interests, ("Section 1602") which replaces CICA Handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

In February 2008, the CICA Accounting Standards Board confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The Company is assessing the potential impacts of this changeover and is developing its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions.

4. ADVANCES

In January of 2009, seven individuals advanced a total of US$141,000 to the Company of which the Company in turn advanced $135,443 to Chayouzhongqi Xingda Mining and Developing Company Ltd. in anticipation of a Qualifying Transaction. The balance of $5,557 remains due to these individuals.

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
Balance at August 31, 2007	2,000,000	$ 100,000	$ -
Shares issued for cash	2,000,000	200,000	-
Share issue costs	-	(72,505)	7,862
Stock-based compensation	-	-	21,465
Balance at August 31, 2009 and 2008	4,000,000	$ 227,495	$ 29,327

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS (continued)

During the period ended August 31, 2007, the Company issued 2,000,000 common shares pursuant to a private placement, at a price of $0.05 per common share, for total proceeds of $100,000. 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 consent of the regulatory authorities.

If the Company does not complete a Qualifying Transaction, the shares will not be released from escrow and if the Company is de-listed, the shares will be cancelled.

During the year ended August 31, 2008, the Company completed its IPO of 2,000,000 common shares at a price of $0.10 per share for gross proceeds of $200,000. The Company paid Union Securities Ltd. (the “Agent”) a commission of 10% of the gross proceeds, a corporate finance fee of $10,000 and granted 200,000 Agent’s options at a price of $0.10 per option exercisable for a period of 12 months from the date that the common shares of the Company were listed on the TSX-V. In connection with the IPO, the Company incurred share issuance costs totalling $72,505.

6. STOCK OPTIONS

The Company adopted a stock option plan (“the Plan”) whereby it can grant options to directors, officers, employees, and technical consultants of the Company. The maximum number of shares that may be reserved for issuance under the Plan is limited to 10% of the issued common shares of the Company prior to completion of a qualifying transaction. Vesting will be determined by the board of directors.

During 2008, the Company issued the following options which vested during 2008. During 2009, the Company cancelled 280,000 options; the remaining outstanding options are exercisable as at August 31, 2009:

Number of Options		Exercise Price	Expiry Date
Issued	400,000	$0.10	January 9, 2013
Balance August 31, 2008	400,000		
Cancelled	(280,000)	$0.10	January 9, 2013
Balance August 31, 2009	120,000	$0.10	January 9, 2013

The weighted average contractual remaining is 3.36 years.

Stock-based compensation

The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options granted in 2008. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair value. For purposes of the calculation the following weighted average assumptions were used:

Risk-free interest rate	3.40%
Expected life of options	2 Years
Annualized volatility	100%
Dividend rate	0%

6. STOCK OPTIONS (continued)

Stock-based compensation (continued)

The weighted average fair value of options granted during the period was $0.05.

Total stock-based compensation recognized for stock options granted during 2008 was $21,465.

Agent's Options

As at August 31, 2008, the Company issued the following agent's options, all of which expired unexercised on January 14, 2009:

Number of Shares	Exercise Price	Expiry Date
200,000	$0.10	January 14, 2009

During the year ended August 31, 2008, the Company issued 200,000 agent's options with a fair value of $0.04 per option using the Black-Scholes option pricing model. A total of $7,862 has been recognized as share issue costs and contributed surplus.

The fair value of agent's options has been estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.31%
Expected life of options	1 Year
Annualized volatility	100%
Dividend rate	0%

As at August 31, 2009, the Company had no outstanding share purchase warrants.

7. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal income tax rates to earnings before income taxes. The Company has a non-capital loss carry forward of approximately $372,000 available to offset taxable income in future years which expires in fiscal 2028. The potential benefit of the non-capital loss carry forward has not been recognized in the financial statements since the Company cannot be assured that it is more likely than not that such benefit will be utilized in future years.

In assessing the realization of the Company's future income tax asses, management considers whether it is more likely that not that some portion of all of the future tax asset will not be realized. The ultimate realization of future tax assets is dependent upon the generation of taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax assets considered realizable could change materially in the near term based on future taxable income during the carry-forward period.

7. **INCOME TAXES** (continued)

a) Reconciliation of Tax Rates

The Company is subject to Canadian federal and provincial taxes at an approximate rate of 30.00% (2008 – 31.00%). The reconciliation of the provision for income taxes at the statutory rate compared to the Company's income tax expense as reported is as follows:

	August 31, 2009 $	August 31, 2008 $
Net loss before income taxes per financial statements	167,000	166,000
Income tax rate	30.00%	31.00%
Income tax recovery	50,000	51,000
Permanent difference	1,000	10,000
Changes In Tax Rates	(7,000)	(10,000)
Valuation allowance change	(44,000)	(51,000)
Provision for income taxes	-	-

The Company has recognized a valuation allowance for the income tax asset since the Company cannot be assured that it is more likely than not that such benefit will be utilized in future years. The valuation allowance is reviewed annually. When circumstances change and which cause a change in management's judgment about the realizability of deferred income tax assets, the impact of the change on the valuation allowance is generally reflected in current income.

b) Future Income Tax Assets and Liabilities

The significant components of the Company future income tax assets and liabilities are as follows:

	August 31, 2009 $	August 31, 2008 $
Future income tax assets:		
Non capital tax losses carried forward	97,000	54,000
Share issuance costs	11,000	4,000
Valuation allowance	(108,000)	(58,000)
Net future income tax asset	-	-

8. SUBSEQUENT EVENTS

On September 3, 2009 the Company announced a non-brokered private placement (the "Private Placement") of 15,000,000 units at a price of $0.02 per unit for proceeds of $300,000. Each unit was to consist of one common share of the Company and one non-transferable share purchase warrant entitling the holder to acquire one common share of the Company at a price of $0.05 for a period of 18 months from the completion date of the private placement.

On October 7, 2009 the Company announced that no warrants would be issued with the Private Placement.

The Company was advised by the Exchange that it would not accept a price of $0.02 per share for the private placement and advised the Company to re-price the private placement at $0.05 per share and obtain written consents to the private placement from the majority of the minority shareholders. As share holder consents have been obtained and submitted to the Exchange, the Company expects to issue 6,000,000 shares at $0.05 per share for proceeds of $300,000 and is awaiting Exchange approval or further comment.

CAP-EX VENTURES LTD.

Management Discussion and Analysis

Year Ended August 31, 2009

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as at December 23, 2009 and should be read in conjunction with the audited financial statements for the year ended August 31, 2009 of Cap-Ex Ventures Ltd. ("Cap-Ex" or the "Company") with the related notes thereto. Those audited financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made. Additional information related to the Company is available for viewing on SEDAR at www.sedar.com.

Description of Business

The Company was incorporated under the Business Corporations Act (British Columbia) on February 27, 2007 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, if required, and acceptance by regulatory authorities of its Qualifying Transaction ("QT"). On January 14, 2008, the Company's shares began trading on the TSX-V under the symbol "CEV.P".

Until the completion of a QT, the Company will not carry on any business other than the identification and evaluation of assets or businesses in connection with a potential QT.

Qualifying Transaction

During the year ended August 31, 2009, the Company incurred travel, consulting and legal costs totaling $115,043. In January of 2009, seven individuals (the "Creditors") forwarded a total of C$141,000 (the "Debt") to the Company with the intention that the Company should forward it to Zhu Zhong Neng and / or Chayouzhongqi Xingda Mining and Development Company Ltd. (collectively, the "Debtors") as a loan between the Creditors and the Debtors. In error, the Debtors executed a promissory note (the "Note") dated January 14, 2009 promising to pay the Debt to the Company (which had forwarded to the Debtors the funds representing the Debt) rather than to the Creditors directly; and to rectify the error, the Company assigned any and all interest it has in the Note to the Creditors, pro rata according to the amounts of funds that the Creditors advanced. Of the $141,000 advanced, $135,443 (US$110,000) was used to provide an advance to the party with which the Company is currently negotiating its potential QT as described above. The balance of $5,557 was used to cover other expenses relating to the QT and for working capital requirements.

The 24 month period for the Company to complete its Qualifying Transaction is January 13, 2010. The Company, in August, 2009, applied for a six month extension to the time for it to complete its Qualifying Transaction. The Exchange has not made a decision on this application. The Exchange may, if the extension is not granted, at any time choose to delist the Company's shares or halt trading in them. The Exchange may also choose to transfer the Company's listing to the NEX exchange. The Exchange has not advised the Company that it intends to take any imminent action and the Company continues to seek a Qualifying Transaction.

Selected Annual Financial Information

	Year ended August 31, 2009	Year ended August 31, 2008	Period from incorporation on February 27, 2007 to August 31, 2007
Operating Expenses	$ 167,462	$ 165,818	$ 8,840
Loss for the period	(167,462)	(165,818)	(8,840)
Loss per Share – Basic and Diluted	(0.04)	(0.05)	(0.00)
Total Assets	7,093	101,428	106,179
Long Term Liabilities	-	-	-
Cash Dividends Declared	-	-	-
Cash Flows From (Used In):			
Operating activities	$ (103,603)	$ (138,321)	$ (1,608)
Investing activities	-	-	-
Financing activities	5,557	159,122	82,235
Net Increase (decrease) in cash	$ (98,046)	$ 20,801	$ 80,627

Results of Operations

During the year ended August 31, 2009, the Company recorded a loss of $167,462 compared to a loss of $165,818 for the year ended August 31, 2008. The significant changes during the year ended August 31, 2009 compared to the year ended August 31, 2008 are as follows:

Project investigation costs increased to $90,405 during the year ended August 31, 2009 from $67,113 during the year ended August 31, 2008 as the Company continued evaluating a potential QT.

Rent decreased to $15,000 during the year ended August 31, 2009 from $30,000 during the year ended August 31, 2008. The Company ended its rental agreement on February 28, 2009.

Stock-based compensation, a non-cash expense, decreased to $Nil during the year ended August 31, 2009 from $21,465 during the year ended August 31, 2008. No options were granted during the year ended August 31, 2009 while 400,000 options were granted during the year ended August 31, 2008.

Transfer agent and filing fees increased to $13,590 for the year ended August 31, 2009 from $7,043 for the year ended August 31, 2008. The Company completed its initial public offering during the year ended August 31, 2008 and incurred a full year of costs during fiscal 2009.

Travel and related costs increased to $24,638 during the year ended August 31, 2009 from the $20,080 incurred during the year ended August 31, 2008. The increase was due to the Company attending various trade shows and events as well as evaluating a potential QT.

During the three months ended August 31, 2009, the Company had a loss of $11,968 compared to a loss of $86,075 for the three months ended August 31, 2008. The significant decrease over the comparative period was primarily attributed to the $67,113 spent on property investigations costs in connection with a potential QT in the comparative year. Additionally, rent decreased from $7,500 in the comparative period to $Nil in the current period and professional fees decreased from $5,653 in the comparative period to $2,250 in the current period.

Quarterly Information

The following table sets forth selected unaudited financial information prepared by management of the Company:

	Three Months Ended August 31, 2009	Three Months Ended May 31, 2009	Three Months Ended February 28, 2009	Three Months Ended November 30, 2008
Total assets	$ 7,093	$ 140,732	$ 142,211	$ 82,014
Deferred financing costs	-	-	-	-
Working capital (deficiency)	(85,298)	(208,773)	(181,150)	26,205
Loss and comprehensive loss for the period	(11,968)	(27,623)	(71,912)	(55,959)
Loss per share (basic and diluted)	(0.00)	(0.01)	(0.02)	(0.01)

	Three Months Ended August 31, 2008	Three Months Ended May 31, 2008	Three Months Ended February 29, 2008	Three Months Ended November 30, 2007
Total assets	$ 101,428	$ 184,787	$ 215,158	$ 98,366
Deferred financing costs	-	-	-	31,765
Working capital (deficiency)	82,164	166,442	187,252	40,833
Loss and comprehensive loss for the period	(86,075)	(19,013)	(51,130)	(18,512)
Loss per share (basic and diluted)	(0.02)	(0.00)	(0.02)	(0.01)

Fiscal 2008

During the first quarter of fiscal 2008, the Company was working towards its IPO. During the second quarter, the Company completed its IPO and commenced actively searching for a Qualifying Transaction. During the third quarter of fiscal 2008, the Company entered into a Letter of Intent dated April 6, 2008 with Swazi Gold Ventures (Pty) Ltd., to acquire a 74% beneficial interest in the CAPE-X Gold Project in South Africa. The stock was halted at the request of the Company on April 9, 2008. During the fourth quarter of fiscal 2008, the Company determined that its due diligence requirements for the CAPE-X Gold Project were not satisfied and determined not to proceed with the transaction and the incidental transactions that accompanied it.

Fiscal 2009

During the first quarter of fiscal 2009, the stock remained halted and the Company continued to actively pursue a QT in China with Chayouzhongqi Xingda Mining and Development Company Ltd. and incurred project investigation costs of $44,005. In January of 2009, seven individuals (“Creditors”) advanced a total of $141,000 to the Company with the intention that the Company should forward it to Zhu Zhong Neng and / or Chayouzhongqi Xingda Mining and Developing Company Ltd (“Debtor”) as a loan between the Creditors and the Debtors. The Company in turn advanced $135,443 to Debtor. in anticipation of a Qualifying Transaction. The balance of $5,557 remains due to these individuals. During the second quarter of fiscal 2009, the Company incurred additional expenditures totalling $38,759 in conjunction with its potential QT. During the third quarter the Company incurred a further $23,995 towards the potential QT. Negotiations with Chayouzhongqi Xingda Mining and Development Company Ltd. did not conclude successfully and the Company did not proceed with the transaction.

During the fourth quarter, at the request of the Company, the shares of the Company resumed trading on June 2, 2009. The Company continues to actively search for a Qualifying Transaction.

Subsequent Events

On September 3, 2009 the Company announced a non-brokered private placement (THE "PRIVATE PLACEMENT") of 15,000,000 units at a price of $0.02 per unit for proceeds of $300,000. Each unit was to consist of one common share of the Company and one non-transferable share purchase warrant entitling the holder to acquire one common share of the Company at a price of $0.05 for a period of 18 months from the completion date of the private placement.

On October 7, 2009 the Company announced that no warrants would be issued with the Private Placement.

The Company was advised by the Exchange that it would not accept a price of $0.02 per share for the private placement and advised the Company to re-price the private placement at $0.05 per share and obtain written consents to the private placement from the majority of the minority shareholders. As shareholder consents have been obtained and submitted to the Exchange, the Company expects to issue 6,000,000 shares at $0.05 per share for proceeds of $300,000 and is awaiting Exchange approval or further comment.

During the period, the former directors and officers (except for Andrew Bowering, who remains a director and President / CEO) resigned.

They were replaced by Graham Harris (Director), Jasvir Kaloti (CFO), Ed Kruchkowski (Director) and Chris Farber (Director). In conjunction with these changes in the board of directors and management, the Company has made application to the Exchange to make a number of escrow transfers which would result in the Company's 2,000,000 escrowed common shares being held as follows: Jasvir Kaloti, 200,000 escrow shares; Graham Harris, 700,000 escrow shares, Ed Kruchkowski, 200,000 escrow shares; Chris Farber, 200,000 escrow shares; Andrew Bowering, 700,000 escrow shares. The Company is awaiting Exchange approval of these escrow transfers which must be obtained prior to effecting the transfers.

Liquidity and Capital Resources

The Company has financed its operations to date through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt.

As at August 31, 2009, the Company had a working capital deficiency of $85,298 and a cash position of $3,382 while at August 31, 2008, the Company had a working capital position of $82,164 and a cash position of $101,428. The decrease in working capital of $167,462 was due to ongoing operations of the Company and continued efforts on the QT.

The Company does not have sufficient funds to meet anticipated administrative expenses and necessary costs associated with reviewing and completing any due diligence leading to the completion of a future QT. The Company will be required to raise additional capital to complete a future QT. Any such transaction will be subject to shareholder approval and acceptance by regulatory authorities. Until completion of a QT, the Company will not carry on any other business.

Related party transactions

During the initial organization period and current period, directors and officers provided services without remuneration. There have been no management service agreements or compensation plans established to date. The value of these services has not been quantified or recorded in the Company's financial statements.

Off Balance Sheet Arrangements

The Company has no off Balance Sheet arrangements.

Adoption of new accounting standards

Effective September 1, 2008, the Company adopted the following new standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

CICA Handbook Section 1535 - Capital Disclosures
This section establishes standards for 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 non-compliance. The additional disclosures required by CICA 1535 are included in Note 11.

CICA Handbook Section 3862 and 3863 - Financial Instruments
These two standards replace the current standard, "Financial Instruments – Disclosure and Presentation" (Section 3861), 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 those risks are managed. The additional disclosures required by these standards are included in Note 10 to the annual financial statements.

CICA Handbook Section 1400 - General Standards of Financial Statements
This section requires management to make an assessment of the Company's ability to continue as a going concern, and to disclose any material uncertainties related to events or conditions that may cast significant

doubt upon the entity's ability to continue as a going concern. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future which is at least, but not limited to, twelve months from the balance sheet date. The disclosure required by CICA 1400 is included in Note 1 to the annual financial statements.

Management has determined that the adoption of these new standards did not have a material impact on the financial statements of the Company, except for expanded disclosures in the notes to the annual financial statements.

Recent Accounting Pronouncements

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, ("Section 1582"), 1601, Consolidated Financial Statements, ("Section 1601") and 1602, Non-controlling Interests, ("Section 1602") which replaces CICA Handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards ("IFRS"). Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

In February 2008, the CICA Accounting Standards Board confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The eventual changeover to IFRS represents changes due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company's reported financial position and results of operations.

The Company is assessing the potential impacts of this changeover and is developing its IFRS changeover plan, which will include project structure and governance, resourcing and training, analysis of key GAAP differences and a phased plan to assess accounting policies under IFRS as well as potential IFRS 1 exemptions.

Risk, Uncertainties and Outlook

As a company that is actively trying to complete its QT in the mineral resource acquisition and exploration industry, the Company is exposed to a number of risks, including the financial risks associated with the fact that it has no operating cash flow and must access the capital markets to finance its activities.

There can be no assurances that the Company will continue to be able to access the capital markets for the funding necessary to acquire and maintain exploration properties and to carry out its desired exploration programs. In addition to this having an impact on any future wholly-owned projects, the Company could find itself in a position at a future time where it is unable to fund its share of costs incurred under joint venture agreements to which it is a party, and its interest in such joint ventures could be reduced or eliminated as a result.

The Company is very reliant upon its existing management, and if the services of such personnel were withdrawn for any reason, this could have a material adverse impact on the Company's operating activities.

There is intense competition within the minerals industry to acquire properties of merit, and the Company competes with other companies possessing greater technical and financial resources than itself. Even if desirable properties are secured, there can be no assurances that the company will be able to execute its exploration programs on its proposed schedules and within its cost estimates, whether due to weather conditions in the areas where it operates, increasingly stringent environmental regulations and other permitting restrictions, or other factors related to exploring in areas that lack infrastructure, such as the availability of essential supplies and services.

Over the past several years, the prices of commodities have increased substantially, stimulating a rapid growth in exploration expenditures and intensifying the competition for talent and services. These conditions are leading to increased costs and difficulties in scheduling contractors at times that are optimal from the Company's perspective.

The Company's future exploration activities may require permits from various governmental agencies charged with administrating laws and regulations governing exploration, labor standards, occupational health and safety, control of toxic substances, waste disposal, land use, environmental protection and other matters. Failure to comply with laws, regulations and permit conditions could result in fines and/or stop work orders, costs for conducting remedial actions and other expenses. In addition, legislation changes to existing laws and regulations could result in significant additional costs to comply with the revised terms and could also result in delays in executing planned programs pending compliance with those terms.

Outstanding Share Data

As at the date of this report, the Company has:

a) 4,000,000 common shares outstanding, of which 2,000,000 common shares are held in escrow; and
b) 120,000 stock options outstanding with an exercise price of $0.10, expiring on January 9, 2013.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Cautionary Statement on Forward Looking Information

Certain statements contained in this document constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements.