

**TENAJON RESOURCES CORP.**

**(A Development Stage Company)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2008 and 2007**

**Canadian Funds**

## AUDITORS' REPORT

### To the Shareholders of Tenajon Resources Corp.

We have audited the consolidated balance sheets of **Tenajon Resources Corp.** as at March 31, 2008 and the consolidated statements of loss, comprehensive loss, shareholders' equity and cash flows for each of the years in the two year period ended March 31, 2008. These consolidated 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 March 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the two year period ended March 31, 2008 in accordance with Canadian generally accepted accounting principles.

*Signed PricewaterhouseCoopers*

### **Chartered Accountants**

Vancouver, BC

July 29, 2008

# Tenajon Resources Corp.

(A Development Stage Company)

## Consolidated Balance Sheets

At March 31

Canadian Funds

ASSETS	2008	2007
<b>Current</b>		
Cash and cash equivalents	\$ 3,627,094	\$ 1,527,830
Receivables	382,647	64,853
Prepays	1,341	-
Advances on mineral properties	299,102	-
Short term investments (Note 5)	18,758	24,705
	<u>4,328,942</u>	<u>1,617,388</u>
<b>Resource property costs - schedule (Note 6)</b>	<b>10,274,267</b>	<b>4,926,525</b>
<b>Property, plant and equipment (Note 7)</b>	<b>895</b>	<b>3,873</b>
<b>Reclamation deposits</b>	<b>38,881</b>	<b>31,870</b>
	<u>\$ 14,642,985</u>	<u>\$ 6,579,656</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable	\$ 326,495	\$ 69,992
Due to related party (Note 10)	155,250	53,799
	<u>481,745</u>	<u>123,791</u>
<b>Asset retirement obligation (Note 6)</b>	<b>38,100</b>	<b>31,100</b>
<b>Future income taxes payable (Note 8)</b>	<b>570,438</b>	<b>-</b>
	<u>1,090,283</u>	<u>154,891</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital (Note 9)</b>	<b>21,615,413</b>	<b>14,971,886</b>
<b>Warrants (Note 9)</b>	<b>1,382,986</b>	<b>846,760</b>
<b>Contributed surplus</b>	<b>927,563</b>	<b>514,028</b>
<b>Accumulated other comprehensive loss</b>	<b>(5,947)</b>	<b>-</b>
<b>Deficit</b>	<b>(10,367,313)</b>	<b>(9,907,909)</b>
	<u>13,552,702</u>	<u>6,424,765</u>
	<u>\$ 14,642,985</u>	<u>\$ 6,579,656</u>

Subsequent events (Note 13)

ON BEHALF OF THE BOARD:

\_\_\_\_\_, Director  
"F. G. Hewett"

\_\_\_\_\_, Director  
"D. Bruce McLeod"

# Tenajon Resources Corp.

(A Development Stage Company)

## Consolidated Statements of Loss

Years ended March 31

Canadian Funds

	2008	2007
<b>General and administrative expenses</b>		
Rent and administrative services	\$ 49,150	\$ 31,800
Amortization	2,978	10,098
Professional fees	102,875	39,328
Stock-based compensation	507,790	335,884
Office and general	175,770	112,934
Regulatory compliance and transfer agent fees	65,153	27,132
Shareholder's information and investor relations	99,098	70,511
<b>Loss before the undernoted</b>	<b>(1,002,814)</b>	<b>(627,687)</b>
Write-off of exploration costs	(3,760)	(4,605)
Gain on sale of investments	-	3,156
Interest and other income	145,098	75,583
<b>Loss before income taxes</b>	<b>(861,476)</b>	<b>(553,553)</b>
Future income tax recovery (Note 8)	402,072	320,971
<b>Net loss</b>	<b>\$ (459,404)</b>	<b>\$ (232,582)</b>
<b>Loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>	<b>52,174,263</b>	<b>39,834,062</b>

## Consolidated Statements of Comprehensive Loss

Years ended March 31

(Canadian Funds)

	2008	2007
Net loss	\$ (459,404)	\$ (232,582)
Other comprehensive loss		
Unrealized loss on investments	(5,947)	-
<b>Comprehensive loss</b>	<b>\$ (465,351)</b>	<b>\$ (232,582)</b>

- See Accompanying Notes -

# Tenajon Resources Corp.

(A Development Stage Company)

## Consolidated Statements of Cash Flows

Years ended March 31

Canadian Funds

	2008	2007
<b>Cash resources provided by (used in)</b>		
<b>Operating activities</b>		
Net loss	\$ (459,404)	\$ (232,582)
Items not affecting cash:		
Amortization	2,978	10,098
Stock-based compensation	507,790	335,884
Write-off of exploration costs	3,760	4,605
Future income tax recovery	(402,072)	(320,971)
Gain on sale of investments	-	(3,156)
Changes in non-cash working capital (Note 11)	(531,167)	(67,848)
	<u>(878,115)</u>	<u>(273,970)</u>
<b>Investing activities</b>		
Resource property costs	(4,651,365)	(3,306,665)
Reclamation deposits	(7,011)	(10)
Acquisition of property, plant and equipment	-	(5,189)
Proceeds on sale of investments	-	44,863
	<u>(4,658,376)</u>	<u>(3,267,001)</u>
<b>Financing activities</b>		
Issuance of share capital	7,635,755	4,645,955
	<u>7,635,755</u>	<u>4,645,955</u>
Net increase in cash and cash equivalents	2,099,264	1,104,984
Cash and cash equivalents – beginning of year	1,527,830	422,846
<b>Cash and cash equivalents – end of year</b>	<b>\$ 3,627,094</b>	<b>\$ 1,527,830</b>
<b>Cash and cash equivalents consists of:</b>		
Cash held with banks	2,201,727	185,269
Bankers acceptances	1,425,367	1,342,561
<b>Cash and cash equivalents – end of year</b>	<b>\$ 3,627,094</b>	<b>\$ 1,527,830</b>
<b>Supplemental disclosure of non-cash investing and financing transactions</b>		
Resource property costs included in accounts payable	\$ 270,884	\$ 65,464
Resource property reclamation costs included in asset retirement obligation	\$ 7,000	\$ -
Stock based compensation included in resource property costs	\$ 16,518	\$ -
Shares issued for property acquisition	\$ 368,850	\$ -
Shares issued as finder's fees	\$ 36,885	\$ -
Fair value of options exercised	\$ 110,773	\$ 74,511
Fair value of warrants exercised	\$ 270,046	\$ -
Fair value of warrants issued	\$ 806,272	\$ 846,760

- See Accompanying Notes -

# Tenajon Resources Corp.

(A Development Stage Company)

## Consolidated Statements of Shareholders' Equity

Canadian Funds

	Share capital (Number of Shares)	Share capital (Amount)	Contributed surplus	Warrants	Accumulated other compre- hensive income	Deficit	Total
<b>March 31, 2006</b>	28,923,029	\$ 11,419,153	\$ 203,814	\$ -	\$ -	\$ (9,675,327)	\$ 1,947,640
Private placements	10,403,583	4,266,018	-	-	-	-	4,266,018
Share issue costs	-	(395,232)	-	-	-	-	(395,232)
Warrants issued	-	(753,221)	-	846,760	-	-	93,539
Warrants exercised	3,846,500	576,975	-	-	-	-	576,975
Options exercised	571,500	179,164	(74,511)	-	-	-	104,653
Stock based compensation	-	-	384,725	-	-	-	384,725
Future income tax on flow-through shares	-	(320,971)	-	-	-	-	(320,971)
Net loss	-	-	-	-	-	(232,582)	(232,582)
<b>March 31, 2007</b>	43,744,612	14,971,886	514,028	846,760	-	(9,907,909)	6,424,765
Private placements	8,438,500	6,151,601	-	617,324	-	-	6,768,925
Share issue costs	-	(766,987)	-	188,948	-	-	(578,039)
Property acquisition	445,000	368,850	-	-	-	-	368,850
Property finders fees	44,500	36,885	-	-	-	-	36,885
Warrants exercised	2,564,268	1,563,798	-	(270,046)	-	-	1,293,752
Options exercised	536,662	261,890	(110,773)	-	-	-	151,117
Stock based compensation	-	-	524,308	-	-	-	524,308
Future income tax on flow-through shares	-	(972,510)	-	-	-	-	(972,510)
Other comprehensive income	-	-	-	-	(5,947)	-	(5,947)
Net loss	-	-	-	-	-	(459,404)	(459,404)
<b>March 31, 2008</b>	55,773,542	\$ 21,615,413	\$ 927,563	\$1,382,986	\$ (5,947)	\$ (10,367,313)	\$13,552,702

- See Accompanying Notes -

# Tenajon Resources Corp.

(A Development Stage Company)

Schedule

## Consolidated Schedules of Resource Property Costs

Years ended March 31

Canadian Funds

	2008			2007		
	Acquisition cost	Exploration cost	Total	Acquisition cost	Exploration cost	Total
<b>Ajax property</b>						
Balance - beginning of the period	\$ 18,873	\$ 2,501,483	\$ 2,520,356	\$ 18,873	\$ 543,740	\$ 562,613
Assays and laboratory	-	47,204	47,204	-	79,270	79,270
Drilling	-	1,813,498	1,813,498	-	1,636,913	1,636,913
Labour	-	248,020	248,020	-	236,218	236,218
Report preparation	-	34	34	-	5,342	5,342
	<b>18,873</b>	<b>4,610,239</b>	<b>4,629,112</b>	<b>18,873</b>	<b>2,501,483</b>	<b>2,520,356</b>
<b>Summit lake</b>						
Balance - beginning of the period	13,700	2,380,157	2,393,857	11,099	930,841	941,940
Assays and laboratory	-	-	-	-	42,281	42,281
Drilling	-	-	-	-	1,021,127	1,021,127
Geology	-	-	-	-	90,429	90,429
Labour	-	50,468	50,468	-	295,479	295,479
NSR Repurchase	-	105,000	105,000	-	-	-
General	-	9,067	9,067	-	-	-
Acquisition and tenure	1,082	-	1,082	2,601	-	2,601
	<b>14,782</b>	<b>2,544,692</b>	<b>2,559,474</b>	<b>13,700</b>	<b>2,380,157</b>	<b>2,393,857</b>
<b>Burn property</b>						
Balance - beginning of the period	6,880	5,432	12,312	5,391	213	5,604
Assaying and general	-	11,621	11,621	-	5,219	5,219
Drilling	-	298,029	298,029	-	-	-
Line cutting	-	43,050	43,050	-	-	-
Labour	-	62,823	62,823	-	-	-
Transportation	-	13,716	13,716	-	-	-
Reclamation costs	-	7,940	7,940	-	-	-
General and consulting	-	7,529	7,529	-	-	-
Geophysical surveys	-	49,250	49,250	-	-	-
Acquisition and tenure	-	-	-	1,489	-	1,489
	<b>6,880</b>	<b>499,390</b>	<b>506,270</b>	<b>6,880</b>	<b>5,432</b>	<b>12,312</b>
<b>Molybrook property</b>						
Balance - beginning of the period	-	-	-	-	-	-
Assaying and laboratory	-	54,267	54,267	-	-	-
Drilling	-	509,778	509,778	-	-	-
Labour	-	419,575	419,575	-	-	-
Transportation	-	284,870	284,870	-	-	-
Helicopter	-	243,938	243,938	-	-	-
Camp and general	-	272,478	272,478	-	-	-
Surveys and reports	-	358,362	358,362	-	-	-
Acquisition and tenure	436,143	-	436,143	-	-	-
	<b>436,143</b>	<b>2,143,268</b>	<b>2,579,411</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>General exploration and property</b>						
Balance - beginning of the period	-	-	-	-	-	-
Examination	-	3,760	3,760	-	4,600	4,600
Write-offs	-	(3,760)	(3,760)	-	(4,600)	(4,600)
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending balance</b>	<b>\$ 476,678</b>	<b>\$ 9,797,589</b>	<b>\$ 10,274,267</b>	<b>\$ 39,453</b>	<b>\$ 4,887,072</b>	<b>\$ 4,926,525</b>

- See Accompanying Notes -

# Tenajon Resources Corp.

(A Development Stage Company)

## Notes to the Consolidated Financial Statements

Years ended March 31, 2008 and 2007

Canadian Funds

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### 1. Nature of operations

The Company is a development stage company that engages principally in the acquisition, exploration and development of resource properties. As a development stage company, it is currently unable to self-finance its operations. The recovery of the Company's investment in its resource properties and attainment of profitable operations is dependent upon the discovery, development and sale of ore reserves, the ability to farm out its resource properties and the ability to raise sufficient capital to finance operations. The ultimate outcome of these operations cannot presently be determined because they are contingent on future matters.

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### 2. Significant accounting policies

#### *Basis of presentation and consolidation*

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the accounts of the Company and its wholly owned subsidiary, 0781639 B.C. Ltd. Inter-company balances are eliminated upon consolidation.

#### *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of expenses during the reported periods. Significant areas of estimation relate to the assessment of impairment of mineral claim interests and related deferred exploration costs, stock based compensation, future site restoration costs and the future income tax valuation allowance. Actual results could differ from those estimates. By their nature, these estimates are subject to a degree of uncertainty, and the impact on the financial statements of future changes in such estimates could be material.

#### *Cash and cash equivalents*

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid debt investments with maturities at point of purchase of three months or less.

#### *Property, plant and equipment*

Items are recorded at cost. The Company provides for amortization on the following basis:

Computer equipment	- 30% declining balance
Software	- 100% declining balance

One-half of the above rates are applied in the year of acquisition.

# Tenajon Resources Corp.

(A Development Stage Company)

## Notes to the Consolidated Financial Statements

Years ended March 31, 2008 and 2007

Canadian Funds

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### 2. Significant accounting policies - *continued*

#### *Resource property costs*

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration and development costs are capitalized on an individual prospect basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing prospect will be amortized on a unit-of-production method based on the estimated life of the ore reserves, while those costs for the prospects abandoned are written off.

The recoverability of the amounts capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete their development, and future profitable production or proceeds from the disposition thereof.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

#### *Income and mining taxes*

The asset and liability method is used for determining future income taxes. Under the asset and liability method, the change in the net future tax asset or liability is included in income. The income tax effects of temporary differences in the time when income and expenses are recognized in accordance with the Company's accounting practices and the time they are recognized for income tax purposes are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using substantially enacted or statutory rates that are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. A valuation allowance is provided to the extent that it is more likely than not, that future income tax assets will not be realized.

#### *Asset retirement obligations*

The Company recognizes a legal liability for obligations relating to retirement of property, plant and equipment or the reclamation of mineral exploration or development activities, and arising from the normal operation of those assets. Such asset retirement costs must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the assets, and amortized into income on a systematic basis over the asset's expected life.

# Tenajon Resources Corp.

(A Development Stage Company)

## Notes to the Consolidated Financial Statements

Years ended March 31, 2008 and 2007

Canadian Funds

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### 2. Significant accounting policies - *continued*

#### *Share capital*

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value on the date of issue.

The proceeds from the issue of units is allocated between common shares and common share purchase warrants on a pro-rata basis based on relative fair values as follows: the fair value of the common shares is based on the market close on the date the units are issued and the fair value of the common share purchase warrants is determined using the Black-Scholes option pricing model.

#### *Stock-based compensation*

The fair value of stock options granted under the Company's stock option plan is estimated using the Black-Scholes option pricing model. Compensation expense is recognized on a straight-line basis over the stock option vesting period of one year.

#### *Loss per share*

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by application of the treasury stock method. All potentially dilutive instruments were anti-dilutive for the current and prior years.

#### *Impairment of long-lived assets*

The Company assesses the possibility of impairment in the net carrying value of its long-lived assets when events or circumstances indicate impairment may have occurred. Management calculates the estimated undiscounted future net cash flows relating to the asset or asset group using estimated future prices, proven and probable reserves and other mineral resources, and operating, capital and reclamation costs. When the carrying value of an asset exceeds the related undiscounted cash flows, the asset is written down to its estimated fair value, which is usually determined using discounted cash flows.

# Tenajon Resources Corp.

(A Development Stage Company)

## Notes to the Consolidated Financial Statements

Years ended March 31, 2008 and 2007

Canadian Funds

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### 2. Significant accounting policies - continued

#### *Financial instruments*

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as “held-for-trading”, “available-for-sale”, “held-to-maturity”, “loans and receivables”, or “other financial liabilities” as defined by the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3855, Financial Instruments – Recognition and Measurement.

Financial assets and financial liabilities “held-for-trading” are measured at fair value with changes in those fair values recognized in net earnings. Financial assets “available-for-sale” are measured at fair value, with changes in those fair values recognized in other comprehensive income (“OCI”) except for other-than-temporary impairment which is recorded as a charge to other expenses. Financial assets “held-to-maturity”, “loans and receivables” and “other financial liabilities” are measured at amortized cost.

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### 3. Change in accounting policies

#### *Accounting policies implemented effective April 1, 2007*

Effective April 1, 2007, the Company prospectively adopted the CICA Handbook Section 3855, Financial Instruments (“Section 3855”), which establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. These recommendations require that fair value be used to measure financial assets that are held for trading or available for sale, financial liabilities that are held for trading and all derivative financial instruments. Other financial assets, such as loans and receivables and investments that are held to maturity and other financial liabilities are measured at their carrying value. The Company’s accounting policies for financial instruments are described in Note 2 above. No adjustments were necessary at implementation as short term investments were previously recorded at fair market value.

Effective April 1, 2007, the Company prospectively adopted the CICA Handbook Section 3865, Hedges, which establish standards for the identification, designation, documentation and effectiveness of hedging relationships for the purpose of applying hedge accounting. The purpose of hedge accounting is to ensure that gains, losses, revenues and expenses from effective hedging relationships are recorded in earnings in the same period. This change in accounting policy had no effect on the consolidated financial statements for the year ended March 31, 2008 as the Company does not apply hedge accounting.

Effective April 1, 2007, the Company prospectively adopted the CICA Handbook Section 1530, Comprehensive Income. Comprehensive income consists of changes in the equity of the Company from sources other than the Corporation’s share owners, and includes earnings of the Company, the foreign currency translation adjustment relating to self-sustaining foreign operations and unrealized gains and losses on changes in fair values of available for sale assets and effective cash flow hedging instruments. Other comprehensive income comprises revenues, expenses and gains and losses that are recognized in comprehensive income but are excluded from earnings for the period. Comprehensive income is required to be disclosed in a separate statement in the consolidated financial statements. See note 6 for transitional adjustment.

# Tenajon Resources Corp.

(A Development Stage Company)

## Notes to the Consolidated Financial Statements

Years ended March 31, 2008 and 2007

Canadian Funds

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### 3. Changes in accounting polices - *continued*

Effective April 1, 2007, the Company prospectively adopted the CICA Handbook Section 3251, Equity, regarding the presentation of equity and changes in equity. These recommendations require separate presentation of the components of equity, including retained earnings, accumulated other comprehensive income, contributed surplus, share capital and reserves, and the changes therein.

Effective April 1, 2007, the Company adopted the revised CICA Handbook Section 1506, Accounting Changes, which requires that: (a) a voluntary change in accounting principals can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

#### *Accounting policies to be implemented effective April 1, 2008*

In March 2007, the CICA issued Section 3862, Financial Instruments – Disclosures (“Section 3862”) and Section 3863, Financial Instruments – Presentation (“Section 3863”), which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The standard deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The Company is currently evaluating the impact on its financial statement disclosure and presentation.

In December 2006, the CICA issued Section 1535, Capital Disclosures. This section establishes standards for disclosing information about an entity’s objectives, policies, and processes for managing capital. The Company is currently evaluating the impact on the Company’s disclosure and presentation.

In June 2007, the CICA issued Section 3031, Inventories, which provides more guidance on the measurement and disclosure requirements for inventories. Specifically the new pronouncement requires inventories to be measured at the lower of cost and net realizable value, and provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. The Company is currently evaluating the impact on its accounting and disclosure for inventories.

#### *Accounting policies to be implemented effective April 1, 2009*

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets (“Section 3064”), which replaces Section 3062, Goodwill and Other Intangible Assets (“Section 3062”) and Section 3450, Research and Development Costs. Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

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# Tenajon Resources Corp.

(A Development Stage Company)

## Notes to the Consolidated Financial Statements

Years ended March 31, 2008 and 2007

Canadian Funds

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### 4. Financial instruments

#### *Financial instruments carrying value and fair value*

The Company's financial instruments consist of cash and cash equivalents, receivables, short-term investments, advances on mineral properties, accounts payable and accrued liabilities, and due to related parties.

Cash and cash equivalents are designated as "held-for-trading" and measured at fair value. Receivables are designated as "loans and receivables". Short term investments are designated as "available for sale". Accounts payable and accrued liabilities and due to related parties are designated as "other financial liabilities".

The carrying value of the cash, receivables, and accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their immediate or short-term maturity. Short-term investments are recorded at fair value based on quoted bid market prices at the balance sheet date.

#### *Foreign exchange risk*

The Company is not exposed to significant foreign exchange risk.

#### *Interest rate risk*

The Company is not exposed to significant interest rate risk.

#### *Market risk*

The Company is exposed to market risk arising from its holdings of marketable equity securities. Marketable securities are classified as available for sale. The Company intends to liquidate the marketable securities when market conditions are conducive to a sale of these securities.

#### *Credit risk*

The Company is exposed to credit risk in the amount of its trade receivables.

#### *Liquidity risk*

The Company has no recent history of profitable operations and its present business is at an early stage. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues.

In order to finance the Company's exploration programs and to cover administrative and overhead expenses, the Company raises money through equity sales, from the exercise of convertible securities and from the sale of investments. There can be no such assurance that it will be able to obtain adequate financing in the future or that the terms of any financing will be favourable. Many factors influence the Company's ability to raise funds, including the state of the resource market and commodities prices, the climate for mineral exploration, the Company's track record and the experience and calibre of its management.

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# Tenajon Resources Corp.

(A Development Stage Company)

## Notes to the Consolidated Financial Statements

Years ended March 31, 2008 and 2007

Canadian Funds

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### 5. Short term investments

	2008	2007
Marketable securities:		
Holdings of related companies	\$ 18,758	\$ 24,705
<i>Available-for-sale (quoted market value: April 1, 2007 - \$24,705)</i>		

The Company prospectively adopted the CICA recommendations pertaining to financial instruments, which establish standards for the recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. These recommendations require that fair value be used to measure financial assets that are held for trading or available for sale. In accordance with the new standards, as of April 1, 2007 the Company has classified its investments as available for sale. Accordingly, investments with a book value of \$24,705 were measured as of April 1, 2007 at a fair value of \$24,705. As of March 31, 2008, investments were measured at a fair value of \$18,758 and resulted in an unrealized revaluation loss of \$5,947. The revaluation loss has been recognized in accumulated other comprehensive income.

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### 6. Resource property costs

#### *Ajax, BC*

The Company maintains a 100% interest in six mineral claims known as the Ajax Claims in B.C. These claims were acquired by staking. During the year ended March 31, 2006 the Company recognized an asset retirement obligation of \$7,600 for the Ajax property, representing the estimated future reclamation cost for the property.

In August 2007 the Company optioned the Hoan North and South properties near its Ajax property. The Company can earn a 100% interest in the claims, which are subject to a 2% NSR of which half can be purchased back by Tenajon for \$1,000,000, through the issuing of 250,000 shares and cash payments of \$90,000 over a four year period. To date the Company has paid the initial signing fee of \$2,500.

#### *Summit Lake, BC*

The Company, as at March 31, 2008 maintained a 100% interest in the Summit Lake property in the Stewart area of north-western B.C. During the year ended March 31, 2006 the Company recognized an asset retirement obligation of \$23,500 for the Summit Lake property, representing the estimated future reclamation cost for the property.

In May 2007 the Company purchased the Net Smelter Return royalty for the Summit Lake Gold property. The Summit Lake Gold property was subject to a 3% Net Smelter Return royalty until payments of \$600,000 had been paid, and a 1% Net Smelter Return thereafter. The royalty was purchased from the Royal Bank of Canada for total consideration of \$105,000.

# Tenajon Resources Corp.

(A Development Stage Company)

## Notes to the Consolidated Financial Statements

Years ended March 31, 2008 and 2007

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### 6. Resource property costs - *continued*

#### *Moly Brook, Newfoundland*

In April 2007 the Company acquired 100% of the Moly Brook property, located 2.5 km from the Hamlet of Grey River on the southern coast of Newfoundland, through an agreement with an arms length syndicate of holders for the sum of \$20,000 and 350,000 shares valued at \$315,000. The Moly Brook property is subject to a 2% NSR, of which 1.5% can be purchased by the Company for \$1,500,000.

The Company also acquired, in 2007, the Moly Brook Extension property, which consists of four claims and adjoins the southern boundary of the Company's Moly Brook Molybdenum property. The Company acquired 100% of the Moly Brook Extension Property for \$2,500 and 20,000 shares valued at \$21,600. The property is subject to a 2% NSR, of which 1.5% can be purchased by the Company for \$1,500,000.

In 2007 the Company acquired the Grey River West property immediately to the west of the Moly Brook property. The Company purchased a 100% interest in the property for a \$5,000 cash payment and by issuing 75,000 shares to the vendors valued at \$32,250. The property is subject to a 2% NSR, of which half can be purchased back for \$1,000,000. A finder's fee of \$500 and 7,500 shares valued at \$3,225 was issued in respect of the acquisition.

#### *Burn property, BC*

During the year ended March 31, 2005, the Company acquired, by staking, a 100% interest in three mineral claims known as the Burn Property in Central B.C. The Company recognized an asset retirement obligation of \$7,000 for the Burn property, representing the estimated future reclamation cost for the property.

#### *Kansas claims, BC*

Consistent with option agreements between the Company, Pinnacle Mines Ltd. ("Pinnacle") and Mountain Boy Minerals Ltd. ("Mountain Boy"), as at March 31, 2008 the Company maintained a 40% interest in the Kansas claim. Pinnacle and Mountain Boy have 30.5% and 29.5% interests, respectively. Under the terms of the original 2005 agreement, Pinnacle earned a 60% interest in the Kansas property by making a cash payment of \$50,000 (received), issuing 77,000 common shares to the Company (received at a value of \$69,300) and by spending \$1,000,000 on exploration and development by October 2008. Option payments have been first credited to the initial cost of the project. As a result the current carrying value of the project is nil.

#### *Stress project, BC*

The Company retains a 1% NSR in certain mineral claim units in North Western B.C., collectively known as the Stress Project, which are owned by Copper Ridge Explorations Inc.

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# Tenajon Resources Corp.

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### 7. Property, plant and equipment

Details are as follows:

	2008			2007		
	Cost	Accumulated amortization	Net book value	Cost	Accumulated amortization	Net book value
Computer equipment	\$ 2,150	\$ 1,255	\$ 895	\$ 2,150	\$ 871	\$ 1,279
Software	19,099	19,099	-	19,099	16,505	2,594
	<u>\$ 21,249</u>	<u>\$ 20,354</u>	<u>\$ 895</u>	<u>\$ 21,249</u>	<u>\$ 17,376</u>	<u>\$ 3,873</u>

### 8. Income taxes

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to earning before income taxes. These differences result from the following items:

	2008	2007
Loss before income taxes	(861,476)	(553,553)
Canadian federal and provincial income tax rate	33.47%	34.12%
Income tax recovery based on the above rates	\$ (288,336)	\$ (188,872)
Increase (decrease) due to:		
Non-deductible expenses and other permanent differences	171,991	120,938
Losses and temporary differences for which no future income tax asset has been recognized	-	67,934
Income tax benefit recognition from issuance of flow-through shares	(285,727)	(320,971)
Income tax recovery	<u>\$ (402,072)</u>	<u>\$ (320,971)</u>

The components of future income taxes are as follows:

	2008	2007
<i>Future income tax assets:</i>		
Non-capital losses	\$ 60,792	\$ 39,610
Capital losses	53,702	60,957
Property, plant and equipment	171,182	199,901
Resource property costs	2,340,590	2,735,122
Other	197,512	109,357
Future income tax assets	<u>2,823,777</u>	<u>3,144,946</u>
Valuation allowance	<u>(2,431,533)</u>	<u>(3,144,946)</u>
<i>Future income tax assets</i>	<u>392,244</u>	<u>-</u>
<i>Future income tax liabilities:</i>		
Resource property costs	<u>962,682</u>	<u>-</u>
<i>Future income tax liabilities</i>	<u>962,682</u>	<u>-</u>
<i>Net future income tax liability</i>	<u>\$ 570,438</u>	<u>\$ -</u>

# Tenajon Resources Corp.

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## Notes to the Consolidated Financial Statements

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### 8. Income taxes - *Continued*

The Company has non-capital loss carry-forwards of approximately \$233,815 that may be available for tax purposes:

2010	\$	58,444
2014		30,015
2015		33,992
2028		111,364
		<hr/>
	\$	233,815

A valuation allowance has been recorded against the potential future income tax assets associated with certain of these loss carry-forwards and certain other deductible temporary differences as their utilization is not considered more likely than not at this time.

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### 9. Shareholders' equity

#### *Authorized share capital*

Unlimited number of common shares without par value.

#### *Share issuance*

On August 15, 2007 the Company closed a brokered private placement raising gross proceeds of \$6,768,925 through the issue of 4,038,000 Units at \$0.75 per Unit and 4,400,500 flow-through Shares at \$0.85 per flow-through Share. Each Unit consists of one common share of Tenajon plus one half of one transferable common share purchase warrant with each whole purchase warrant exercisable into a common share at a price of \$1.00 per share up to August 15, 2009. Dundee Securities Corporation and Canaccord Capital Corporation (the "Underwriters") were paid a cash commission of 7% totalling \$473,825 and issued 590,695 Underwriters' Warrants, each Underwriters' Warrant entitling the holder to acquire one common share of Tenajon at a price of \$0.75 per share up to August 15, 2009. The Company spent all flow through funds during the year.

#### *Stock options*

Pursuant to the Company's stock option plan, directors may from time to time, authorize the issuance of options to directors, officers, employees and consultants of the Company. Options outstanding vest over a period of one year from the grant date and expire 5 years from the date of grant.

# Tenajon Resources Corp.

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### 9. Shareholders' equity - Continued

A summary of the Company's options is as follows:

	Options outstanding	Weighted average exercise price
Balance – March 31, 2006	1,410,000	\$ 0.13
Granted	1,585,000	\$ 0.21
Exercised	(571,500)	\$ 0.18
Cancelled	(165,167)	\$ 0.35
Balance – March 31, 2007	2,258,333	\$ 0.33
Granted	2,030,000	\$ 0.67
Exercised	(536,666)	\$ 0.28
Balance – March 31, 2008	3,751,667	\$ 0.52

As at March 31, 2008, the following stock options are outstanding and exercisable:

Number of options outstanding	Price per share	Expiry date	Number of options exercisable	Price per share
225,000	\$ 0.23	November 25, 2009	225,000	\$ 0.23
100,000	\$ 0.29	June 15, 2010	100,000	\$ 0.29
1,086,667	\$ 0.40	April 21, 2011	1,086,667	\$ 0.40
160,000	\$ 0.30	September 21, 2011	160,000	\$ 0.30
150,000	\$ 0.23	January 24, 2012	150,000	\$ 0.23
220,000	\$ 0.83	April 30, 2012	146,667	\$ 0.83
570,000	\$ 0.48	September 10, 2012	190,000	\$ 0.48
1,160,000	\$ 0.75	September 26, 2012	386,667	\$ 0.75
80,000	\$ 0.53	February 28, 2013	-	\$ 0.53
3,751,667	\$ 0.52		2,445,001	\$ 0.45

During the year, options granted had a total fair value of \$745,175 (2007 - \$384,725) and a weighted average grant-date fair value of \$0.37 (2007 - \$0.28). The fair value of the options granted was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Expected dividend yield	Nil
Expected stock price volatility	92%
Risk-free interest rate	4.24%
Expected life of options	3.5 years

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

# Tenajon Resources Corp.

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## Notes to the Consolidated Financial Statements

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### 9. Shareholders' equity - continued

#### Stock-based compensation

The total value of stock-based compensation is estimated at \$524,308 (2007 - \$384,725). Of this total, \$507,790 (2007 - \$335,884) has been expensed and \$16,518 (2007 - \$48,839) was capitalized to resource property costs. The portion of stock-based compensation recorded is based on the vesting schedule of the options.

#### Warrants

A summary of the Company's warrants is as follows:

	Warrants outstanding	Weighted average exercise price
Balance – March 31, 2006	3,846,500	\$0.15
Issued	8,984,702	\$0.55
Exercised	(3,846,500)	\$0.40
Balance – March 31, 2007	8,984,702	\$0.54
Issued	2,609,695	\$0.94
Exercised	(2,564,268)	\$0.50
Balance – March 31, 2008	9,030,129	\$0.66

As at March 31, 2008, the following warrants are outstanding:

Number of warrants outstanding	Price per share	Expiry date
6,420,434	\$0.55	June 9, 2008*
2,019,000	\$1.00	August 15, 2009
590,695	\$0.75	August 15, 2009
9,030,129	\$0.66	

\*Expired without exercise.

During the year, warrants issued had a total fair value of \$806,272 and a weighted-average grant-date fair value of \$0.31 (2007 - \$0.09). Warrants issued during the year have been charged to share capital. The fair value of the warrants issued was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Expected dividend yield	Nil
Expected stock price volatility	106%
Risk-free interest rate	4.7%
Expected life of options	2 years

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

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### 10. Related party transactions

During the year, service fees of \$49,150 (2007 – \$31,800) and salaries of \$123,207 (2007 – \$66,728), were paid or accrued to International Northair Mines Ltd. (“Northair”), a company with certain officers and directors in common, under the terms of a January 1, 1998 management and cost sharing agreement. The agreement is automatically renewed from year to year. Either party can terminate the agreement by giving three months written notice prior to the anniversary date. At March 31, 2008 \$155,250 was payable to Northair. Amounts due are unsecured, non-interest bearing and have no specific repayment terms.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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### 11. Changes in non-cash working capital

The change in non-cash working capital is comprised of:

	2008	2007
(Increase) decrease in:		
Accounts receivable	(317,794)	(60,927)
Prepays	(1,341)	-
Advances on mineral properties	(299,102)	-
(Decrease) increase in:		
Accounts payable	(14,381)	(11,966)
Due to related party	101,451	5,045
	<u>(531,167)</u>	<u>(67,848)</u>

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### 12. Segmented information

The Company operates in one industry and accordingly considers its business to consist of one reportable segment. As at March 31, 2008 all of the Company’s reportable assets were located in Canada.

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### 13. Subsequent events

#### *Private placement*

In May 2008, the Company closed an underwritten private placement, raising gross proceeds of \$4,125,000 through the issue of 7,500,000 flow-through common shares at a price of \$0.55.

A syndicate of underwriters led by Canaccord Capital Corporation and including Blackmont Capital Inc. and Dundee Securities Corp. were paid a cash commission of 7.0% of the total proceeds raised upon closing and were issued underwriters’ warrants equal to 7.0% of the flow-through common shares issued pursuant to the offering. Each underwriters’ warrant will be exercisable to acquire one common share at \$0.55 up to May 12, 2009.

Two directors of the Company acquired 50,000 and 90,900 flow-through shares respectively as subscribers under the private placement.

# Tenajon Resources Corp.

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## Notes to the Consolidated Financial Statements

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### 13. Subsequent events - continued

#### *Moly Brook North and Grey River Gold property acquisitions*

In May 2008, the Company entered into two separate agreements to acquire the Moly Brook North and Grey River Gold properties located 2.5 km from the hamlet of Grey River on the south coast of Newfoundland. Both properties adjoin the Company's Moly Brook molybdenum property. Moly Brook North consists of 18 claims which border on the northern side of the Moly Brook Property, while Grey River Gold Property consists of nine claims and borders the Moly Brook Property to the east. In addition the Company has acquired through staking 51 claims immediately to the north of the Moly Brook North claim block.

The Company has entered into a binding, arms length agreement with the property vendors for the acquisition of 100% of the Moly Brook North property for the sum of \$5,000 and 75,000 shares. The property will be subject to a 2% NSR of which 1.0% can be purchased by the Company for \$1,500,000.

The Company has entered into a binding, arms length agreement with the property vendors for the acquisition of 100% of the Grey River Gold property for the sum of \$3,000 and 50,000 shares. The property will be subject to a 2% NSR of which 1.0% can be purchased by the Company for \$1,500,000.

A total of \$800 in cash consideration and 12,500 shares have been issued as finder's fees for the property acquisitions.

#### *Sale of Summit Lake property and Kansas claims*

In June 2008, Pinnacle purchased, for approximately \$3,015,000, the Company's wholly owned subsidiary, 0781639 B.C. Ltd. which holds an undivided 40% ownership interest in and to the Kansas claim and a 100% ownership interest in and to the Summit Lake property. The Kansas claim and the Summit Lake property are both located near Stewart, British Columbia. Pinnacle now owns a 70.6% interest in and to the Kansas claim and 100% of the Summit Lake property. The remaining 29.4% undivided interest in the Kansas claim is owned by Mountain Boy Minerals Ltd.

Pinnacle has issued 13,500,000 fully paid shares of Pinnacle and shall reimburse the Company up to \$200,000 in cash in respect of reclamation deposits, exploration costs incurred by the Company on the Summit Lake property and certain other expenses. Under the terms of the acquisition, the Company is required to distribute the Pinnacle shares to its shareholders on a pro-rata basis by way of a plan of arrangement. The Company has also granted Pinnacle an option to purchase the 3% net smelter royalty held by the Company on the Summit Lake property by payment of \$115,000 in cash.

The Company's shareholders shall receive approximately one share of Pinnacle for each 4.68 shares of the Company which they hold based on the current number of shares issued and outstanding. The number of shares to be distributed will be subject to an adjustment based on the actual share structure at the record date of October 13, 2008.

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