



# KALIMANTAN GOLD CORPORATION LIMITED

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## First Quarter Report

For the three months ended March 31, 2009

**Kalimantan Gold Corporation Limited**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**For the Three Months Ended March 31, 2009**

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**Date**

The following discussion is management's assessment and analysis of the results of operations and financial conditions ("MD&A") of Kalimantan Gold Corporation Limited (the "Company" or "Kalimantan Gold") and should be read in conjunction with the accompanying unaudited interim consolidated financial statements for the three months ended March 31, 2009 and related notes therein and with the audited consolidated financial statements for the year ended December 31, 2008 and 2007, all of which are available at the SEDAR web site at [www.sedar.com](http://www.sedar.com). The financial information in this MD&A is derived from the Company's interim financial statements, prepared in accordance with Canadian generally accepted accounting principles and all dollar amounts are expressed in United States dollars unless otherwise indicated.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The effective date of this report is May 27, 2009.

**Overview**

**Description of the Business**

Kalimantan Gold is incorporated in Bermuda and is an exploration stage company engaged in the business of acquiring and exploring mineral properties in Kalimantan, Indonesia. The Company is a reporting issuer in British Columbia, Alberta and Ontario and trades in Canadian dollars on the TSX Venture Exchange in Canada and in British pence on the AIM Market in London under the symbol KLG.

The Company has exploration rights over two distinct areas: the Jelai Gold Project in East Kalimantan and the KSK Contract of Work ("KSK COW") copper-gold prospects in Central Kalimantan. The Company had an option agreement with PT Indobara Pratama ("IBP") to bring its coal deposit into production and acquire up to an 80% interest in IBP a move designed to establish a presence for the Company in Indonesia's rapidly growing coal industry. The original option with IBP has lapsed however the owners of IBP have undertaken to enter into a new agreement with Company, which is being negotiated

The Company's MD&A for the year ended December 31, 2008 included information up to April 24, 2009 and it should be referred to.

The most significant activities in the period up to May 27, 2009 were financial. On April 28, 2009 the Company issued 17,024,268 common shares at a price of C\$0.05 per share for gross proceeds of approximately \$698,000 (C\$852,213) pursuant to a non-brokered private. Finder's fees of C\$23,472 were paid. The common shares issued are restricted from trading through the TSX Venture Exchange until August 28, 2009.

On May 8, 2009 the Company issued 5,064,661 common shares to settle \$206,723 (C\$253,233) of accounts payable owed to officers, directors, employees and other creditors.

The Company's primary focus is to secure one or more coal projects in Kalimantan that can be financed to production with an off-take partner and with exploration upside potential. The Company is in active negotiations with both project vendors and potential off-take partners.

**Aim Rule 26**

We confirm that we have updated our website ([www.kalimantan.com](http://www.kalimantan.com)) so that it includes the information required by AIM Rule 26.

## Results of operations

### *Results of operations for the three months ended March 31, 2009 and 2008*

The Company incurred a loss for the three months ended March 31, 2009 of \$449,516 (2008 - \$563,305).

The more significant changes between the current period and the comparative period are discussed below.

Most of the cost categories were reduced from the comparative period due to implementation of cost saving initiatives and reduced expenditure levels on exploration activities. Legal costs have increased over the comparative period as a result of the focus on securing a coal project.

The Company recovered \$16,835 from the sale of land delivered as security for a former employee's defalcation.

## Summary of quarterly results

The unaudited financial results for each of the eight most recently completed quarters are summarized below:

	3 months ended March 31, 2009 US\$	3 months ended Dec. 31, 2008 US\$	3 months ended Sept, 30, 2008 US\$	3 months ended June 30, 2008 US\$	3 months ended March 31, 2008 US\$	3 months ended Dec. 31, 2007 US\$	3 months ended Sept, 30, 2007 US\$	3 months ended June 30, 2007 US\$
Total revenues	-	-	-	-	-	-	-	-
Loss for the quarter	(449,516)	(4,471,439)	(952,231)	(690,863)	(563,305)	(220,544)	(520,201)	(525,667)
Basic and diluted loss per share	(0.00)	(0.06)	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)

The Company is an exploration stage enterprise. At this time any issues of seasonality or market fluctuations have no impact. The Company currently expenses all its mineral exploration costs and general and administration costs and these amounts are included in the loss for each quarter. The Company's finances determine the levels of exploration.

## Liquidity

The Company began the current fiscal year with \$313,663 cash and cash equivalents. The Company used \$216,889 to fund operations, and recovered a net \$8,276 from the sale of equipment less the purchase of field equipment. The Company ended the period with \$97,673 cash and cash equivalents.

The Company's working capital deficit at March 31, 2009 was (\$452,552). On April 28, 2009 the Company issued 17,024,268 common shares at a price of C\$0.05 per share for gross proceeds of approximately \$698,000 (C\$852,213) pursuant to a non-brokered private. Finder's fees of C\$23,472 were paid. On May 8, 2009 the Company issued 5,064,661 common shares to settle \$206,723 (C\$253,233) of accounts payable owed to officers, directors, employees and other creditors.

The Company intends to use the proceeds from the private placement to fund its ongoing gold and coal exploration programs in Indonesia, as well as general working capital purposes.

## Capital Resources

At May 27, 2009 the Company has 5,442,000 stock options outstanding. Upon an increase in the Company's share price and volume traded the share purchase warrants and stock options would be expected to be exercised and would contribute additional cash to the treasury.

The Company has met its expenditure requirements pursuant to its KSK COW for the entire exploration phases of the contract due to the ability to carry over excess work expenditures.

### Contingency

During 2008 the Indonesian tax authorities conducted audits of the Company's Indonesian subsidiaries and delivered assessments on several levels of withholding tax, employee income tax and value added tax. The outcome of the tax assessments is not determinable. The Company believes the tax assessments are without basis and the Company has filed notices of objection.

### Transactions with related parties

The Company pays consulting fees to Golden Oak Corporate Services Ltd., a company owned by Doris Meyer, Chief Financial Officer for financial reporting and corporate compliance services. The fees are C\$8,000 per month plus Canada's goods and services tax which is not recoverable by the Company. In 2009, the Company paid Golden Oak \$20,227 (\$25,551 in 2008) the equivalent of C\$25,200 in both periods. Either party may terminate the agreement at any time upon 90 days notice.

The Company paid or accrued \$16,200 consulting fees to Rahman Connelly, Deputy Chairman and Chief Executive Officer (\$16,200 in 2008).

The Company paid or accrued to its two non-management director's fees totalling \$6,000 in 2009 (\$6,000 in 2008).

Amounts owed to related parties at March 31, 2009 of \$171,489 (March 31, 2008 - \$11,341) were in the normal course of business. On May 8, 2009 the Company settled \$126,673 of the amounts owed to related parties by the issue of common shares.

All of the above noted transactions have been in the normal course of business and undertaken with the same terms and conditions as transactions with unrelated parties.

### Additional disclosure for Venture Issuers without significant revenue

The components of exploration costs are described in note 6 to the interim consolidated financial statements for the three months ended March 31, 2009.

### Outstanding share data

Authorized share capital \$2,000,000 divided into 200,000,000 common shares at a par value of \$0.01 each.

	Common Shares Issued and Outstanding	Common Share Purchase Warrants	Common Share Purchase Options
Balance March 31, 2009	99,389,262	-	5,442,000
Private placement	17,024,268	-	-
Shares for debt	5,064,661	-	-
Balance, May 27, 2009	121,478,191	-	5,442,000

## Financial Instruments

All financial instruments are recorded initially at estimated fair value on the balance sheet and classified into one of five categories: held for trading, held to maturity, available for sale, loans and receivables and other liabilities

### *Financial Risk Management*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities.

The Company has classified cash as held-for-trading. Prepaid items and advances are classified as loans and receivables, and accounts payable and accrued liabilities as other liabilities, all of which are measured at amortized cost.

The fair values of cash and cash equivalents and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

### *Financial Instrument Risk Exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

### *Credit Risk*

The Company's only exposure to credit risk is on its bank accounts. Bank accounts are with a Canadian Schedule 1 bank with a \$20 million counterparty credit limit.

### *Liquidity Risk*

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash and cash equivalents is invested in business accounts which are available on demand.

### *Market Risk*

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its cash equivalents is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

### *Exchange Risk*

As at March 31, 2009 the majority of the Company's cash and cash equivalents were held in Canada in Canadian dollars. The Company's significant operations are carried out in Indonesia. As a result a portion of the Company's cash and accounts payable and accrued liabilities are denominated in United States Dollars, the Indonesian Rupiah and Australian dollars are therefore subject to fluctuation in exchange rates.

### *Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

## Forward looking statements

This MD&A contains certain forward-looking statements related to, among other things, expected future events, future spending levels and the future financial and operating results of the Company. Forward-looking statements are encouraged to enhance communication but are subject to inherent risks and uncertainties including but not limited to, market and general economic conditions, changes arising as drilling results are received, changes in regulatory environments affecting the Company and the availability and terms of subsequent financings. Other

risks and uncertainties are detailed below. Consequently, actual results and events may differ materially from those included in, contemplated or implied by such forward looking statements for a wide variety of reasons.

## Risks

Mineral exploration is subject to a high degree of risk, which a combination of experience, knowledge, and careful evaluation may fail to overcome. Exploration activities seldom result in the discovery of a commercially viable mineral resource. Exploration activities are also expensive. The Company will therefore require additional financing to carry on its business and such financing may not be available when it is needed.

## Changes in Accounting Policy and Presentation

**Effective January 1, 2009, the Company adopted the following accounting standards issued by the CICA:**

### *Goodwill and intangible assets (Section 3064)*

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Other Intangible Assets". This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, EIC 27, "Revenue and Expenditures in the Pre-operating Period", will be withdrawn. The adoption of this standard did not have any impact in our financial statements.

**Effective January 1, 2011, the Company is required to adopt the following accounting standards issued by the CICA:**

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 Section 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 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## Other information

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's web site [www.kalimantan.com](http://www.kalimantan.com).



## **KALIMANTAN GOLD CORPORATION LIMITED**

### **Interim Financial Statements**

(unaudited and prepared by Management)

(expressed in US dollars)

**March 31, 2009**

#### Notice to Reader

These interim financial statements of Kalimantan Gold Corporation Limited have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these interim financial statements, notes to financial statements and the related quarterly Management Discussion and Analysis.

KALIMANTAN GOLD CORPORATION LIMITED  
See Nature of Operations – Note 1  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
*(In United States Dollars)*

<i>As at</i>	<b>March 31, 2009</b>	December 31, 2008
	<b>(unaudited)</b>	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ <b>97,673</b>	\$ 313,663
Prepaid items and advances	<b>14,689</b>	62,092
	<u><b>112,362</b></u>	<u>375,755</u>
Security deposit - mineral property	<b>20,157</b>	22,452
Equipment (note 4)	<b>98,500</b>	124,870
	<u><b>\$ 231,019</b></u>	<u>\$ 523,077</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ <b>564,914</b>	\$ 407,456
Provision for employee service entitlements	<b>31,424</b>	31,424
	<u><b>596,338</b></u>	<u>438,880</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (note 6)	<b>964,385</b>	964,385
Contributed surplus (note 6)	<b>21,444,541</b>	21,444,541
Deficit	<b>(22,774,245)</b>	(22,324,729)
	<u><b>(365,319)</b></u>	<u>84,197</u>
	<u><b>\$ 231,019</b></u>	<u>\$ 523,077</u>

Subsequent events (note 9)

Approved by the Board of Directors

*/s/ Murray Clapham*  
Murray Clapham

*/s/ Rahman Connelly*  
Rahman Connelly

The accompanying notes form an integral part of these consolidated financial statements

KALIMANTAN GOLD CORPORATION LIMITED  
See Nature of Operations – Note 1  
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT  
(In United States Dollars)

<i>For the three months ended:</i>	<b>March 31, 2009</b> (unaudited)	March 31, 2008 (unaudited)
<b>EXPENSES</b>		
General and administrative		
Amortization	\$ -	\$ 294
Consultants (note 7)	66,285	122,261
Defalcation recovery	(16,835)	-
Directors fees (note 7)	6,000	6,000
Investor relations	2,917	15,155
Legal	18,220	6,583
Office and administrative services	2,821	4,158
Stock compensation expense	-	6,418
Telephone and facsimile	1,382	1,460
Transfer agent, filing and exchange fees	21,520	33,964
Travel and accommodation	6,376	6,523
	<u>108,686</u>	<u>202,816</u>
Current exploration (note 5)	333,453	314,835
Foreign exchange loss (gain)	7,377	49,658
Interest income	-	(4,004)
	<u>449,516</u>	<u>563,305</u>
Loss for the period	449,516	563,305
Deficit - beginning of period	<u>22,324,729</u>	<u>15,646,891</u>
Deficit - end of period	\$ <u>22,774,245</u>	\$ <u>16,210,196</u>
Loss per common share	\$ <u>(0.00)</u>	\$ <u>(0.01)</u>
Weighted average number of shares outstanding	<u>99,389,262</u>	<u>63,955,117</u>

The accompanying notes form an integral part of these consolidated financial statements

KALIMANTAN GOLD CORPORATION LIMITED  
See Nature of Operations – Note 1  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(In United States Dollars)*

<i>For the three months ended</i>	<b>March 31, 2009</b> (unaudited)	March 31, 2008 (unaudited)
<b>Cash provided from (used for)</b>		
<b>Operating activities</b>		
Loss for the period	\$ (449,516)	\$ (563,305)
Add charges to operations not involving a current payment of cash:		
Amortization	18,094	12,019
Stock based compensation	-	6,418
Unrealized foreign exchange loss	9,672	49,659
Changes in non-working capital items:		
Prepaid items and advances	47,403	(69,489)
Accounts payable and accrued liabilities	157,458	(87,889)
	<u>(216,889)</u>	<u>(652,587)</u>
<b>Investing activities</b>		
Deferred acquisition of mineral property	-	(1,602)
Proceeds on sale of equipment	9,896	-
Equipment	(1,620)	(18,400)
	<u>8,276</u>	<u>(20,002)</u>
<b>Financing activities</b>		
Shares issued	-	777,720
	<u>-</u>	<u>777,720</u>
Unrealized foreign exchange loss on cash and cash equivalents	(7,377)	(49,659)
	<u>(7,377)</u>	<u>(49,659)</u>
<b>Net change in cash and cash equivalents</b>	<b>(215,990)</b>	<b>55,472</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>313,663</b>	<b>872,739</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ <u>97,673</u></b>	<b>\$ <u>928,211</u></b>

The accompanying notes form an integral part of these consolidated financial statements

## 1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

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### Nature of operations

Kalimantan Gold Corporation Limited (the “Company” or “Kalimantan Gold”) is in the business of acquiring and exploring mineral properties in Indonesia and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts spent for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise additional funds to continue operations and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. The operations of the Company will require various licenses and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture.

### Going concern uncertainty

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The ability of the Company to continue as a going concern is uncertain and dependent upon obtaining the financing necessary to meet its financial commitments and to complete the development of its properties and/or realizing proceeds from the sale of one or more of the properties. These consolidated financial statements do not reflect any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES

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These interim consolidated financial statements for the Company have been prepared in accordance with generally accepted accounting principles in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements including the notes thereto for the year ended December 31, 2008 which may be found on [www.sedar.com](http://www.sedar.com).

### Changes in Accounting Policy and Presentation

**Effective January 1, 2009, the Company adopted the following accounting standards issued by the CICA:**

#### *Goodwill and intangible assets (Section 3064)*

In February 2008, the CICA issued Section 3064, “Goodwill and Intangible Assets”, which replaces Section 3062, “Goodwill and Other Intangible Assets”. This new standard provides guidance on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the adoption of this standard, EIC 27, “Revenue and Expenditures in the Pre-operating Period”, will be withdrawn. The adoption of this standard did not have any impact in our financial statements.

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### **3. FINANCIAL INSTRUMENTS**

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All financial instruments are recorded initially at estimated fair value on the balance sheet and classified into one of five categories: held for trading, held to maturity, available for sale, loans and receivables and other liabilities

#### *Financial Risk Management*

The Board of Directors has overall responsibility for the establishment and oversight of the Company’s risk management framework. The Company’s financial instruments consist of cash and cash equivalents and accounts payable and accrued liabilities.

The Company has classified cash and cash equivalents as held-for-trading. Prepaid items and advances are classified as loans and receivables, and accounts payable and accrued liabilities as other liabilities, all of which are measured at amortized cost.

The fair values of cash and cash equivalents and accounts payable and accrued liabilities approximate their book values because of the short-term nature of these instruments.

#### *Financial Instrument Risk Exposure*

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

#### *Credit Risk*

The Company’s only exposure to credit risk is on its bank accounts. Bank accounts are with a Canadian Schedule 1 bank with a \$20 million counterparty credit limit.

*Liquidity Risk*

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash and cash equivalents is invested in business accounts which are available on demand.

*Market Risk*

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its cash equivalents is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

*Exchange Risk*

As at March 31, 2009 the majority of the Company's cash and cash equivalents were held in Canada in Canadian dollars. The Company's significant operations are carried out in Indonesia. As a result a portion of the Company's cash and accounts payable and accrued liabilities are denominated in United States Dollars, the Indonesian Rupiah and Australian dollars are therefore subject to fluctuation in exchange rates.

*Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious and base metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in pricing may be significant.

**4. EQUIPMENT**

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	March 31, 2009		December 31, 2008	
	Cost	Accumulated amortization	Net book value	Net book value
Office and field equipment	\$ 429,453	\$ 330,953	\$ 98,500	\$ 124,870

## 5. MINERAL PROPERTIES

	For the three months ended March 31, 2009 \$ (unaudited)	Cumulative exploration since inception \$
<b>KSK CoW</b>		
Exploration costs assumed from a predecessor		2,038,322
Exploration costs recovered from a previous funding partner		(2,330,360)
Write down of acquisition costs		3,496,809
Exploration costs during the period:		
Community development	-	323,011
Consultants and contractors	-	815,147
Contracted drilling	-	1,741,242
Field support	20,968	1,577,914
Land tax and dead rent	-	357,174
Salaries, wages and related costs	47,555	3,919,835
Sample preparation and analysis	-	550,818
Supplies and equipment	-	1,276,238
Transport (including helicopters)	100	1,702,786
Travel and accommodation	4,985	533,821
	73,608	16,002,757
Amortization	1,950	278,926
KSK exploration	75,558	16,281,683
<b>Jelai Mewet KP</b>		
Exploration costs during the period:		
Community development	-	88,067
Consultants and contractors	-	123,158
Drilling	1,333	120,912
Field support	15,702	448,246
Land tax and dead rent	38	7,582
Road and bridge repairs	-	8,922
Salaries, wages and related costs	39,954	624,572
Sample preparation and analysis	-	52,867
Supplies and equipment	-	15,290
Transport (including helicopters)	6,792	159,101
Travel and accommodation	7,151	132,781
	70,970	1,781,498
Amortization	15,459	80,783
Jelai Mewet exploration	86,429	1,862,281
<b>Coal</b>		
Project investigations	93,134	416,072
Drilling	77,570	77,570
	170,704	493,642
Amortization	762	2,292
Coal project investigations	171,466	495,934
Total current period exploration	333,453	18,639,898
Expensed during period	(333,453)	(18,639,898)
Mineral properties, end of period	-	-

## 5. MINERAL PROPERTIES (continued)

Details on the Company's mineral properties are found in note 6 to the audited consolidated financial statements for the year ended December 31, 2008.

## 6. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized share capital \$2,000,000 divided into 200,000,000 common shares at a par value of \$0.01 each.

(6a) Common shares issued and outstanding:

	Common Shares Issued and Outstanding	Share Capital Par Value \$0.01	Contributed Surplus \$	Total Share Capital and Contributed Surplus \$
Balance December 31, 2008 and March 31, 2009	99,389,262	964,385	21,444,541	22,408,926

(6b) The Company has a shareholder approved "rolling" stock option plan (the "Plan") in compliance with the TSX Venture Exchange's policies. Under the Plan the maximum number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding common shares at the time of granting. The exercise price of each stock option shall not be less than the market price of the Company's stock at the date of grant.

The continuity for stock options, all of which are exercisable, is as follows:

Expiry date	Exercise price Cdn \$	Exercise price US \$ <sup>(1)</sup>	Balance, December 31, 2008	Granted	Exercised	Expired	Cancelled	Balance, March 31, 2009
March 29, 2009	\$ 0.55	\$ 0.44	950,000	-	-	(950,000)	-	-
September 15, 2009	\$ 0.20	\$ 0.16	1,020,000	-	-	-	-	1,020,000
June 1, 2011	\$ 0.25	\$ 0.20	27,000	-	-	-	-	27,000
August 8, 2011	\$ 0.20	\$ 0.16	1,395,000	-	-	-	-	1,395,000
April 25, 2012	\$ 0.35	\$ 0.28	1,410,000	-	-	-	-	1,410,000
July 15, 2012	\$ 0.30	\$ 0.24	20,000	-	-	-	-	20,000
January 23, 2013	\$ 0.20	\$ 0.16	50,000	-	-	-	-	50,000
April 1, 2013	\$ 0.20	\$ 0.16	50,000	-	-	-	-	50,000
July 25, 2013	\$ 0.11	\$ 0.09	1,470,000	-	-	-	-	1,470,000
			6,392,000	-	-	(950,000)	-	5,442,000
Weighted average exercise price			\$ 0.22	\$ -	\$ -	\$0.44	\$ -	\$ 0.17

(1) The US to Canadian dollar exchange rate at March 31, 2009 was \$1.2613

## **7. RELATED PARTY TRANSACTIONS**

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The Company pays consulting fees to Golden Oak Corporate Services Ltd., a company owned by Doris Meyer, Chief Financial Officer for financial reporting and corporate compliance services. The fees are C\$8,000 per month plus Canada's goods and services tax which is not recoverable by the Company. In 2009, the Company paid Golden Oak \$20,227 (\$25,551 in 2008) the equivalent of C\$25,200 in both periods. Either party may terminate the agreement at any time upon 90 days notice.

The Company paid or accrued \$16,200 consulting fees to Rahman Connelly, Deputy Chairman and Chief Executive Officer (\$16,200 in 2008).

The Company paid or accrued to its two non-management director's fees totalling \$6,000 in 2009 (\$6,000 in 2008).

Amounts owed to related parties at March 31, 2009 of \$171,489 (March 31, 2008 - \$11,341) were in the normal course of business. On May 8, 2009 the Company settled \$126,673 of the amounts owed to related parties by the issue of common shares.

All of the above noted transactions have been in the normal course of business and undertaken with the same terms and conditions as transactions with unrelated parties.

## **8. MANAGEMENT OF CAPITAL**

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The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital (see Note 6). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

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

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing exploration efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. Cash and cash equivalents consist of cash on hand, balances with banks and investments in highly liquid instruments. The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents and the fair value approximates carrying value.

The Company does not expect its current capital resources will be sufficient to carry its exploration plans and operations through its current operating period and will attempt to raise additional capital through an equity transaction.

## **9. SUBSEQUENT EVENTS**

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Subsequent to March 31, 2009:

- a) the Company issued a total of 17,024,268 common shares at a price of \$0.041 (C\$0.05) per share raising gross proceeds of approximately \$698,000 (C\$851,213) and the Company paid a finder's fee of approximately \$19,250 (C\$23,472);
- b) the Company issued a total of 5,064,661 common shares at a price of \$0.0434 (C\$0.05) per share to extinguish \$206,723 (C\$253,233) accounts payable owed at March 31, 2009 of which \$126,673 was owed to related parties (note 7).