

TAMERLANE VENTURES INC.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007**



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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Tamerlane Ventures Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations and deficit, comprehensive loss, shareholders' equity and cash flows for the years then ended. 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada

April 3, 2009

TAMERLANE VENTURES INC.

Consolidated Balance Sheets
(Expressed in Canadian dollars)

December 31, 2008 and 2007

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 82,156	\$ 4,030,051
Marketable securities (note 5)	9,000	84,000
Amounts receivable	326,785	168,108
Related party amounts receivable (note 12(a))	451,433	-
Notes receivable from related party (note 12(b))	843,177	-
Prepaid expenses and deposits	18,891	265,962
	<u>1,731,442</u>	<u>4,548,121</u>
Furniture and equipment (note 6)	100,813	114,213
Property reclamation bond (note 7(a))	60,000	60,000
Mineral interests (note 7)	14,045,464	9,603,941
	<u>\$ 15,937,719</u>	<u>\$ 14,326,275</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 598,568	\$ 542,038
Related party amounts payable and accrued (note 12(a))	-	43,236
Income taxes payable	-	15,973
	<u>598,568</u>	<u>601,247</u>
Future income taxes (note 13)	55,933	76,945
Shareholders' equity:		
Share capital (note 8)	17,839,326	15,399,041
Contributed surplus (note 11)	2,658,175	1,661,467
Accumulated other comprehensive loss (note 5)	(126,000)	(51,000)
Deficit	<u>(5,088,283)</u>	<u>(3,361,425)</u>
	15,283,218	13,648,083
Going Concern (note 1)		
Commitments (notes 7 and 16)		
Contingency (note 7(b))		
Subsequent events (notes 17)		
	<u>\$ 15,937,719</u>	<u>\$ 14,326,275</u>

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

(Signed)

Director

(Signed)

Director

TAMERLANE VENTURES INC.

Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

	2008	2007
Expenses:		
Amortization	\$ 68,666	\$ 31,474
Foreign exchange loss (gain)	73,662	(5,611)
General and administrative (note 12(a))	1,763,115	1,539,399
Professional fees	282,162	209,163
Stock-based compensation (note 10)	391,290	786,281
Transfer agent and regulatory fees	90,613	54,425
Travel and promotion	54,596	28,563
	<u>2,724,104</u>	<u>2,643,694</u>
Other income:		
Other Income	58,853	-
Interest income	88,521	144,573
Loss before income taxes	(2,576,730)	(2,499,121)
Income tax recovery (note 13)	849,872	130,121
Net loss for the year	(1,726,858)	(2,369,000)
Deficit, beginning of year	(3,361,425)	(992,425)
Deficit, end of year	<u>\$ (5,088,283)</u>	<u>\$ (3,361,425)</u>
Net loss per share - basic and diluted	\$ (0.04)	\$ (0.06)
Weighted average number of shares outstanding	46,396,418	37,043,090

See accompanying notes to consolidated financial statements

Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

	2008	2007
Net loss for the year	\$ (1,726,858)	\$ (2,369,000)
Other comprehensive loss:		
Unrealized loss on available-for-sale:		
Marketable securities (note 5)	(75,000)	(120,000)
Comprehensive loss for the year	<u>\$ (1,801,858)</u>	<u>\$ (2,489,000)</u>

See accompanying notes to consolidated financial statements.

TAMERLANE VENTURES INC.

Consolidated Statements of Shareholders' Equity
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

	Number of common shares	Share Capital	Contributed surplus	Other comprehensive income	Deficit	Total
Balance as at December 31, 2006	31,914,465	\$ 7,752,171	\$ 1,783,409	\$ -	\$ (992,425)	\$ 8,543,155
Net loss for the year	-	-	-	-	(2,369,000)	(2,369,000)
Adjustment – unrealized gains on available-for-sale investments	-	-	-	69,000	-	69,000
Issued pursuant to flow- through private placements	3,657,819	3,067,501	-	-	-	3,067,501
Issue pursuant to exploration agreements	125,000	205,000	-	-	-	205,000
Finders' fees	50,000	117,500	-	-	-	117,500
Fair value of stock options exercised	-	69,262	(69,262)	-	-	-
Fair value of warrants exercised	-	1,255,163	(1,255,163)	-	-	-
Unrealized loss on available for sale investments	-	-	-	(120,000)	-	(120,000)
Exercise of stock options	205,500	89,630	-	-	-	89,630
Exercise of share purchase warrants	7,515,946	3,382,070	-	-	-	3,382,070
Fair value attributed to share purchase warrants included in flow-through share private placements	-	(357,456)	357,456	-	-	-
Share issue costs	-	(181,800)	-	-	-	(181,800)
Stock-based compensation	-	-	845,027	-	-	845,027
Balance as at December 31, 2007	43,468,730	15,399,041	1,661,467	(51,000)	(3,361,425)	13,648,083
Net loss for the year	-	-	-	-	(1,726,858)	(1,726,858)
Issued pursuant to private placements	8,214,285	2,400,000	-	-	-	2,400,000
Issue pursuant to flow- through private placements	3,377,778	1,595,000	-	-	-	1,595,000
Tax Impact for renounced flow-through shares	-	(812,887)	-	-	-	(812,887)
Fair value of stock options exercised	-	8,250	(8,250)	-	-	-
Unrealized loss on available- for-sale investments	-	-	-	(75,000)	-	(75,000)
Issued as finders' fees	150,000	100,681	48,134	-	-	148,815
Exercise of stock options	25,000	11,250	-	-	-	11,250
Fair value attributed to share purchase warrants included in flow-through share private placements	-	(565,534)	565,534	-	-	-
Share issue costs	-	(296,475)	-	-	-	(296,475)
Stock-based compensation	-	-	391,290	-	-	391,290
Balance as at December 31, 2008	55,235,793	\$17,839,326	\$2,658,175	\$(126,000)	\$(5,088,283)	\$15,283,218

TAMERLANE VENTURES INC.

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

	2008	2007
Cash provided by (used in):		
Operations:		
Net loss for the year	\$ (1,726,858)	\$ (2,369,000)
Items not involving cash:		
Amortization	68,666	31,474
Stock-based compensation	391,290	786,281
Future income tax expense (recovery)	(833,899)	(146,094)
	(2,100,801)	(1,697,339)
Changes in non-cash working capital:		
Amounts receivable, including related party	(596,370)	(54,027)
Prepaid expenses	222,063	(260,060)
Accounts payable and accrued liabilities, including related party	13,294	291,981
Income taxes payable	(15,973)	15,973
	(2,477,787)	(1,703,472)
Investments:		
Expenditures on mineral interests	(4,441,525)	(3,928,613)
Notes receivable issued to related party	(843,177)	-
Purchase of furniture and equipment	(30,256)	(100,585)
	(5,314,958)	(4,029,198)
Financing:		
Proceeds from shares issued	3,992,510	6,539,201
Share issuance costs	(147,660)	(181,800)
	3,844,850	6,357,401
Increase (decrease) in cash and cash equivalents	(3,947,895)	624,731
Cash and cash equivalents, beginning of year	4,030,051	3,405,320
Cash and cash equivalents, end of year	\$ 82,156	\$ 4,030,051
Supplementary information:		
Interest paid	\$ 1,019	\$ -
Income taxes paid	-	-
Non-cash investing and financing activities:		
Common shares issued as finders' fees	100,681	117,500
Common shares issued for mineral interests	-	205,000
Warrants issued as finders' fees	48,135	
Subscriptions receivable for issued common shares	13,740	
Reclassification of prepaid balances of prior year to furniture and equipment	25,008	
Future income tax accrual on mineral interest costs	-	76,945

See accompanying notes to consolidated financial statements.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

1. Nature of operations and going concern:

The Company was incorporated under the Corporations Act of the Province of British Columbia on May 16, 2000. The Company is a natural resource company engaged in the exploration and development of base metals projects in Canada and Peru.

The Company has not generated any revenue since its inception and is considered to be a development stage company as defined by CICA Accounting Guideline No. 11. The Company is devoting its major efforts to the exploration and development of its Pine Point zinc-lead project in the Northwest Territories in Canada.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. As at December 31, 2008, the Company has working capital of \$1,132,874. The continuing operations of the Company and the recoverability of amounts recorded for mineral interests are dependent on the Company's ability to obtain additional financing to fund exploration and development, the discovery of economically recoverable reserves in order to generate positive cash flows in the future, or the receipt of sufficient proceeds on any sale of the mineral interests. Management is of the opinion that sufficient working capital will be obtained from external financing and the timely repayment of notes receivable due from a related party to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

2. Adoption of new accounting standards:

Effective January 1, 2008, the Company adopted five new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA). These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

(a) Capital disclosures:

CICA Handbook Section 1535, *Capital Disclosures*, requires additional disclosures about how a company manages its capital. Such information includes quantitative and qualitative disclosure about the Company's objectives, policies and processes for managing capital, as well as summary quantitative data about what it manages as capital. The Company will also be required to disclose whether during the period it complied with externally imposed capital requirements and the consequences of non-compliance, if applicable. Such disclosures will be based on information provided internally by the Company's key management personnel. Additional disclosures are provided in note 15.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

2. Adoption of new accounting standards (continued):

(b) Financial Instruments - Presentation:

Section 3863, *Financial Instruments - Presentation*, establishes standards for presentation of financial instruments and non-financial derivatives. It 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's adoption of this Section did not have a significant effect on the presentation in the financial statements.

(c) Financial instruments - disclosure:

Section 3862, *Financial Instruments - Disclosures*, requires additional quantitative and qualitative disclosures about an entity's financial assets and liabilities, and their associated risks. Such disclosures include the significance of financial instruments for an entity's financial position and performance and the nature and extent of risks arising from financial instruments. Specific disclosures include the criteria for designating the classification of different types of financial instruments and determining when impairment is recorded against the related financial asset or when an allowance is used. Additional disclosures are provided in note 14.

(d) Inventories:

Section 3031, *Inventories*, establishes standards for the measurement and disclosure of inventory. It provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. The Section also provides guidance on the cost formulas that are used to assign costs to inventories. The Company has determined that there is no current impact from the adoption of this Section on the financial statements.

(e) Assessing going concern:

The Company adopted the amended CICA Handbook Section 1400 *General Standards of Financial Statement Presentation*. This amended section includes requirements for management to assess and disclose an entity's ability to continue as a going concern, and if applicable, management's plans to address any going concern issues. These disclosures are provided in Note 1.

3. Significant accounting policies:

(a) Basis of presentation:

These consolidated financial statements are prepared in conformity with Canadian generally accepted accounting principles and reflect the consolidation of the Company and its wholly-owned subsidiaries, Tamerlane Ventures Peru S.A.C. and Minera Los Pinos Canete (note 7(b)). All intercompany transactions and balances have been eliminated.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

3. Significant accounting policies (continued):

(b) 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 date of the financial statements and the reported amount of revenues and expenses during the period. Significant financial statement items which involve the use of estimates include the valuation of mineral interests, assumptions used in valuing options and warrants in stock-based compensation calculations and future income tax asset valuation allowances. Actual results may differ from those estimates.

(c) Cash and cash equivalents:

The Company considers all highly liquid instruments with a maturity of three months or less when acquired to be cash equivalents.

(d) Marketable securities:

Marketable securities include publicly traded common shares received as proceeds of mineral property option transactions. Marketable securities are carried at market value based upon quoted market prices. Prior to January 1, 2007, marketable securities were recorded at the lower of cost and quoted market value.

(e) Furniture and equipment:

Furniture and equipment are stated at cost and are being amortized on a straight line basis over their estimated useful life of three years. The Company has not amortized the mining interests because they are not in production.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(f) Mineral interests:

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project, net of recoveries received. The amounts shown as mineral interests represent costs incurred to date less recoveries received and amounts written off, and do not necessarily represent present or future values. These costs will be amortized on a units of production basis on commencement of production or written off if the interest is abandoned or sold.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

3. Significant accounting policies (continued):

(f) Mineral interests (continued):

The Company reviews its mineral properties for impairment whenever events or changes in circumstances indicate that the carrying amounts will not be recovered. If impairment is deemed to exist, the mineral interest will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized is dependent upon the identification of economically recoverable ore reserves and resources, the Company's ability to obtain the necessary financing to complete their exploration and development and to realize profitable production or proceeds from the disposition thereof.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionees, option payments are recorded as resource property costs or recoveries only when the payments are made or received, respectively.

(g) Foreign currency translation:

The reporting and functional currency of the Company is the Canadian dollar. The functional currency of its Peruvian subsidiaries is also the Canadian dollar as they are dependent on funding from its parent. Foreign currency monetary assets and liabilities are translated to Canadian dollars at the prevailing year end exchange rate. Foreign currency non-monetary assets and liabilities are translated at historical exchange rates. Revenue and expense items are translated at the average rate of exchange for the year. Translation gains and losses are included in the statement of operations.

(h) Financial instruments:

For certain of the Company's financial instruments, including cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities, the carrying amounts approximate fair values due to their short-term to maturity.

The fair value of amounts due to or from related parties, including notes receivable, are not practical to determine due to their related party nature and absence of a secondary market for such instruments.

The Company classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of loss.

The Company has classified its cash and cash equivalents as held for trading and therefore measures them at fair value, with the unrealized gain or loss recorded in income.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

3. Significant accounting policies (continued):

(h) Financial instruments (continued):

The Company has classified its marketable securities as available-for-sale securities and therefore carries them at fair value, with unrealized gains or losses recorded in shareholders' equity as a component of other comprehensive income. These amounts will be reclassified from shareholders' equity to net income when they are realized. Prior to January 1, 2007, investments in public companies were carried at cost, less provisions for other than temporary declines in value. This change in accounting policy resulted in a \$69,000 increase in the carrying value of marketable securities as at January 1, 2007, representing the aggregate cumulative unrealized gain at that time.

(i) Comprehensive income:

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. The Company reports a consolidated statement of comprehensive loss and a category, accumulated other comprehensive income (loss), has been added to the shareholders' equity section of the consolidated balance sheet. The components of this category include unrealized gains and losses on securities classified as available-for-sale.

(j) Asset retirement obligations:

The present value of the asset retirement obligations and the associated retirement costs related to site reclamation and abandonment is recorded when that liability is incurred with a corresponding increase in the related asset. The liability is increased over time to reflect an accretion to the amount ultimately payable on the date it is paid. As at December 31, 2008 and 2007, the Company has not incurred any asset retirement obligations related to the exploration and development of its mineral properties.

(k) Income taxes:

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized to reflect the expected future tax consequences arising from tax losses carried forward and temporary differences between the carrying value and the tax bases of the Company's assets and liabilities. Future income tax assets are not recognized until realization is more likely than not. Future tax assets and liabilities are measured using substantively enacted tax rates in effect in the periods that the temporary differences are expected to be settled or realized. The effect of a change in income tax rates is recognized in income in the period the change occurs.

(l) Flow-through shares:

When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and share capital is reduced.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

3. Significant accounting policies (continued):

(m) Stock-based compensation:

The Company applies the fair value method to stock-based payments to employees based upon the fair value of the award at the date of grant. For non-employee awards, the compensation cost is measured at fair value as the awards are earned and services provided. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the related amount recorded in contributed surplus are credited to share capital.

(n) Earnings per share:

The basic earnings (loss) per share amounts are computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options and warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants. However, outstanding options and warrants would be anti-diluted for any loss year.

(o) Comparative figures:

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

4. Future accounting pronouncements:

The following Standards have been issued by the CICA for adoption in future periods. Management is evaluating the impact of these new standards on the company's financial position and results of operations.

(a) International financial reporting standards (IFRS):

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 transition 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.

(b) HB 3064 Goodwill and Intangible Assets:

Issued by the CICA in February 2008, this section replaces Section 3062 *Goodwill & Other Intangible Assets*. This new standard provides guidance on the recognition, measurement, presentation, and disclosure of goodwill and intangible assets. Section 3064 requires the expensing of start-up costs unless those costs satisfy specific capitalization criteria. Concurrent with the adoption of this standard, EIC-27 *Revenues and Expenditures in the Pre-operating Period* has been withdrawn. Section 3064 is effective for annual or interim periods beginning on or after January 1, 2009.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

5. Marketable securities:

2008	Number of common shares	Fair value	Cost	Accumulated unrealized gains (losses)
Century Mining Corporation (note 7)	300,000	\$ 9,000	\$ 135,000	\$ (126,000)

2007	Number of common shares	Fair value	Cost	Accumulated unrealized gains (losses)
Century Mining Corporation (note 7)	300,000	\$ 84,000	\$ 135,000	\$ (51,000)

6. Furniture and equipment:

2008	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 94,317	\$ 48,278	\$ 46,039
Mining software	84,822	34,141	50,681
Other software	33,019	28,926	4,093
	\$ 212,158	\$ 111,345	\$ 100,813

2007	Cost	Accumulated amortization	Net book value
Furniture and equipment	\$ 76,926	\$ 18,641	\$ 58,285
Mining software	47,659	20,469	27,190
Other software	32,309	3,571	28,738
	\$ 156,894	\$ 42,681	\$ 114,213

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

7. Mineral interests:

	Pine Point property	Carolyn Mine property	Los Pinos property	Total
Balance, December 31, 2006	\$ 5,100,451	\$ 116,686	\$ -	\$ 5,217,137
Expenditures during the year:				
Acquisition costs and option payments	41,770	-	853,411	895,181
Engineering and geological services	3,160,637	-	20,893	3,181,530
Drilling	256,033	-	-	256,033
Travel	35,523	-	-	35,523
Mine site administration	18,537	-	-	18,537
Balance, December 31, 2007	8,612,951	116,686	874,304	9,603,941
Expenditures during the year:				
Acquisition costs and option payments	16,017	-	465,081	481,098
Engineering and geological services	1,384,983	-	44,476	1,429,459
Drilling	2,499,265	-	-	2,499,265
Travel	11,990	-	-	11,990
Mine site administration	19,711	-	-	19,711
Balance, December 31, 2008	\$ 12,544,917	\$ 116,686	\$ 1,383,861	\$ 14,045,464

(a) Pine Point property:

On March 2, 2004 and later amended on April 30, 2004, the Company entered into an option agreement with Karst Investments, LLC (Karst), an entity with common officers and a common director, to acquire up to a 100% interest in the Pine Point Property located in the Northwest Territories. In consideration for acquiring a 60% interest, the Company issued 1,200,000 of its shares at a fair value of \$660,000, paid \$150,000 in cash and agreed to incur cumulative exploration expenditures on the property of not less than \$1,250,000 on or before September 30, 2007 (completed).

In June 2006 the Company purchased the remaining 40% interest in the property for \$1,000,000. Karst retains a royalty of 3% of net smelter returns.

The Company has posted a \$60,000 environmental bond for the Pine Point property.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements
(Expressed in Canadian dollars)

Years ended December 31, 2008 and 2007

7. Mineral interests (continued):

(b) Los Pinos property:

On March 21, 2007, the Company entered into an option agreement to acquire a 100% interest in a sole purpose company, Minera Los Pinos Canete, incorporated in Peru, which owns the Los Pinos and El Pino mineral properties in southern Peru. The Company paid an initial deposit of \$353,820 (US\$300,000). The Company was required to pay the vendors a total of US\$1,000,000 in four staged payments.

As of September 30, 2008, all option payments had been made and the company Minera Los Pinos Canete holding the mineral properties was transferred to Tamerlane Peru, S.A.C. (Tamerlane Peru), a wholly owned subsidiary of the Company.

In connection with the transaction, the Company also paid a finder's fee of US\$50,000 in June 2007 and issued 50,000 common shares of the Company to the finder in July 2007 with an estimated market value at that time of \$2.35 per share.

As at December 31, 2008, Tamerlane Peru's share registry, which provides evidence of the ownership of the issued and outstanding shares of Tamerlane Peru, is in the possession of the ex-General Manager of Tamerlane Peru. Management understands that the shares of Tamerlane Peru are listed in the share registry as owned by the ex-General Manager. The shares and the share registry have not been transferred to Tamerlane Peru pending resolution of various liquidation and termination issues surrounding this ex-General Manager in his role as General Manager of related party Century Mining Peru, S.A.C. Management estimates that this transfer will be consummated in mid-2009 and Century has indemnified the Company for any liquidation and termination obligations arising from this matter.

Little exploration work was conducted on the property in 2008 due to low metal prices, however the exploration permits were extended for an additional year.

(c) Carolin Mine property:

On February 10, 2004, the Company entered into an option agreement with Athabaska Gold Resources Ltd. (Athabaska) to acquire a 90% interest in the dormant Carolin gold mine on the Ladner Creek properties, together with the plant and equipment situated thereon, known as the Carolin Mine, located near Hope, B.C.

On April 3, 2006, the Company exercised its option and purchased the remaining 10% of the property from Athabaska for \$45,000.

On February 13, 2004 and later amended July 31, 2004, the Company sub-optioned its option in the Carolin Mine by entering into an option agreement with Century Mining Corporation (Century), a company with common officers and directors, whereby Century was granted the exclusive right and option to earn an undivided 70% interest in the property, which was earned in 2007. Century has an option to acquire the Company's remaining 30% interest in the property for \$6,667 cash for each 1% interest held by the Company or in the equivalent value of common shares of Century at Century's option. Century issued 300,000 common shares to the Company valued at \$135,000 pursuant to this agreement.

TAMERLANE VENTURES INC.

Notes to Consolidated Financial Statements
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7. Mineral interests (continued):

(c) Carolin Mine property (continued):

In April 2008, Century signed an option agreement with Module Resources Incorporated (Module), a company with common officers and directors, whereby Module can acquire up to 90% of the Carolin Mine and associated Ladner Creek properties.

During the year ended December 31, 2008, Module advanced Tamerlane Peru \$121,800 (USD \$100,000). The advances are non-interest bearing, unsecured and payable on demand. As at December 31, 2008, \$121,800 was owing to Module and is included in accounts payable and accrued liabilities.

8. Share capital:

(a) Authorized: 100,000,000 common shares without par value

	Number of shares	Amount
Balance, December 31, 2006	31,914,465	\$ 7,752,171
Issued pursuant to flow-through private placements	3,657,819	3,067,501
Issued as finders' fees	50,000	117,500
Issued pursuant to exploration agreements	125,000	205,000
Fair value attributed to share purchase warrants included in flow-through placement	-	(357,456)
Share issuance costs	-	(181,800)
Exercise of share purchase warrants	7,515,946	3,382,070
Fair value of warrants exercised transferred from contributed surplus	-	1,255,163
Exercise of stock options	205,500	89,630
Fair value of stock options exercised transferred from contributed surplus	-	69,262
Balance, December 31, 2007	43,468,730	15,399,041
Issued pursuant to flow-through private placements	3,377,778	1,595,000
Issued pursuant to private placements	8,214,285	2,400,000
Issued as finders' fees	150,000	100,681
Fair value attributed to share purchase warrants included in flow-through placement	-	(565,534)
Share issuance costs	-	(296,475)
Exercise of stock options	25,000	11,250
Fair value of stock options exercised transferred from contributed surplus	-	8,250
Future tax impact on renounced flow-through shares	-	(812,887)
Balance, December 31, 2008	55,235,793	\$ 17,839,326

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8. Share capital (continued):

(b) Private placements:

On November 9, 2007, the Company completed a private placement of 811,667 flow-through common shares at \$1.50 per common share for gross proceeds of \$1,217,501.

On December 31, 2007, the Company also completed a private placement of 2,846,152 flow-through units at \$0.65 per unit for gross proceeds of \$1,850,000. A total of \$357,456 proceeds have been allocated to warrants on a relative fair value basis. Each unit consisted of one flow-through common share and one half share purchase warrant with each warrant entitling the holder to acquire one non-flow-through common share at \$1.50 for the first twelve-month period or at \$2.50 for the next twelve-month period. Cash finder's fees of \$111,000 were paid.

The Company renounced \$3,067,501 in flow-through shares expenditures in 2008 representing 100% of flow-through proceeds received in 2007.

On June 16, 2008, the Company completed a private placement of 2,500,000 units at \$0.80 per unit for gross proceeds of \$2,000,000. Total proceeds of \$321,988 have been allocated to warrants on a relative fair value basis. Each unit consisted of one common share and one half share purchase warrant with each warrant entitling the holder to acquire one non-flow-through common share at \$1.00 for the eighteen-month period ended December 16, 2009. Finders' fees of \$120,000 were paid through grants of 150,000 units, comprised of 150,000 common shares and 75,000 warrants, with each warrant exercisable for one common share at \$1.00 per share until December 16, 2009. Total proceeds of \$19,319 of the finders' fees have been allocated to the warrants on a relative fair value basis.

On July 11, 2008, the Company completed a private placement of 500,000 flow-through units at \$0.60 per unit for gross proceeds of \$300,000. Each unit consisted of one flow-through common share and one half share purchase warrant with each warrant entitling the holder to acquire one non-flow-through common share at \$0.80 for the eighteen-month period ending January 11, 2010. Total proceeds of \$54,251 have been allocated to warrants on a relative fair value basis. Cash finders' fees of \$21,000 were paid, in addition to a grant of 25,000 broker warrants with a fair value of \$6,623, each exercisable for one common share at \$0.60 per share until January 11, 2010.

On August 21, 2008 the Company completed a private placement totaling 1,500,000 flow-through units at \$0.45 per unit for gross proceeds of \$675,000. Each unit consisted of one flow-through common share and one half share purchase warrant with each warrant entitling the holder to acquire one non-flow-through common share at \$0.60 for the eighteen-month period ending February 21, 2010. Total proceeds of \$91,937 have been allocated to warrants on a relative fair value basis. Cash finder's fees of \$47,250 were paid in addition to 75,000 broker warrants with a fair value of \$10,643, each exercisable for one common share at \$0.60, and expiring February 21, 2010.

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8. Share capital (continued):

(b) Private placements (continued):

On August 28, 2008, the Company completed a private placement totaling 1,377,778 flow-through units at \$0.45 per unit for gross proceeds of \$620,000. Each unit consisted of one flow-through common share and one half share purchase warrant with each warrant entitling the holder to acquire one non-flow-through common share at \$0.60 for the eighteen-month period ending February 28, 2010. Total proceeds of \$97,358 have been allocated to warrants on a relative fair value basis. Cash finder's fees of \$43,400 were paid in addition to grants of 68,889 in broker warrants with a fair value of \$11,549, exercisable at \$0.60, and expiring February 28, 2010.

In December 2008, the Company completed a private placement of 5,714,285 common shares at \$0.07 per common share for gross proceeds of \$400,000. Cash Finders' fees of \$34,763 were paid.

(c) Shareholder rights plan:

The directors of the Company approved the adoption of a shareholder rights plan, dated April 16, 2007 (the Plan). The Plan is designed to give the Company's Board of Directors and shareholders sufficient time to properly assess an unsolicited take-over bid without any undue pressure. Adoption of the Plan also provides the Company's Board of Directors time to consider alternatives designed to allow the Company's shareholders to receive full and fair value for their common shares. Rights under the Plan will become exercisable when a person, together with any parties related to it, acquires or announces its intention to acquire 20% or more of the Company's outstanding common shares without complying with the provisions of the Plan or without approval of the Board of Directors of the Company. Under such circumstances, each right, upon exercise, will permit the purchase of common shares of the Company at a substantial discount to the market price. The Company received shareholder approval of the Plan at its annual and special meeting on June 29, 2007.

9. Share purchase warrants:

The following table summarizes the continuity of the Company's share purchase warrants.

	Number of shares	Weighted average exercise price
Balance, December 31, 2006	-	\$ 0.45
Issued with flow-through private placement	1,423,075	2.00
Exercised	(7,515,946)	0.45
Expired	(350)	0.45
Balance, December 31, 2007	1,423,075	2.00
Issued with flow through private placements	1,688,889	0.63
Issued with non flow-through private placement	1,250,000	1.00
Issued as finder's fees	243,889	0.72
Exercised	-	-
Expired	-	-
Balance, December 31, 2008	4,605,853	\$ 1.16

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9. Share purchase warrants (continued):

As at December 31, 2008 the following share purchase warrants were outstanding:

Number of warrants	Weighted Average Exercise price	Expiry date
1,325,000	\$ 1.00	December 16, 2009
1,423,075	\$ 2.00	December 31, 2009
275,000	\$ 0.78	January 11, 2010
825,000	\$ 0.60	February 21, 2010
757,778	\$ 0.60	February 28, 2010
4,605,853	\$ 1.16	

10. Stock options:

The Company has a stock-based compensation plan in effect which provides that up to ten percent of the number of shares outstanding may be reserved for stock option grants to eligible optionees. Stock options granted under the plan prior to July 15, 2007 vested immediately, and stock options granted to persons other than directors subsequent to July 15, 2007 are subject to 33% vesting at 6, 18, and 30 months after the grant date.

At December 31, 2008, this plan provided for the grant of stock options to purchase a maximum of 5,523,579 common shares of which 3,467,500 have been granted and 2,056,079 options are available for future grants.

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted average exercise price
Balance, December 31, 2006	1,638,000	\$ 0.30
Granted	1,835,000	1.61
Exercised	(205,500)	0.44
Cancelled/forfeited	(250,000)	1.12
Balance, December 31, 2007	3,017,500	1.06
Granted	920,000	0.64
Exercised	(25,000)	0.45
Cancelled/forfeited	(445,000)	1.63
Balance, December 31, 2008	3,467,500	\$ 0.88

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10. Stock options (continued):

Additional information regarding stock options outstanding as of December 31, 2008 is as follows:

Exercise price	Outstanding and exercisable		
	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price
2.45	390,000	3.58	\$ 2.45
1.82	50,000	3.67	1.82
1.63	10,000	3.42	1.63
1.52	400,000	3.58	1.52
1.35	20,000	3.33	1.35
1.19	50,000	3.83	1.19
0.74	300,000	3.92	0.74
0.70	700,000	4.45	0.70
0.67	20,000	4.46	0.67
0.50	100,000	4.09	0.50
0.48	102,500	2.00	0.48
0.45	300,000	2.29	0.45
0.38	395,000	0.54	0.38
0.30	580,000	1.70	0.30
0.28	50,000	2.08	0.28
Options outstanding	3,467,500	2.97	\$ 0.88
Options exercisable	2,802,501	2.73	\$ 0.76

The fair values for stock options granted were estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2008	2007
Expected dividends	Nil	Nil
Interest rate	3.6%	4.0%
Expected life (in years)	5.00	4.76
Expected volatility	115%	115%

The weighted average grant date fair value of stock options granted during 2008 was \$0.76 per option (2007 - \$0.66).

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11. Contributed surplus:

The following table summarizes the continuity of the Company's contributed surplus:

		Amount
Balance, December 31, 2006	\$	1,783,409
Stock-based compensation		845,027
Fair value of stock options exercised transferred to share capital		(69,262)
Fair value of share purchase warrants		357,456
Fair value of warrants exercised transferred to share capital		(1,255,163)
Balance, December 31, 2007		1,661,467
Stock based compensation		391,290
Fair value of stock options exercised transferred to share capital		(8,250)
Fair value of share purchase warrants		613,668
Balance, December 31, 2008	\$	2,658,175

12. Related party transactions:

In addition to related party transactions described elsewhere in the financial statements, the Company has entered into the following related party transactions:

- (a) In 2004, the Company entered into an agreement with Century Mining Corporation, a company with common officers and directors, whereby this company would provide administrative, accounting and geological services and office and vehicle rentals. During 2008, the Company paid or accrued \$1,320,000 (2007 - \$1,320,000) for administrative, accounting, legal, investor relations, secretarial, office support staff, and rent. The Company also paid or accrued \$666,912 (2007 - \$1,070,558) to Century for engineering and geological services, which are included in mineral interests. The total amount paid to Century during the year is \$1,986,912 (2007 - \$2,390,558).

As at December 31, 2008, \$451,433 was due from Century and included in amounts receivable, Nil (2007 - \$43,236) was due to Century and included in accounts payable and accrued liabilities.

- (b) During the year 2008, the Company advanced \$790,000 to Century. The advance bears interest at 9% per annum, is secured by certain mining equipment and is repayable in monthly installments.
- (c) Included in professional fees are legal fees of \$87,393 (2007 - \$129,053) paid to a law firm in which the Company's Corporate Secretary, a director of the Company, is a partner. At December 31, 2008, \$38,806 (2007 - \$18,921) was due to the law firm and included in accounts payable.

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13. Income taxes:

Income tax recovery is comprised of the following:

	2008	2007
Current	\$ (15,973)	\$ 15,973
Future	(833,899)	(146,094)
	\$ (849,872)	\$ (130,121)

Income tax expense (recovery) differs from the amounts computed by applying the combined federal and provincial income tax rate of 31.00% (2007 - 33.60%) to pre-tax loss as a result of the following:

	2008	2007
Loss before income taxes	\$ (2,576,730)	\$ (2,499,121)
Computed expected tax recovery	(798,786)	(839,705)
Change in valuation allowance	5,766	395,946
Permanent differences	132,098	283,929
Other	(188,950)	29,709
Income tax expense (recovery)	\$ (849,872)	\$ (130,121)

The tax effect of the significant temporary differences which comprise future tax assets and liabilities are as follows:

	2008	2007
Future income tax assets:		
Property and equipment	\$ 22,511	\$ 4,315
Non-capital tax losses carried forward	1,269,617	722,150
Marketable securities	16,695	6,758
Share issuance costs	115,422	97,276
Total gross future income tax assets	1,424,245	830,499
Valuation allowance	(401,713)	(395,946)
Net future income tax assets	1,022,532	434,553
Future income tax liabilities:		
Mineral interests	(1,078,465)	(511,498)
Net future income tax assets (liabilities)	\$ (55,933)	\$ (76,945)

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13. Income taxes (continued):

As at December 31, 2008, the Company has non-capital losses carried forward of approximately \$4,706,000 which are available to offset taxable income earned in Canada. These non-capital loss carry forwards expire as follows:

2009	\$	68,000
2010		93,000
2014		174,000
2015		220,000
2026		259,000
2027		1,681,000
2028		2,211,000
	\$	4,706,000

The Company has cumulative resource pools available of \$8,887,941 which can be carried forward indefinitely to offset future taxable income in Canada. Unamortized share issue costs for tax purposes which are available to reduce taxable income of years 2009-2011 amounts to \$435,553.

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future 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 the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

14. Financial instruments and risk management:

The Company is exposed in varying degrees to a variety of financial risks. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management procedures are established to identify and analyze the risks faced by the Company.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management procedures and processes and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The types of risk exposure and the way in which such exposure is managed is provided as follows:

(a) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining adequate cash and cash equivalent balances. Management continuously monitors and reviews cash flows and matches the maturity profile of financial assets and liabilities. The Company insures that there is sufficient capital in order to meet short term business requirements.

The Company's expected source of cash flow in the upcoming year will be through equity financing and collections on outstanding related party notes receivable balances.

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14. Financial instruments and risk management (continued):

(b) Credit risk:

The Company is exposed to credit-related losses in the event of non-performance by counterparties to the financial instruments. It arises principally from the Company's outstanding receivables.

(i) Cash and cash equivalents:

The Company limits its exposure to credit risk by only investing in highly liquid securities and only with counterparties with strong credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations:

(ii) Accounts and notes receivable:

The Company's receivables are due primarily from the Federal Government of Canada and related parties. Management does not expect these counterparties to fail to meet their obligations.

(iii) Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date of December 31, 2008 was:

	December 31, 2008
Cash and cash equivalents	\$ 82,156
Amounts receivable	778,218
Notes receivable	843,177
	\$ 1,703,551

The Company has \$843,177 in notes receivables, secured by various pieces of mining equipment.

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control the market risk exposures within acceptable parameters, while optimizing the return on capital.

(i) Currency risk:

The Company operates on an international basis and therefore foreign exchange risk exposures arise from transactions denominated in currency other than the Canadian dollar functional currency. The foreign exchange risk arises primarily with respect to US dollars and Peruvian New Sols. The Company has not hedged its exposure to currency fluctuations.

The following is a breakdown of financial assets and liabilities denominated in foreign currencies to which the Company is exposed:

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14. Financial instruments and risk management (continued):

(c) Market risk (continued):

(i) Currency risk (continued):

The following is a breakdown of financial assets and liabilities denominated in foreign currencies to which the Company is exposed:

	December 31, 2008	
	USD	SOL
Cash and cash equivalents	46,855	11,916
Amounts receivable	641,088	-
Trade payables	(312,001)	-
Total	375,942	11,916
CAD foreign exchange rate	1.2180	0.3902
Balance sheet exposure in equivalent CAD	457,897	4,650

(ii) Sensitivity analysis:

A 10 percent strengthening (weakening) in the Canadian dollar against the above currencies at December 31, 2008 would have increased (decreased) net loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant:

December 31, 2008	Change
USD	45,790
SOL	465

(iii) Equity price risk:

Equity price risk arises from available-for-sale equity securities. The Company's exposure at December 31, 2008 was \$9,000. The shares are publicly traded, market prices are readily available, and their carrying value is equal to the market value as of December 31, 2008.

(iv) Interest rate risk:

This is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's cash and cash equivalents contain highly liquid investments that earn interest at market interest rates. Fluctuations in market interest rates do not have significant impact on the Company's results of operations

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15. Capital management:

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor, and market confidence and sustain future development of the business.

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 level of risk.

In the management of capital, the Company includes the components of shareholders' equity, as well as the cash and cash equivalents and investments. The Company manages the capital structure and makes adjustments to it in light of the 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.

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

The Company has not changed its approach to capital management during the current period. The Company is not subject to any external capital restrictions.

The Company expects that it will be necessary to raise additional capital during the current fiscal year to meet its budgeted exploration and development plans.

16. Commitments:

The Company entered into a commercial building lease in Hay River, in the Northwest Territories, on October 31, 2007 which expires October 31, 2009. Under the terms of the lease, the Company is required to pay taxes, maintenance, utilities and insurance, in addition to minimum rental payments of \$4,000 per month. As of April 2009, the minimum rental payments have been reduced to \$2,500 per month.

17. Subsequent events:

Subsequent to the end of the year, the Company:

- (a) Cancelled 70,000 stock options with a weighted average exercise price of \$1.55 per share.
- (b) On February 17, 2009, 340,000 stock options with an exercise price of \$0.38 per share expired, unexercised.