

Consolidated financial statements of

Belvedere Resources Ltd.

December 31, 2008 and 2007

Belvedere Resources Ltd.

December 31, 2008 and 2007

Table of contents

| | |
|---|------|
| Auditors' report | 1 |
| Consolidated statements of loss and comprehensive income (loss) | 2 |
| Consolidated statements of shareholders' equity | 3 |
| Consolidated balance sheets | 4 |
| Consolidated statements of cash flows | 5 |
| Notes to the consolidated financial statements | 6-28 |

Deloitte & Touche LLP
2800 - 1055 Dunsmuir Street
4 Bentall Centre
P.O. Box 49279
Vancouver BC V7X 1P4
Canada

Tel: 604-669-4466
Fax: 604-685-0395
www.deloitte.ca

Auditors' report

To the Shareholders of
Belvedere Resources Ltd.

We have audited the consolidated balance sheets of Belvedere Resources Ltd. as at December 31, 2008 and 2007 and the consolidated statements of loss and comprehensive income (loss), shareholders' equity and cash flows for the year 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 year then ended in accordance with Canadian generally accepted accounting principles.

(Signed) Deloitte & Touche LLP

Chartered Accountants
May 1, 2009

Belvedere Resources Ltd.

Consolidated statements of loss and comprehensive income (loss) years ended December 31, 2008 and 2007

(Expressed in Euros, except share amounts)

| | 2008 | 2007 |
|--|---------------------|-------------|
| | € | € |
| Mining revenue | 19,298,084 | 14,826,215 |
| Operating expenses | | |
| Operating costs | 26,584,180 | 15,064,588 |
| Depletion, depreciation and amortization | 1,668,908 | 1,363,479 |
| Stock-based compensation - operations | 21,215 | 651,673 |
| | 28,274,303 | 17,079,740 |
| Loss before undernoted items | (8,976,219) | (2,253,525) |
| Other expense (income) | | |
| General and administrative | 1,665,513 | 1,249,039 |
| Stock-based compensation - administrative | 596,851 | 1,974,256 |
| Interest income | (253,197) | (452,161) |
| Interest expense | 279,741 | 39,124 |
| Foreign exchange loss | 161,335 | 11,260 |
| Equity loss of investment | - | 107,424 |
| Mineral properties impairment loss (Note 6) | 22,973,090 | - |
| | 25,423,333 | 2,928,942 |
| Loss before income taxes | (34,399,552) | (5,182,467) |
| Income tax expense (recovery) (Note 11) | | |
| Current income tax expense | 4,461 | 119,869 |
| Future income tax recovery | (6,067,238) | (568,799) |
| | (6,062,777) | (448,930) |
| Net loss for the year | (28,336,775) | (4,733,537) |
| Other comprehensive (loss) income | | |
| Cumulative foreign currency translation adjustments, net of tax | (681,243) | 463,836 |
| Comprehensive loss for the year | (29,018,018) | (4,269,701) |
| Basic and diluted loss per share | (0.36) | (0.07) |
| Basic weighted average number of common shares outstanding | 79,162,240 | 65,784,225 |
| Diluted weighted average number of common shares outstanding | 83,638,993 | 68,260,139 |

Belvedere Resources Ltd.

Consolidated statements of shareholders' equity years ended December 31, 2008 and 2007

(Expressed in Euros)

| | Number of shares | Amount | Contributed surplus | Warrants | Accumulated other comprehensive income (loss) | Deficit | Total |
|--|------------------------|------------|------------------------|-----------|--|--------------|--------------|
| | | € | € | € | € | € | € |
| Balance, December 31, 2006 | 43,598,769 | 20,558,766 | 501,980 | - | (262,053) | (14,898,847) | 5,899,846 |
| Issued for cash under private placement | 13,200,000 | 10,226,019 | - | - | - | - | 10,226,019 |
| Issued on acquisition of additional 55% interest in Finn Nickel | 8,231,127 | 7,042,156 | - | - | - | - | 7,042,156 |
| Issued on acquisition of Hitura Mining Oy | 12,292,815 | 10,517,141 | - | 1,652,165 | - | - | 12,169,306 |
| Exercise of options | 620,000 | 457,703 | (213,130) | - | - | - | 244,573 |
| Exercise of warrants | 1,190,625 | 387,350 | - | - | - | - | 387,350 |
| Stock-based compensation | - | - | 2,597,829 | - | - | - | 2,597,829 |
| Comprehensive loss for the year | - | - | - | - | 463,836 | (4,733,537) | (4,269,701) |
| Balance, December 31, 2007 | 79,133,336 | 49,189,135 | 2,886,679 | 1,652,165 | 201,783 | (19,632,384) | 34,297,378 |
| Issued for cash under private placement | - | - | - | - | - | - | - |
| Exercise of options in 2008 | 50,000 | 26,863 | (10,745) | - | - | - | 16,118 |
| Adjustment for exercise of options in 2007 | - | 9,453 | (9,453) | - | - | - | - |
| Stock-based compensation | - | - | 618,066 | - | - | - | 618,066 |
| Comprehensive loss for the year | - | - | - | - | (681,243) | (28,336,775) | (29,018,018) |
| Balance, December 31, 2008 | 79,183,336 | 49,225,451 | 3,484,547 | 1,652,165 | (479,460) | (47,969,159) | 5,913,544 |

Belvedere Resources Ltd.

Consolidated balance sheets as at December 31, 2008 and 2007

(Expressed in Euros)

| | 2008 | 2007 |
|--|-------------------|--------------|
| | € | € |
| Assets | | |
| Current assets | | |
| Cash | 4,355,276 | 11,521,981 |
| Accounts receivable | 435,037 | 3,776,212 |
| Inventories (Note 5) | 404,811 | 560,714 |
| Prepaid expenses | 194,288 | 96,691 |
| | 5,389,412 | 15,955,598 |
| Mineral property, plant and equipment (Note 6) | 13,804,644 | 31,896,076 |
| | 19,194,056 | 47,851,674 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 2,546,921 | 4,156,281 |
| Short-term debt (Note 7) | 7,164,566 | - |
| | 9,711,487 | 4,156,281 |
| Asset retirement obligations (Note 8) | 3,314,727 | 2,943,100 |
| Long-term liabilities (Note 9) | 254,298 | 387,677 |
| Future income taxes (Note 12) | - | 6,067,238 |
| | 13,280,512 | 13,554,296 |
| Shareholders' equity | | |
| Share capital (Note 10) | 49,225,451 | 49,189,135 |
| Contributed surplus | 3,484,547 | 2,886,679 |
| Warrants | 1,652,165 | 1,652,165 |
| Accumulated other comprehensive (loss) income | (479,460) | 201,783 |
| Deficit | (47,969,159) | (19,632,384) |
| | 5,913,544 | 34,297,378 |
| | 19,194,056 | 47,851,674 |

Nature of operations (Note 1)
Commitments (Note 16)

Approved by the Board

(Signed) David Pym

David Pym, Director

(Signed) John S. Thomson

John S. Thomson, Director

Belvedere Resources Ltd.

Consolidated statements of cash flows

years ended December 31, 2008 and 2007

(Expressed in Euros)

| | 2008 | 2007 |
|---|---------------------|-------------|
| | € | € |
| Operating activities | | |
| Net loss for the year | (28,336,775) | (4,733,537) |
| Items not involving cash | | |
| Accretion | 371,627 | 58,000 |
| Depletion, depreciation and amortization | 1,668,908 | 1,363,479 |
| Equity loss of investment | - | 107,424 |
| Future income tax recovery | (6,067,238) | (568,799) |
| Mineral properties impairment loss | 22,973,090 | - |
| Stock-based compensation | 618,066 | 2,625,929 |
| Other | - | 116,000 |
| | (8,772,322) | (1,031,504) |
| Net changes in non-cash working capital items | | |
| Accounts receivable | 3,341,175 | (1,251,602) |
| Inventories | 155,903 | 169,438 |
| Prepaid expenses | (97,597) | (54,925) |
| Accounts payable and accrued liabilities | (1,609,360) | 1,601,543 |
| Funds received on assumption of pension obligations | - | 106,298 |
| | (6,982,201) | (460,752) |
| Financing activities | | |
| Common shares issued for cash, net | 16,118 | 10,857,942 |
| Issue of debt | 7,031,187 | (344,159) |
| | 7,047,305 | 10,513,783 |
| Investing activities | | |
| Acquisitions, net of cash acquired (Note 3) | - | 1,198,664 |
| Investment in Finn Nickel | - | (300,468) |
| Mineral property, plant and equipment expenditures | (6,550,566) | (2,111,619) |
| | (6,550,566) | (1,213,423) |
| Effect of exchange rate changes on cash | (681,243) | 397,865 |
| (Decrease) increase in cash | (7,166,705) | 9,237,473 |
| Cash, beginning of year | 11,521,981 | 2,284,508 |
| Cash, end of year | 4,355,276 | 11,521,981 |
| Supplementary cash flow information | | |
| Interest paid | 279,741 | 36,891 |
| Income taxes paid | 4,461 | - |

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

1. Nature of operations

Belvedere Resources Ltd. (the "Company") is a nickel producer engaged in the acquisition, exploration, development and mining of mineral properties located in Finland. The Company's ability to continue operations is dependent upon the continued financial support of its shareholders, a major creditor, other investors and lenders, and the successful development of the Company's interests in the mineral properties.

These consolidated financial statements have been prepared assuming that the Company will continue as a going concern which contemplates the realization of assets and discharge of liabilities in the normal course of operations for the foreseeable future. The Company has incurred significant recurring operating losses over the past two years, and has not generated positive cash flow from operations. For year ended December 31, 2008 the Company had a net loss of \$28,336,775, including a mineral properties impairment loss of €22,973,090. At December 31, 2008, the Company held cash of €4,355,276 and had a net working capital deficit of €4,322,075. Net working capital is defined as current assets minus current liabilities. At April 30, 2009, the Company held cash of €2,396,821. These conditions raise doubt about the Company's ability to continue as a going concern.

General economic conditions deteriorated during 2008 and the Company's revenue, operating results and cash flows were significantly impacted by the economic slowdown. Commodity prices also fell dramatically. The duration and depth of this economic slowdown in markets in which the Company operates will continue to impact the Company's future revenue. Management acted to reduce the Company's operating costs in the second, third, and fourth quarters of 2008, which included downsizing the number of staff and executives, renegotiating contracts with significant vendors to reduce costs, and the cessation of Nickel mining operations.

The Company has been able, thus far, to finance the losses, as well as the growth of the business through a series of equity and debt private placements. As further described in Note 5 to the consolidated financial statements, for the period ended September 30, 2008, the Company received an advance of US\$7.5 million against future concentrate deliveries to Jinchuan Group Limited. The purpose of this loan was to cover the shortfall in revenues due to a one-off delay in concentrate deliveries associated with the logistics involved in changing offtake partner. This loan was supposed to be repaid in full by May 31, 2009 by offset against deliveries, however due to the drop in Nickel prices and resulting termination of mining, the Company is unable to meet this repayment obligation. Additionally, under the terms of the original offtake agreement between the parties, the Company is also unable to repay a pricing adjustment of US\$2.55 million. As a consequence, a letter of intent initiating conversion of this US\$10.05 million liability into equity of the Company was signed with the Jinchuan Group Limited on April 25, 2009. Both parties have agreed to complete this debt for equity conversion process within 45 days.

Management believes that as a result of these actions, the Company has sufficient resources for the next twelve months to meet its obligations as they fall due in the ordinary course of business, however, the directors and management are evaluating a number of alternative ways of financing and bringing new revenues into the Company. These include various forms of debt financing, possible merger and joint venture opportunities, equity financing and asset sales. There is no assurance however, that additional financing can be obtained, or if obtained, on terms that are acceptable to management. The accompanying consolidated financial statements do not include any adjustments to reflect the possible future effects on recoverability and classification of assets or liabilities should the Company not be able to continue as a going concern.

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

2. Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The principal accounting policies are outlined below:

(a) *Basis of consolidation*

These consolidated financial statements include the accounts of the Company and all of its subsidiaries. All significant intercompany transactions and balances have been eliminated.

(b) *Measurement uncertainty*

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant items that require estimates as the basis for determining the stated amounts include accounting for doubtful accounts, inventories, mineral property, plant and equipment, asset retirement obligations, stock-based compensation, allocation of purchase price of acquisitions and income and mining taxes.

Depreciation and depletion of mineral property, plant and equipment assets are dependent upon estimates of useful lives and reserves estimates, both of which are determined with the exercise of judgement. The assessment of any impairment of mineral property, plant and equipment is dependent upon estimates of fair value that take into account factors such as reserves, economic and market conditions and the useful lives of assets. Asset retirement obligations are recognized in the period in which they arise and are stated as the fair value of estimated future costs. These estimates require extensive judgement about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices.

(c) *Foreign currency translation*

The Company and its subsidiaries operate in Canada and Finland.

The Company's functional currency is the Euro ("€").

The operating results of the Company's foreign operations are translated using the temporal method. Under this method, foreign currency monetary assets and liabilities are translated at the exchange rates prevailing at the balance sheet date; non-monetary assets denominated in foreign currencies are translated using the rate of exchange at the transaction date; foreign currency transactions are translated at the exchange rate prevailing on the transaction date; and foreign exchange gains and losses are included in net loss.

The measurement currency of the Company is the Canadian dollar while the reporting currency is the Euro. Therefore the operating results for the Company's non-consolidated financial statements are translated using the current rate method. Under this method, assets and liabilities are translated at the exchange rates prevailing at the balance sheet date; foreign currency transactions are translated at the exchange rate prevailing on the transaction date; and foreign exchange gains and losses are included in other comprehensive income.

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

2. Summary of significant accounting policies (continued)

(d) *Financial instruments*

The Company's financial instruments primarily consist of cash, accounts receivable, accounts payable and accrued liabilities and short-term debt. The fair value of these instruments approximates their carrying values, due primarily to their immediate or short-term maturity. Fair values of other financial instruments have been estimated by reference to quoted market prices for actual or similar instruments where available and disclosed accordingly.

Comprehensive income or loss comprises the Company's net income and other comprehensive income. Comprehensive income represents changes in shareholders' equity during a period arising from non-owner sources and, for the Company; other comprehensive income includes currency translation adjustments for translation from measurement currency to reporting currency by the parent company.

Financial assets and financial liabilities are recognized on the balance sheet when the Company has become party to the contractual provisions of the instruments. Financial instruments are initially measured at fair value, which includes transaction costs.

(e) *Cash*

Cash consists of cash on hand and deposits in banks.

(f) *Financial assets*

Financial assets that are classified as held for trading are recognized on the trade date at market value, which is the date that the Company commits to purchase or sell the asset. After initial recognition, the assets are carried at fair market value, with the fair value adjustment accounted for in the statement of operations.

(g) *Accounts receivable*

Accounts receivable are carried at amortized cost unless a provision has been recorded for uncollectability of these receivables. A provision for impairment of accounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

(h) *Impairment and uncollectability of financial assets*

An assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of the asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount as follows: the carrying amount of the asset is reduced to its discounted estimated recoverable amount, and the resulting loss is recognized in the consolidated statement of operations for the year.

For investments included under financial instruments, if there is an other than temporary decline in the value of the investment, such reduction is included in the consolidated statement of operations.

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

2. Summary of significant accounting policies (continued)

(i) *Financial liabilities*

After initial recognition, financial liabilities, other than held for trading liabilities, are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any transaction costs and any discount or premium on settlement.

Financial liabilities that are classified as held for trading are recognized on the trade date at fair value, which is the date that the Company commits to the contract. After initial recognition, the liabilities are carried at fair market value, with the fair value adjustments accounted for in the statement of operations.

(j) *Accounts payable*

Liabilities for trade payables which are normally settled on 30 to 90 day terms are carried at amortized cost.

(k) *Short-term debt*

Short-term debt is recognized initially at the proceeds received, net of transactions costs incurred. Loans payable are subsequently measured at amortized cost using the effective interest rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of operations over the period of the loan.

(l) *Embedded derivatives*

Derivatives may be embedded in other financial instruments (the "host instrument"). Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the same as those of a stand-alone derivative, and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in gains or losses on derivatives within interest and other in the consolidated statement of operations.

(m) *Inventories*

Inventories comprising stockpiled ore and concentrate awaiting further processing and sale, are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method and includes direct mining expenditures and an appropriate portion of normal overhead expenditure. In the case of concentrate, direct concentrate costs are also included. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Consumables are valued at the lower of cost and replacement value. Obsolete, redundant and slow moving stores are identified and written down to net realizable value.

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

2. Summary of significant accounting policies (continued)

(n) Mineral property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and depletion. Maintenance, repairs and renewals are charged to operations.

Mineral properties are amortized on a units-of-production basis which is measured by the portion of the mine's economically recoverable and proven ore reserves recovered during the period.

All direct costs related to the acquisition, exploration and development of mineral properties are capitalized until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the units-of-production method following commencement of production.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value. Future cash flows are estimated based on expected future production, commodity prices, operating costs and capital costs.

(o) Asset retirement obligations

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, the fair value of the liability for an asset retirement obligation is recognized in the period incurred. The net present value is added to the carrying amount of the associated asset and amortized over the asset's useful life. The liability is accreted over time through periodic charges to operations and it is reduced by actual costs of reclamation.

The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. Estimated discount rates are reviewed annually or as new information becomes available. Expenditures relating to ongoing environmental programs are charged against operations as incurred or capitalized and amortized depending on their relationship to future earnings.

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

2. Summary of significant accounting policies (continued)

(p) *Income taxes*

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(q) *Revenue recognition*

Revenue from the sale of metals is recognized when all significant risks and rewards of ownership pass to the purchaser including delivery of the product, there is a fixed or determinable selling price and collectability is reasonable assured. Settlement adjustments, if any, are reflected in revenue when the amounts are finally settled.

(r) *Stock-based compensation*

The Company accounts for stock-based compensation using the Black-Scholes fair value option pricing model. Stock-based compensation is accrued and charged to operations, with a corresponding credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

(s) *Earnings (loss) per share*

Basic earnings (loss) per share is computed by dividing the net earnings (loss) available to common shareholders by the weighted average number of shares outstanding during the reporting year. Diluted earnings (loss) per share is computed similarly to basic earnings (loss) per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting years.

(t) *Employee future benefits*

The costs of retirement benefits and other benefit obligations are recognized over the period in which the employees render services in return for the benefits. The Company has a defined contribution retirement plan for its Finland-based employees. The pension plans are funded by payments from the employees and by the relevant group companies and charged to income as incurred.

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

2. Summary of significant accounting policies (continued)

(u) Adoption of new accounting standards

Effective January 1, 2008, the Company adopted three new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA").

(i) Financial instrument disclosures and presentation

CICA Handbook Sections 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, replace Section 3861, *Financial Instruments - Disclosure and Presentation*. The new standards carry forward the presentation requirements for financial instruments and place increased emphasis on disclosure about the nature and extent of risks arising from financial instruments and how the entity manages those risks. See Note 13.

(ii) Capital disclosures

CICA Handbook Section 1535 requires the Company to disclose (a) its objectives, policies and processes for managing capital; (b) quantitative data about what the entity regards as capital; (c) whether the entity has complied with any capital requirements; and (d) if it has not complied, the consequences of any such non-compliance. See Note 11.

(iii) Inventories

CICA Handbook Section 3031 replaced the existing inventories standard. The new standard requires inventory to be valued on a first-in, first-out or weighted average basis, which is consistent with the Company's previous treatment. The adoption of CICA 3031 did not have a significant impact on the Company's accounting for inventory or associated disclosures as at January 1, 2008 or for the year ended December 31, 2008.

(v) Recent accounting pronouncements

(i) Goodwill and intangible assets

Effective January 1, 2009, the Company will be adopting the new CICA Handbook Section 3064, *Goodwill and Intangible Assets*, which aligns Canadian GAAP for goodwill and intangible assets with International Financial Reporting Standards ("IFRS"). The new standard provides more comprehensive guidance on intangible assets, in particular for internally developed intangible assets. The Company has not yet determined the impact of adoption of this change on its consolidated financial statements.

(ii) Business combinations

Section 1582, *Business Combinations*, which replaces Section 1581, enhances accounting standards for business combinations. It is the Canadian GAAP equivalent to IFRS 3, *Business Combinations*. This standard is effective for the Company for the interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Company has not yet determined the impact of the adoption of this change on its consolidated financial statements.

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

2. Summary of significant accounting policies (continued)

(v) *Recent accounting pronouncements (continued)*

(iii) Consolidated financial statements and non-controlling interests

Section 1601, *Consolidated Financial Statements*, and Section 1602, *Non-controlling Interests*, replace current standards. Section 1601 describes standards for the preparation of consolidated financial statements. Section 1602 describes standards for accounting for a non-controlling interest in a subsidiary in the consolidated financial statements subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of IFRS IAS 27, *Consolidated and Separate Financial Statements*. These standards are effective for the Company for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Company has not yet determined the impact of these changes on its consolidated financial statements.

3. Acquisitions

(a) *Acquisition of Hitura Mining Oy and 55% of Suomen Nikkeli Oy ("Finn Nickel")*

On May 25, 2007, the Company completed the acquisition of the 55% of Finn Nickel that it did not already own from the shareholders of Finn Nickel. Until this time, the Company held a 45% interest and accounted for its investment in Finn Nickel using the equity-based method. Following the acquisition, the Company owns 100% of the shares of Finn Nickel and has consolidated the financial statements of Finn Nickel with the accounts of the Company, effective from May 25, 2007.

On June 25, 2007, the Company completed the acquisition of the shares of Hitura Mining Oy, a recently-incorporated subsidiary of Outokumpu that held Outokumpu's interest in the Hitura mine. The Company has consolidated the financial statements of Hitura Mining Oy with the accounts of the Company, effective from June 25, 2007.

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

3. Acquisitions (continued)

(a) *Acquisition of Hitura Mining Oy and 55% of Suomen Nikkeli Oy ("Finn Nickel")*
(continued)

These business combinations have been accounted for as purchase transactions with the Company being identified as the acquirer.

(i) Hitura Mining Oy

The allocation of the purchase price based on the consideration paid and an estimate of the fair value of Hitura Mining Oy's net assets acquired is as follows:

| | € |
|--|-------------------|
| Purchase price | |
| 12,292,815 common shares | 10,517,141 |
| 3,741,422 share purchase warrants | 1,652,165 |
| <u>Acquisition costs</u> | <u>237,540</u> |
| | <u>12,406,846</u> |
| Net assets acquired | |
| Cash and cash equivalents | 2,541,771 |
| Accounts receivable and prepaid expenses | 2,359,998 |
| Inventories | 846,152 |
| Mineral property, plant and equipment | 15,150,701 |
| Accounts payable and accrued liabilities | (2,335,903) |
| Non-current liabilities | (52,379) |
| Asset retirement obligations | (2,313,000) |
| Future income tax liabilities | (3,790,494) |
| | <u>12,406,846</u> |

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

3. Acquisitions (continued)

(a) *Acquisition of Hitura Mining Oy and 55% of Suomen Nikkeli Oy ("Finn Nickel")*
(continued)

(ii) Finn Nickel

The allocation of the purchase price based on the consideration paid and an estimate of the fair value of the Company's share of Finn Nickel's net assets acquired is as follows:

| | € |
|--|--------------------|
| Purchase price | |
| 8,231,127 common shares | 7,042,156 |
| <u>Acquisition costs</u> | <u>36,420</u> |
| | <u>7,078,576</u> |
| | |
| Net assets acquired | |
| Cash and cash equivalents | 256,046 |
| Accounts receivable and prepaid expenses | 21,169 |
| Mineral property, plant and equipment | 11,437,247 |
| Accounts payable and accrued liabilities | (106,662) |
| Non-current liabilities | (552,000) |
| Convertible loans payable to the Company | (500,000) |
| Asset retirement obligations | (40,096) |
| <u>Future income tax liabilities</u> | <u>(2,845,543)</u> |
| | 7,670,161 |
| <u>Less: Carrying value of 45% interest already held</u> | <u>(591,585)</u> |
| | <u>7,078,576</u> |

For the purposes of these consolidated financial statements, the purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed based on management's best estimates and taking into account all available information at the time of acquisition as well as applicable information at the time these consolidated financial statements were prepared.

(b) *Acquisition of the Luikonlahti Mill*

On October 8, 2007, the Company entered into an asset purchase agreement to acquire a 100% interest in the Luikonlahti mill and related mining and processing assets in Finland. At the time of the acquisition, the Luikonlahti mill was not operating and was being held on a care and maintenance basis. The consideration paid by the Company to acquire these assets was a total of €1,332,000 cash and assumption of the asset retirement obligations related to the area.

As part of the asset purchase agreement, the Company agrees to pay an additional €300,000 to the seller if and when an environmental permit previously applied for has gained legal force. In addition, the Company agrees to pay the seller a sliding scale royalty based on tonnes of nickel and copper mined from the Luikonlahti area and processed through the Luikonlahti mill. The royalty ranges from €0/tonne to €410/tonne of nickel and €0/tonne and €94/tonne of copper, based on the price of the related metals on the LME. As the outcome of whether either of these amounts will ever be paid cannot be determined at this time, the Company has not assigned any value to this contingent consideration.

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

3. Acquisitions (continued)

(b) *Acquisition of the Luikonlahti Mill (continued)*

This acquisition has been accounted for as a purchase of assets. The allocation of the purchase price based on the consideration paid and a preliminary estimate of the fair value of the net assets acquired is as follows:

| | € |
|--|-----------------------|
| Purchase price | |
| Cash | 1,332,000 |
| Less: Recoverable value-added tax | (132,000) |
| | <hr/> 1,200,000 <hr/> |
| Net assets acquired | |
| Mineral property, plant and equipment, including asset retirement cost | 1,672,100 |
| Asset retirement obligations | (472,100) |
| | <hr/> 1,200,000 <hr/> |

For the purposes of these consolidated financial statements, the purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed based on management's best estimates and taking into account all available information at the time of acquisition as well as applicable information at the time these consolidated financial statements were prepared.

4. Concentration of credit risk

The Company currently sells all of its concentrate production to one customer under an off-take contract. The loss of this customer or unexpected termination of the off-take contract could have a material adverse effect on the Company's results of operations, financial condition and cash flows. The Company has not experienced any bad debts with this customer.

5. Inventories

| | 2008 | 2007 |
|---------------------|---------------------|---------|
| | € | € |
| Consumables | 395,475 | 396,464 |
| Ore and concentrate | 9,336 | 164,250 |
| | <hr/> 404,811 <hr/> | 560,714 |

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

6. Mineral property, plant and equipment

Property, plant and equipment

| | 2008 | | |
|----------------------------|------------------|---|-------------------|
| | Cost | Accumulated depreciation/ depletion | Net book value |
| | € | € | € |
| Land | 34,142 | - | 34,142 |
| Mining plant and equipment | 2,860,514 | 1,275,066 | 1,585,448 |
| Vehicles | 64,939 | 17,765 | 47,174 |
| Software | 28,570 | 23,941 | 4,629 |
| Office equipment | 19,546 | 15,364 | 4,182 |
| | 3,007,711 | 1,332,136 | 1,675,575 |

Mineral property - producing

| | 2008 | | |
|--------------------------------|------------------|------------------|-------------------|
| | Finn Nickel | Hitura | Net book value |
| | € | € | € |
| Mineral property and equipment | 503,781 | 2,432,868 | 2,936,649 |
| Land | 519,716 | 54,856 | 574,572 |
| Buildings | 410,518 | 932,210 | 1,342,728 |
| Mine development | 1,157,104 | 328,065 | 1,485,169 |
| | 2,591,119 | 3,747,999 | 6,339,118 |

Mineral property - exploration

| | 2008 |
|--|-------------------|
| | Net book value |
| | € |
| Balance, beginning of year | 4,032,147 |
| Additions | 3,095,588 |
| Write-downs | (1,337,784) |
| Balance, end of year | 5,789,951 |
| Total mineral property, plant and equipment - 2008 | 13,804,644 |

The ongoing challenging conditions in financial and commodity markets and the related uncertainty about the future business environment, prompted management to conduct a review of the Company's mineral properties. An asset impairment loss of €22,973,090 including €9,920,827 and €9,154,403 in mineral property and equipment for Hitura and Sarkiniemi respectively and, €1,729,479 and €845,597 in capitalized expenditures respectively, has been applied against the carrying value of these projects. A further €1,322,784 impairment loss was recorded against the Company's gold exploration projects.

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

6. Mineral property, plant and equipment (continued)

Property, plant and equipment

| | 2007 | | |
|----------------------------|------------------|---|-------------------|
| | Cost | Accumulated depreciation/ depletion | Net book value |
| | € | € | € |
| Land | 34,142 | - | 34,142 |
| Mining plant and equipment | 1,274,424 | 43,484 | 1,230,940 |
| Vehicles | 64,939 | 13,341 | 51,598 |
| Software | 28,570 | 18,104 | 10,466 |
| Office equipment | 19,546 | 13,605 | 5,941 |
| | <u>1,421,621</u> | <u>88,534</u> | <u>1,333,087</u> |

Mineral property - producing

| | 2007 | | |
|--------------------------------|-------------------|-------------------|-------------------|
| | Finn Nickel | Hitura | Net book value |
| | € | € | € |
| Mineral property and equipment | 10,482,016 | 13,080,413 | 23,562,429 |
| Land | 184,692 | 54,856 | 239,548 |
| Buildings | 489,208 | 936,410 | 1,425,618 |
| Mine development | 245,397 | 1,057,850 | 1,303,247 |
| | <u>11,401,313</u> | <u>15,129,529</u> | <u>26,530,842</u> |

Mineral property - exploration

| | 2007 | |
|--|-------------------|--|
| | Net book value | |
| | € | |
| Balance, beginning of year | 2,703,587 | |
| Additions | 1,328,560 | |
| Balance, end of year | <u>4,032,147</u> | |
| Total mineral property, plant and equipment - 2007 | <u>31,896,076</u> | |

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

7. Short-term debt

In August 2008, Finn Nickel Ltd entered into an agreement with Jinchuan Group Limited for the latter to provide a US\$7.5 million prepayment facility. Under the terms of the agreement, Finn Nickel agreed to repay the facility in full on or before May 31, 2009 by offset against deliveries of concentrate to Jinchuan. The prepayment facility carries interest at a rate of LIBOR plus 3.5% and is secured by a parent company guarantee.

Due to the drop in nickel prices and resulting termination in mining operations, the Company is unable to meet this repayment obligation. Additionally, under the terms of the original offtake agreement between the parties, the Company is also unable to repay a pricing adjustment of US\$ 2.55 million. As a consequence, a letter of intent initiating conversion of the US\$10.05 million liability into equity of the Company was signed with the Jinchuan Group Limited on April 25, 2009. Both parties have agreed to complete this debt for equity conversion process within 45 days.

8. Asset retirement obligation

Although the ultimate amount of the asset retirement obligations is uncertain, the fair value of these obligations is based on information currently available, including closure plans and applicable regulations. Significant closure activities include land rehabilitation, demolition of buildings and mine facilities and other costs.

The reported liability for asset retirement obligations at December 31, 2008 is €3,314,727 (2007 - €2,943,100). The undiscounted value of this liability is €4,034,660 (2007 - €3,328,000), which includes an inflation factor of 4%. An accretion expense component of €371,627 (2007 - €58,000) has been charged to operations in 2008 to reflect an increase in the carrying amount of the asset retirement obligations which has been determined using a discount rate of 5%. Changes to the asset retirement obligations during the year are as follows:

| | € |
|---|-----------|
| Balance, December 31, 2006 | - |
| Assumed on acquisition of Hitura Mining Oy (Note 3 (a)) | 2,313,000 |
| Assumed on acquisition of Finn Nickel (Note 3 (a)) | 40,000 |
| Assumed on acquisition of the Luikonlahti mill (Note 3 (b)) | 472,100 |
| Changes in estimates | 60,000 |
| Accretion | 58,000 |
| <hr/> | |
| Balance, December 31, 2007 | 2,943,100 |
| Changes in estimates | - |
| Accretion | 371,627 |
| <hr/> | |
| Balance, December 31, 2008 | 3,314,727 |

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

9. Long-term liabilities

| | 2008 | 2007 |
|---------------------------------------|----------------|---------|
| | € | € |
| Tekes loans (a) | 133,000 | 219,000 |
| Unfunded pension obligation (b) | 106,298 | 106,298 |
| Hitura water pipeline provision | - | 52,379 |
| Gold properties damage claims reserve | 15,000 | 10,000 |
| | 254,298 | 387,677 |

(a) Tekes is an agency of the Finnish government that offers support for certain qualifying development projects. Prior to the acquisition of Finn Nickel, two facilities were in place as follows:

(i) An unsecured loan of €172,000 was advanced in 2004 to develop small scale mining operations. €86,000 was repaid in 2008. Interest based on the basic Finnish bank rate less 1%, to a minimum of 3%, is compounded half-yearly. The principal sum is repayable by 2009.

(ii) An unsecured loan of €47,000 was advanced for crane hoisting in 2007. Interest based on basic Finnish bank rate less 3%, to a minimum of 1%, is compounded half-yearly. The principal sum is repayable by 2013.

(b) The pension obligation relates to Hitura Mining Oy and is similar to a defined contribution plan.

Floating charges totalling €200,000 in favour of Nordea Bank in Finland as security over a €200,000 bank overdraft and a €100,000 pledge over land at the Mäntymäki deposit were also in effect at Finn Nickel at December 31, 2008. The Company has no other fixed, floating rate or interest free financial liabilities by way of borrowing.

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

10. Share capital

(a) *Authorized*

Unlimited number of common shares with no par value

(b) *Issued*

| | Number of common shares | Amount € |
|---|-------------------------------|-------------|
| Balance, December 31, 2006 | 43,598,769 | 20,558,766 |
| Exercise of warrants | 1,190,625 | 387,350 |
| Shares issued for cash | 13,200,000 | 10,226,019 |
| Exercise of options | 620,000 | 457,703 |
| Issued on acquisition of additional 55% interest in Finn Nickel Oy | 8,231,127 | 7,042,156 |
| Issued on acquisition of Hitura Mining Oy | 12,292,815 | 10,517,141 |
| Balance, December 31, 2007 | 79,133,336 | 49,189,135 |
| Exercise of options | 50,000 | 36,316 |
| Balance, December 31, 2008 | 79,183,336 | 49,225,451 |

(c) *Stock options and warrants*

Under the 2001 Stock Option Plan, the Company is able to grant up to 2,000,000 options. The options are exercisable for a period of up to ten years from the date of grant, as determined by the Board of Directors, and the exercise price cannot be less than the fair market value per share of common stock at the date of the grant as determined by the Plan Administrator. The Board of Directors determines the time at which any options may vest.

The following table summarizes the Company's stock options under the 2001 Stock Option Plan at December 31, 2008 and 2007:

| | 2008 | | 2007 | |
|---|----------------------|---|----------------------|---|
| | Number of options | Weighted average exercise price Cdn\$ | Number of options | Weighted average exercise price Cdn\$ |
| Balance outstanding, beginning of year | 495,000 | 0.88 | 1,030,000 | 0.62 |
| Options granted | - | - | 85,000 | 2.13 |
| Options exercised | (50,000) | 0.51 | (620,000) | 0.57 |
| Options forfeit | (85,000) | 0.56 | - | - |
| Balance outstanding, end of year | 360,000 | 0.99 | 495,000 | 0.88 |

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

10. Share capital (continued)

(c) Stock options and warrants (continued)

Under the 2007 Rolling Stock Option Plan, the Company is able to grant options, the aggregate number of which shall not exceed 9.9% of the issued share capital of the Company at the time of granting any options (on a non-diluted basis). The options are exercisable for a period of up to five years from the date of grant, as determined by the Board of Directors, and the exercise price cannot be less than the price permitted by any stock exchange on which the shares are then listed. The Board of Directors determines the time at which any options may vest.

The following table summarizes the Company's stock options under the 2007 Rolling Stock Option Plan at December 31, 2008 and 2007:

| | 2008 | | 2007 | |
|--|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| | | Cdn\$ | | Cdn\$ |
| Balance outstanding, beginning of year | 3,170,000 | 1.89 | - | - |
| Options granted | 100,000 | 1.08 | 3,170,000 | 1.89 |
| Options exercised | - | - | - | - |
| Options forfeit | - | - | - | - |
| Balance outstanding, end of year | 3,270,000 | 1.87 | 3,170,000 | 1.89 |

The following table summarizes information concerning outstanding and exercisable options under the 2001 Stock Option Plan at December 31, 2008:

| Options outstanding | Options exercisable | Exercise price | Expiry date |
|---------------------|---------------------|----------------|------------------|
| Cdn\$ | | | |
| 185,000 | 185,000 | 0.70 | October 19, 2009 |
| 75,000 | 75,000 | 0.50 | May 2, 2011 |
| 15,000 | 15,000 | 0.60 | August 14, 2011 |
| 85,000 | 85,000 | 2.13 | June 12, 2012 |
| 360,000 | 360,000 | | |

The following table summarizes information concerning outstanding and exercisable options under the 2007 Rolling Stock Option Plan at December 31, 2008:

| Options outstanding | Options exercisable | Exercise price | Expiry date |
|---------------------|---------------------|----------------|------------------|
| Cdn\$ | | | |
| 3,170,000 | 2,595,000 | 1.89 | August 14, 2011 |
| 100,000 | 100,000 | 1.08 | January 31, 2009 |
| 3,270,000 | 2,695,000 | | |

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

10. Share capital (continued)

(c) *Stock options and warrants (continued)*

The changes in warrants were as follows:

| | 2008 | | 2007 | |
|--|-----------------------|---|-----------------------|---|
| | Number of warrants | Weighted average exercise price Cdn\$ | Number of warrants | Weighted average exercise price Cdn\$ |
| Balance outstanding, beginning of year | 3,741,422 | 1.33 | 1,425,000 | 0.50 |
| Warrants issued (Notes 3 (a) and 9 (c)) | - | - | 3,741,422 | 1.33 |
| Warrants exercised | - | - | (1,190,625) | 0.50 |
| Warrants expired | - | - | (234,375) | 0.50 |
| Balance outstanding, year | 3,741,422 | 1.33 | 3,741,422 | 1.33 |

The following table summarizes information concerning outstanding warrants at December 31, 2008:

| Number of warrants | Exercise price Cdn\$ | Expiry date |
|-----------------------|----------------------------|----------------|
| 3,741,422 | 1.33 | June 25, 2009 |

(d) *Stock-based compensation*

The fair value of each option granted is estimated at the time of the grant using the Black-Scholes option pricing model with weighted average assumptions for grants as follows:

| | 2008 | 2007 |
|--|----------------|----------------|
| Risk-free interest rate range | 3.9% - 4.6% | 4.3% - 4.6% |
| Expected life | 1 - 5 years | 5 years |
| Annualized volatility range | 75.0% - 120.3% | 75.0% - 112.6% |
| Dividend rate | 0% | 0% |
| Weighted average grant date fair value per option | Cdn\$1.39 | Cdn\$1.51 |

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

11. Capital disclosures

The Company's objectives when managing capital are to:

- (i) Maintain a flexible capital structure which optimizes the cost of capital at acceptable risk;
- (ii) Continue the development and exploration of its mineral properties; and
- (iii) Support any expansion plans.

In the management of capital, the Company includes shareholders' equity, long-term debt, and cash.

The Company manages its capital structure and makes adjustments when the economic and risk conditions of the underlying lying assets require change. In order to maintain or adjust the capital structure, the Company may issue new shares, issue new debt, and/or issue new debt to refinance existing debt.

The Company closely monitors its funding requirements to ensure it has the appropriate liquidity to meet its operating and growth objectives. At December 31, 2008, the Company had a working capital deficit of €4.3 million and a more detailed discussion of steps being taken by management to address this deficit position can be found in Note 1 of these consolidated financial statements.

12. Income taxes

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

| | 2008 | 2007 |
|--|--------------------|-----------|
| | € | € |
| Statutory tax rate | 31.00% | 34.12% |
| Recovery of income taxes computed at statutory rates | 10,663,861 | 1,768,258 |
| Non-deductible expenses | (148,493) | (806,712) |
| Effect of lower tax rates of foreign jurisdiction | (1,199,805) | (71,535) |
| Tax deductions not recognized in the period that the benefit arose | (3,252,787) | (350,173) |
| Other | - | (90,908) |
| Income tax recovery | 6,062,776 | 448,930 |

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

12. Income taxes (continued)

The approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets and liabilities are as follows:

| | 2008 | 2007 |
|---|--------------------|--------------------|
| | € | € |
| Future income tax assets | | |
| Non-capital loss carryforwards - Canada | 876,099 | 853,000 |
| Non-capital loss carryforwards - Finland | 5,437,377 | 1,772,729 |
| Net capital loss carryforwards | 683,587 | 1,099,849 |
| Share issuance costs | 90,271 | 341,200 |
| Cumulative eligible capital | 10,780 | - |
| Mineral property, plant and equipment - Canada | 2,918 | 9,326 |
| Asset retirement obligations | 984,474 | 874,101 |
| | 8,085,506 | 4,950,205 |
| Valuation allowance | (5,518,175) | (2,519,396) |
| Net future income tax asset | 2,567,331 | 2,430,809 |
| Future income tax liability | | |
| Mineral property, plant and equipment - Finland | 2,567,331 | 8,498,047 |
| Net future income tax liability | - | (6,067,238) |

At December 31, 2008, the Company has non-capital losses of approximately Cdn\$5.3 million (€3.1 million) that may be applied against future Canadian income for tax purposes that expire from 2009 to 2027. The Company also has approximately €18.3 million of Finnish tax losses that may be applied against future Finnish income for tax purposes that expire from 2010 to 2018. In addition, the Company has capital loss carryforwards totaling approximately Cdn\$9.3 million (€5.5 million) available that may be applied against future Canadian capital gains. These capital losses can be carried forward indefinitely.

The Company's operations are conducted in a number of countries with complex tax legislation and regulations pertaining to the Company's activities. Any reassessment of the Company's tax filings by the tax authorities may result in material adjustments to net income or loss, tax assets or liabilities and loss carryforwards.

13. Financial instruments

The fair values of cash and cash equivalents, receivables and accounts payable approximate their carrying values due to the short-term to maturities of these financial instruments.

The fair value of long-term liabilities was determined using discounted cash flows at prevailing market rates and the fair value is considered to approximate carrying value. The Company minimizes credit risk by reviewing the credit risk of the counterparty to the arrangement and has made any necessary provisions related to credit risk at December 31, 2008.

The Company is exposed to fluctuations in interest rates, foreign currency exchange rates and commodity prices. The Company has not entered into any derivative contracts.

The Company's long term plans are dependent upon a strengthening in commodity prices to provide a basis for business.

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

13. Financial instruments (continued)

During October, for example, the collapse of the nickel price forced the Company's nickel subsidiary in Finland, Finn Nickel, to put all mining operations on care and maintenance. The nickel price collapsed from a peak of approximately US\$50,000 per tonne in August 2007 to a low of around US\$9,000 per tonne in October 2008. Weakness in the nickel price continued throughout the fourth quarter of fiscal 2008 into the first quarter of fiscal 2009 and during the second quarter of 2009 has been trading between US\$9,000 and US\$13,000 per tonne. The marginal cost of production for a ton of nickel worldwide is between US\$16,000 and US\$18,000 per tonne and the industry is in severe difficulties. Closure, production cuts and postponement or cancellation of investments in new projects has removed 25% of capacity from the market in the last six months, perhaps permanently. Despite this LME nickel stockpiles remain at 10 year highs due to a continued weakness in the stainless steel market (the main end user of refined nickel). With a 30% contraction in the first quarter of 2009 alone of finished stainless steel, the situation is forecast to continue through to into at least the second half of 2009.

See Note 4 for discussion on concentration of credit risk.

14. Related party transactions

The Company incurred the following expenses in the normal course of operations, measured at the exchange amount which is determined on a cost recovery basis, with companies and individuals related by way of directors and officers in common:

| | 2008 | 2007 |
|-----------------|--------------|-------------|
| | € | € |
| Management fees | - | 191,875 |
| Consultancy | - | 78,000 |
| Rent | 1,061 | 11,667 |

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

15. Segmented information

- (a) Operating segment - The Company's operations are primarily directed towards the acquisition, exploration, development and production of nickel in Finland.
- (b) Geographic segments - The Company's assets, revenues and expenses by geographic areas for the years ended December 31, 2008 are as follows:

| | | | 2008 |
|---|--------------|-------------|--------------|
| | Finland | Canada | Total |
| | € | € | € |
| Mineral property, plant and equipment | 13,800,423 | 4,221 | 13,804,644 |
| Total assets | 17,237,351 | 1,956,705 | 19,194,056 |
| Mining revenue | 19,298,084 | - | 19,298,084 |
| Operating costs | (26,584,180) | - | (26,584,180) |
| Depletion, depreciation and amortization | (1,661,324) | (7,584) | (1,668,908) |
| Stock-based compensation | (21,215) | (596,851) | (618,066) |
| General and administrative | (671,560) | (993,953) | (1,665,513) |
| Interest income | 142,598 | 110,599 | 253,197 |
| Interest expense | (276,582) | (3,159) | (279,741) |
| Foreign exchange loss | (159,021) | (2,314) | (161,335) |
| Mineral property impairment loss | (22,973,090) | - | (22,973,090) |
| Loss before income taxes | (32,906,290) | (1,493,262) | (34,399,552) |

Belvedere Resources Ltd.

Notes to the consolidated financial statements

December 31, 2008 and 2007

(Tabular amounts expressed in Euros, except as noted)

15. Segmented information (continued)

(b) (continued)

| | Finland | Canada | 2007 Total |
|---|--------------------|--------------------|--------------------|
| | € | € | € |
| Mineral property, plant and equipment | 31,887,086 | 8,990 | 31,896,076 |
| Total assets | 40,463,843 | 7,387,831 | 47,851,674 |
| Mining revenue | 14,826,215 | - | 14,826,215 |
| Operating costs | (15,064,588) | - | (15,064,588) |
| Depletion, depreciation and amortization | (1,349,323) | (14,156) | (1,363,479) |
| Stock-based compensation | (651,673) | (1,974,256) | (2,625,929) |
| General and administrative | (434,580) | (814,459) | (1,249,039) |
| Interest income | 96,298 | 355,863 | 452,161 |
| Interest expense | (35,142) | (3,982) | (39,124) |
| Foreign exchange loss | (3,768) | (7,492) | (11,260) |
| <u>Equity loss of investment</u> | <u>(107,424)</u> | <u>-</u> | <u>(107,424)</u> |
| Loss before income taxes | (2,723,985) | (2,458,482) | (5,182,467) |

For the year ended December 31, 2008, 100% of revenue was from one customer and as at December 31, 2008, 100% of accounts receivable was due from one customer.

16. Commitments

As at December 31, 2008 the Company is committed to operating lease payments of €352,062 in respect of mining equipment in 2009. The Company has no leasing commitments beyond 2009.