

Unaudited interim consolidated financial statements of

**Belvedere Resources Ltd.**

Three and six month periods ended June 30, 2008

# **Belvedere Resources Ltd.**

Three and six month periods ended June 30, 2008

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# Belvedere Resources Ltd.

Consolidated statements of loss and comprehensive income (loss)  
three and six month periods ended June 30, 2008 and 2007 (Restated - Note 2(a))

(Expressed in Euros, except share amounts)

	Three Month Period Ended June 30 2008	Three Month Period Ended June 30 2007 Restated (Note 2(a))	Six Month Period Ended June 30 2008	Six Month Period Ended June 30 2007 Restated (Note 2(a))
	€	€	€	€
<b>Mining revenue</b>	<b>5,003,766</b>	17,609	<b>10,807,664</b>	17,609
Operating expenses				
Operating costs	5,979,571	397,975	13,966,906	397,975
Depletion, depreciation and amortization	396,661	6,110	853,426	9,735
Stock-based compensation - operations	8,400	-	21,215	-
	<b>6,384,632</b>	404,085	<b>14,841,547</b>	407,710
<b>Loss before undernoted items</b>	<b>(1,380,866)</b>	(386,476)	<b>(4,033,883)</b>	(390,101)
Other expense (income)				
General and administrative	480,233	218,450	874,596	358,726
Stock-based compensation - administrative	189,310	121,483	436,426	121,483
Interest income	(87,846)	(116,923)	(153,384)	(135,484)
Interest expense	3,521	6,413	6,826	7,405
Foreign exchange (gain) loss	12,114	(42,077)	47,606	(39,070)
Equity loss of investment	-	(69,682)	-	-
	<b>597,332</b>	117,664	<b>1,212,070</b>	313,060
<b>Loss before income taxes</b>	<b>(1,978,198)</b>	(504,140)	<b>(5,245,953)</b>	(703,161)
Income tax expense (recovery)				
Current income tax expense	-	-	-	-
Future income tax recovery	(445,102)	-	(1,252,692)	-
	<b>(445,102)</b>	-	<b>(1,252,692)</b>	-
<b>Net loss for the period</b>	<b>(1,533,096)</b>	(504,140)	<b>(3,993,261)</b>	(703,161)
Other comprehensive income				
Cumulative foreign currency translation adjustments, net of tax	127,880	-	(577,311)	-
<b>Comprehensive loss for the period</b>	<b>(1,405,216)</b>	(504,140)	<b>(4,570,572)</b>	(703,161)
<b>Basic and diluted loss per share</b>	<b>(0.02)</b>	(0.01)	<b>(0.05)</b>	(0.02)
Basic weighted average number of common shares outstanding	<b>79,034,610</b>	46,130,870	<b>79,034,610</b>	46,130,870

## Belvedere Resources Ltd.

### Consolidated statements of shareholders' equity six month periods ended June 30, 2008 and 2007 (Restated - Note 2(a))

(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 period	-	-	-	-	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
Stock-based compensation	-	-	259,931	-	-	-	259,931
Comprehensive loss for the period	-	-	-	-	(705,191)	(2,460,165)	(3,165,356)
Balance, March 31, 2008	79,133,336	49,189,135	3,146,610	1,652,165	(503,408)	(22,092,549)	31,391,953
Stock-based compensation	-	-	197,710	-	-	-	197,710
Exercise of options	50,000	16,118	-	-	-	-	16,118
Comprehensive income for the period	-	-	-	-	131,249	(1,533,096)	(1,401,847)
Balance, June 30, 2008	79,183,336	49,205,253	3,344,320	1,652,165	(372,159)	(23,625,645)	30,203,934

# Belvedere Resources Ltd.

## Consolidated balance sheets

(Expressed in Euros)

	June 30, 2008	December 31, 2007
		Restated (Note 2(a))
	€	€
<b>Assets</b>		
Current assets		
Cash and cash equivalents	3,864,949	11,521,981
Accounts receivable	1,861,338	3,776,212
Inventories (Note 3)	893,124	560,714
Prepaid expenses	39,801	96,691
	<b>6,659,212</b>	15,955,598
Mineral property, plant and equipment (Note 4)	<b>35,496,074</b>	31,896,076
	<b>42,155,286</b>	47,851,674
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	3,636,322	4,156,281
	<b>3,636,322</b>	4,156,281
Asset retirement obligations	3,165,186	2,943,100
Long-term liabilities	335,298	387,677
Future income taxes	4,814,546	6,067,238
	<b>11,951,352</b>	13,554,296
<b>Shareholders' equity</b>		
Share capital (Note 5)	49,205,253	49,189,135
Contributed surplus	3,344,320	2,886,679
Warrants	1,652,165	1,652,165
Accumulated other comprehensive income (loss)	(372,159)	201,783
Deficit	(23,625,645)	(19,632,384)
	<b>30,203,934</b>	34,297,378
	<b>42,155,286</b>	47,851,674

Nature of operations (Note 1)

# Belvedere Resources Ltd.

## Consolidated statements of cash flows

three and six month periods ended June 30, 2008 and 2007 (Restated - Note 2(a))

(Expressed in Euros)

	Three Month Period Ended June 30 2008 €	Three Month Period Ended June 30 2007 € Restated (Note 2(a))	Six Month Period Ended June 30 2008 €	Six Month Period Ended June 30 2007 € Restated (Note 2(a))
<b>Operating activities</b>				
Net loss for the period	(1,533,096)	(199,021)	(3,993,261)	(199,021)
Items not involving cash				
Accretion	34,811	-	69,624	-
Depletion, depreciation and amortization	396,660	3,625	853,426	3,625
Equity loss of investment	-	69,682	-	69,682
Future income tax recovery	(445,102)	-	(1,252,692)	-
Stock-based compensation	197,709	-	457,641	-
	<b>(1,349,018)</b>	(125,714)	<b>(3,865,262)</b>	(125,714)
Net changes in non-cash working capital items				
Accounts receivable	381,617	(39,982)	1,914,874	(39,982)
Inventories	(153,651)	-	(332,410)	-
Prepaid expenses	24,491	-	56,890	-
Accounts payable and accrued liabilities	(103,741)	(13,682)	(519,877)	(13,682)
	<b>(1,200,302)</b>	(179,378)	<b>(2,745,785)</b>	(179,378)
<b>Financing activities</b>				
Common shares issued for cash, net	16,118	251,745	16,118	251,745
	<b>16,118</b>	251,745	<b>16,118</b>	251,745
<b>Investing activities</b>				
Investment in Finn Nickel	-	(512,250)	-	(512,250)
Investment in Hitura Property	-	(61,470)	-	(61,470)
Provision for reclamation	100,000	-	100,000	-
Mineral property, plant and equipment expenditures	(3,590,524)	(284,903)	(4,453,424)	(284,903)
	<b>(3,490,524)</b>	(858,623)	<b>(4,353,424)</b>	(858,623)
Effect of exchange rate changes on cash and cash equivalents	131,253	(4,423)	(573,942)	(4,423)
Increase (decrease) in cash and cash equivalents	(4,543,455)	(790,679)	(7,657,033)	(790,679)
Cash and cash equivalents, beginning of period	8,408,403	2,284,508	11,521,981	2,284,508
<b>Cash and cash equivalents, end of period</b>	<b>3,864,948</b>	1,493,829	<b>3,864,948</b>	1,493,829
Cash and cash equivalents are comprised of				
Cash in bank	3,864,948	1,493,829	3,864,948	1,493,829
Short-term money market instruments	-	-	-	-
	<b>3,864,948</b>	1,493,829	<b>3,864,948</b>	1,493,829
Supplementary cash flow information				
Interest paid	3,468	5,421	6,773	6,413

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and six month periods ended June 30, 2008

(Tabular amounts expressed in Euros, except as noted)

(Unaudited)

#### 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, other investors and lenders, and the successful development of the Company's interests in the mineral properties.

#### 2. Summary of significant accounting policies

##### (a) *Basis of presentation*

The accompanying unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information and follow the same accounting policies and methods as the most recent annual financial statements, except as discussed in note 2(c) below.

Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in Canada for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included.

Operating results for the six-month period ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report for the year ended December 31, 2007.

##### (b) *Change in reporting currency*

Effective during the fourth quarter of fiscal 2007, the Company changed its measurement and reporting currency from the Canadian dollar ("Cdn\$") to the Euro ("€"). Due to the Hitura and Finn Nickel acquisitions and related changes, including holding a greater proportion of the Company's funds in Euros, it has been determined that the Euro is functional currency of the Company's operations. Prior to this change, the Company reported its financial statements in Canadian dollars. The related financial statements and corresponding notes prior to October 1, 2007 presented for comparison to the 2008 financial statements have been restated to the Euro in these financial statements as if the Euro had been used for all periods shown.

The Company has used the current rate method to translate the financial statements and corresponding notes prior to October 1, 2007 presented for comparison in these financial statements. All assets and liabilities have been translated into Euros at the exchange rate prevailing at the balance sheet date, and all revenue, expense and cash flow items have been translated using the rates in effect at the date of the transactions. All resulting exchange differences have been reported in accumulated other comprehensive income (loss).

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and six month periods ended June 30, 2008

(Tabular amounts expressed in Euros, except as noted)

(Unaudited)

#### 2. Summary of significant accounting policies (continued)

##### (c) Adoption of new accounting standards and accounting pronouncements

###### (i) Financial instrument disclosures

As of January 1, 2008, the Company adopted two new CICA standards, Section 3862, *Financial Instruments - Disclosures*, and Section 3863, *Financial Instruments - Presentation*, which replaced Section 3861, *Financial Instruments - Disclosure and Presentation*. The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements.

###### (ii) Capital disclosures

As of January 1, 2008, the Company adopted CICA Section 1535, *Capital Disclosures*, which requires companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures include whether companies have complied with externally imposed capital requirements.

###### (iii) Inventories

As of January 1, 2008, the Company adopted the CICA Handbook Section 3031, *Inventories*. 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 current treatment.

Application of the above new accounting standards and accounting pronouncements did not affect the Company's consolidated balance sheets and consolidated statements of loss or cash flows.

##### (d) Recent accounting pronouncements

###### (i) Goodwill and intangible assets

In February 2008, the CICA issued Section 3064, *Goodwill and Intangible Assets*, replacing Section 3062, *Goodwill and Other Intangible Assets*, and Section 3450, *Research and Development Costs*. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. This Section is effective in the first quarter of 2009, and the Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and six month periods ended June 30, 2008

(Tabular amounts expressed in Euros, except as noted)

(Unaudited)

## 2. Summary of significant accounting policies (continued)

(d) *Recent accounting pronouncements (continued)*

(ii) Convergence with International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, being evolved and converged with International Financial Reporting Standards ("IFRS") over a transitional period to be complete by 2011. The official changeover date from Canadian GAAP to IFRS is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 and additional disclosure and accounting requirements are anticipated beginning in 2008. As the International Accounting Standards Board currently has projects underway that should result in new pronouncements and since this Canadian convergence initiative is very much in its infancy as of the date of these statements, the Company has not yet assessed the impact of the ultimate adoption of IFRS on the Company.

## 3. Inventories

	June 30 2008	December 31 2007
	€	€
Consumables	427,289	396,464
Ore and concentrate	455,835	164,250
	<b>883,124</b>	<b>560,714</b>

## 4. Mineral property, plant and equipment

	June 30 2008		December 31 2007	
	Cost	Accumulated depreciation/ depletion	Net book value	Net book value
	€	€	€	€
Land	604,790	-	604,790	273,690
Buildings	1,425,618	50,175	1,375,443	1,425,618
Mining plant and equipment	2,821,041	231,537	2,589,504	1,282,538
Nickel properties				
aquisition allocation	23,562,429	797,105	22,765,324	23,562,429
Mine development	3,746,425	54,786	3,691,639	1,303,247
Exploration properties	4,455,381	-	4,455,381	4,032,147
Software	28,570	19,629	8,941	10,466
Office equipment	19,546	14,494	5,052	5,941
	<b>36,663,800</b>	<b>1,167,726</b>	<b>35,496,074</b>	<b>31,896,076</b>

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and six month periods ended June 30, 2008

(Tabular amounts expressed in Euros, except as noted)

(Unaudited)

#### 5. Share capital

##### *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:

	<b>June 30</b>	December 31
	<b>2008</b>	2007
Risk-free interest rate range	<b>4.1% - 4.6%</b>	4.3% - 4.6%
Expected life	<b>5 years</b>	5 years
Annualized volatility range	<b>75.0% - 112.6%</b>	75.0% - 112.6%
Dividend rate	<b>0%</b>	0%
Weighted average grant date fair value per option	<b>Cdn\$1.48</b>	Cdn\$1.51

#### 6. Management of capital risk

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes shareholders' equity, loans payable, cash and cash equivalents.

Through the ongoing management of its capital, the Company will modify the structure of its capital based on changing economic conditions in the jurisdictions in which it operates. In doing so, the Company may issue new shares or debt buyback issued shares or pay off any outstanding debt, or make changes to its portfolio of strategic investments.

#### 7. Management of financial risk

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

##### *(a) Currency risk*

The Company is exposed to the currency risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and Finland with the primary exposures being between the Euro and Canadian dollar. A significant change in the currency exchange rates between the Euro relative to the Canadian dollar could have an effect on the Company's operating results, financial position or cash flows.

As at March 31, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in Euros and Canadian dollars:

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and six month periods ended June 30, 2008

(Tabular amounts expressed in Euros, except as noted)  
(Unaudited)

#### 7. Management of financial risk (continued)

(a) *Currency risk (continued)*

	Euro	Dollar
Cash and cash equivalents	2,159,077	1,705,873
Other working capital items	(828,430)	(13,629)

The cash and cash equivalents amount in the above table includes €1,500,000 of restricted cash relating to a letter of credit in favour of the Finnish Ministry of Mines to cover the estimated total costs of reclamation and site restoration for the Hitura mine.

(b) *Credit risk*

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company currently sells all of its concentrate production to one customer under an offtake 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.

The Company's cash equivalents and short-term investments are held through large Canadian and Finnish financial institutions.

(c) *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 through the management of its capital structure as outlined in note 6 to the unaudited financial statements.

Accounts payable and accrued liabilities are due within the current operating period.

(d) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

There is minimal risk that the Company would recognize any loss as a result of a decrease in the fair value of any short-term investments included in cash and cash equivalents as they are generally held to maturity with large financial institutions.

(e) *Price risk*

*The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken.*

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and six month periods ended June 30, 2008

(Tabular amounts expressed in Euros, except as noted)

(Unaudited)

#### 8. 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:

	<b>2008</b>	2007
	€	€
Management fees	<b>175,578</b>	191,875
Consultancy	-	78,000
Rent	<b>1,061</b>	11,667

#### 9. 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 at June 30, 2008 and December 31, 2007, and revenues and expenses by geographic areas for the six month periods ended March 31, 2008 and 2007 are as follows:

	<b>March 31</b>		
	<b>2008</b>		
	<b>Finland</b>	<b>Canada</b>	<b>Total</b>
	€	€	€
Mineral property, plant and equipment	<b>35,489,495</b>	<b>6,579</b>	<b>35,496,074</b>
Total assets	<b>40,417,423</b>	<b>1,737,863</b>	<b>42,155,286</b>

	<b>Six Months</b>		
	<b>June 30</b>		
	<b>2008</b>		
	<b>Finland</b>	<b>Canada</b>	<b>Total</b>
Mining revenue	<b>10,807,664</b>	-	<b>10,807,664</b>
Operating costs	<b>(13,966,906)</b>	-	<b>(13,966,906)</b>
Depletion, depreciation and amortization	<b>(849,587)</b>	<b>(3,839)</b>	<b>(853,426)</b>
Stock-based compensation	<b>(21,215)</b>	<b>(436,426)</b>	<b>(457,641)</b>
General and administrative	<b>(334,991)</b>	<b>(539,605)</b>	<b>(874,596)</b>
Interest income	<b>64,525</b>	<b>88,859</b>	<b>153,384</b>
Interest expense	<b>(5,450)</b>	<b>(1,376)</b>	<b>(6,826)</b>
Foreign exchange gain (loss)	<b>(46,669)</b>	<b>(937)</b>	<b>(47,606)</b>
Loss before income taxes	<b>(4,352,629)</b>	<b>(893,324)</b>	<b>(5,245,953)</b>

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and six month periods ended June 30, 2008

(Tabular amounts expressed in Euros, except as noted)

(Unaudited)

#### 9. Segmented information (continued)

##### (b) Geographic segments (continued)

	December 31 2007		
	Finland	Canada	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

  

	Three Months March 31 2007		
	Finland	Canada	Total
Mining revenue	-	-	-
Operating costs	-	-	-
Depletion and depreciation and amortization	(1,488)	(2,137)	(3,625)
Stock-based compensation	-	-	-
General and administrative	(18,480)	(121,796)	(140,276)
Interest income	4,167	14,394	18,561
Interest expense	(279)	(713)	(992)
Foreign exchange gain	(2,794)	(213)	(3,007)
Equity loss of investment	(69,682)	-	(69,682)
Loss before income taxes	(88,556)	(110,465)	(199,021)

For the six months ended June 30, 2008, 100% of revenue was from one customer and as at March 31, 2008, 100% of accounts receivable was due from one customer.

#### 10. Subsequent Events

On August 20, 2008 the Company announced that Finn Nickel had agreed to borrow US\$7.5 million to cover the shortfall in revenues due to a one-off delay in concentrate deliveries associated with the logistics involved in changing offtake partner to Jinchuan Group. The loan will be repaid in 2009 from concentrate deliveries.