

Unaudited interim consolidated financial statements of

**Belvedere Resources Ltd.**

Three and nine month periods ended September 30, 2008

# **Belvedere Resources Ltd.**

Three and nine month periods ended September 30, 2008

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# Belvedere Resources Ltd.

## Consolidated statements of loss and comprehensive loss three and nine month periods ended September 30, 2008 and 2007 (Restated - Note 2(a))

(Expressed in Euros, except share amounts)

	Three Month Period Ended September 2008	Three Month Period Ended September 2007 Restated (Note 2(a))	Nine Month Period Ended September 2008	Nine Month Period Ended September 2007 Restated (Note 2(a))
	€	€	€	€
<b>Mining revenue</b>	<b>1,675,446</b>	6,961,470	<b>12,483,110</b>	6,979,079
Operating expenses				
Operating costs	2,241,726	6,445,941	16,208,632	6,843,916
Depletion, depreciation and amortization	439,812	220,438	1,293,238	230,173
Stock-based compensation - operations	-	-	21,215	-
	<b>2,681,538</b>	6,666,379	<b>17,523,085</b>	7,074,089
<b>Loss before undernoted items</b>	<b>(1,006,092)</b>	295,091	<b>(5,039,975)</b>	(95,010)
Other expense (income)				
General and administrative	322,152	306,640	1,196,748	665,366
Stock-based compensation - administrative	86,575	4,091,079	523,001	4,212,562
Interest income	(79,243)	(151,842)	(232,627)	(287,326)
Interest expense	12,450	41,915	19,276	49,320
Mineral property impairment loss (Note 4)	14,000,000	-	14,000,000	-
Foreign exchange (gain) loss	19,132	(84,454)	66,738	(123,524)
	<b>14,361,066</b>	4,203,338	<b>15,573,136</b>	4,516,398
<b>Loss before income taxes</b>	<b>(15,367,158)</b>	(3,908,248)	<b>(20,613,111)</b>	(4,611,409)
Income tax expense (recovery)				
Future income tax recovery	(4,298,402)	-	(5,551,094)	-
	<b>(4,298,402)</b>	-	<b>(5,551,094)</b>	-
<b>Net loss for the period</b>	<b>(11,068,756)</b>	(3,908,248)	<b>(15,062,017)</b>	(4,611,409)
Other comprehensive income				
Cumulative foreign currency translation adjustments, net of tax	101,808	-	(472,133)	-
<b>Comprehensive loss for the period</b>	<b>(10,966,948)</b>	(3,908,248)	<b>(15,534,150)</b>	(4,611,409)
<b>Basic and diluted loss per share</b>	<b>(0.14)</b>	(0.08)	<b>(0.19)</b>	(0.10)
Basic weighted average number of common shares outstanding	79,115,158	46,130,870	79,115,158	46,130,870

# Belvedere Resources Ltd.

## Consolidated statements of shareholders' equity nine month periods ended September 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
Stock-based compensation	-	-	86,574	-	-	-	86,574
Comprehensive income for the period	-	-	-	-	101,808	(11,068,756)	(10,966,948)
Balance, September 30, 2008	79,183,336	49,205,253	3,430,894	1,652,165	(270,351)	(34,694,401)	19,323,560

# Belvedere Resources Ltd.

## Consolidated balance sheets

(Expressed in Euros)

	September 30, 2008	December 31, 2007
	€	Restated (Note 2(a)) €
<b>Assets</b>		
Current assets		
Cash and cash equivalents	3,330,048	11,521,981
Accounts receivable	628,416	3,776,212
Inventories (Note 3)	4,971,956	560,714
Prepaid expenses	335,607	96,691
	<b>9,266,027</b>	<b>15,955,598</b>
Mineral property, plant and equipment (Note 4)	23,056,039	31,896,076
	<b>32,322,066</b>	<b>47,851,674</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	3,703,410	4,156,281
Current portion of loans payable	5,243,656	-
	<b>8,947,066</b>	<b>4,156,281</b>
Asset retirement obligations	3,199,998	2,943,100
Long-term liabilities	335,298	387,677
Future income taxes	516,144	6,067,238
	<b>12,998,506</b>	<b>13,554,296</b>
<b>Shareholders' equity</b>		
Share capital (Note 5)	49,205,253	49,189,135
Contributed surplus	3,430,894	2,886,679
Warrants	1,652,165	1,652,165
Accumulated other comprehensive income (loss)	(270,351)	201,783
Deficit	(34,694,401)	(19,632,384)
	<b>19,323,560</b>	<b>34,297,378</b>
	<b>32,322,066</b>	<b>47,851,674</b>

Nature of operations (Note 1)

Subsequent events (Note 11)

# Belvedere Resources Ltd.

## Consolidated statements of cash flows

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

(Expressed in Euros)

	Three Month Period Ended September 30 2008 €	Three Month Period Ended September 30 2007 € Restated (Note 2(a))	Nine Month Period Ended September 30 2008 €	Nine Month Period Ended September 30 2007 € Restated (Note 2(a))
<b>Operating activities</b>				
Net loss for the period	(11,068,756)	(3,908,248)	(15,062,017)	(4,611,409)
Items not involving cash				
Accretion	34,811	-	104,436	-
Depletion, depreciation and amortization	439,812	210,703	1,293,238	220,438
Mineral property impairment loss (Note 4)	14,000,000	-	14,000,000	-
Future income tax recovery	(4,298,402)	-	(5,551,094)	-
Stock-based compensation	86,575	3,969,596	544,216	4,091,079
	(805,960)	272,051	(4,671,221)	(299,892)
Net changes in non-cash working capital items				
Accounts receivable	1,232,922	(1,088,196)	3,147,796	(3,803,839)
Inventories	(4,078,832)	(72,644)	(4,411,242)	(739,636)
Prepaid expenses	(295,806)	60,411	(238,916)	(37,315)
Accounts payable and accrued liabilities	67,089	1,468,458	(452,788)	4,168,961
	(3,880,587)	640,080	(6,626,371)	(711,721)
<b>Financing activities</b>				
Loans payable	5,243,655	49,394	5,243,655	241,647
Common shares issued for cash, net of commission	-	-	16,118	10,993,478
Common shares issued for options exercised	-	12,486	-	134,414
Common shares issued for warrants exercised	-	-	-	35,886
	5,243,655	61,880	5,259,773	11,405,425
<b>Investing activities</b>				
Convertible loan to Finn Nickel	-	-	-	199,352
Investment in Finn Nickel	-	-	-	661,140
Investment in Hitura Mining	-	-	-	6,807
Provision for reclamation	-	568,009	100,000	3,527,613
Mineral property, plant and equipment expenditures	(1,999,777)	(257,027)	(6,453,201)	(46,810,793)
Common shares issued for Finn Nickel acquisition	-	-	-	15,426,065
Common shares issued for Hitura Mining acquisition	-	-	-	21,008,673
Future income taxes	-	922,868	-	7,742,531
	(1,999,777)	1,233,850	(6,353,201)	1,761,388
Effect of exchange rate changes on cash and cash equivalents	101,809	(642,468)	(472,133)	(479,570)
Increase (decrease) in cash and cash equivalents	(534,900)	1,293,342	(8,191,932)	11,975,522
Cash and cash equivalents, beginning of period	3,864,949	12,966,688	11,521,981	2,284,508
<b>Cash and cash equivalents, end of period</b>	<b>3,330,049</b>	<b>14,260,030</b>	<b>3,330,049</b>	<b>14,260,030</b>
Cash and cash equivalents are comprised of				
Cash in bank	3,330,049	14,260,030	3,330,049	14,260,030
Short-term money market instruments	-	-	-	-
	3,330,049	14,260,030	3,330,049	14,260,030
Supplementary cash flow information				
Interest paid	12,450	41,915	19,223	48,328

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 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.

##### *Going concern*

While the annual financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, certain historical adverse conditions and events cast substantial doubt upon the validity of this assumption.

During the years ended December 31, 2007, 2006 and 2005, the Company incurred losses of €4.3 million, €1 million and €0.4 million, respectively. The funds required to continue operations and exploration activities during this period have been financed primarily from the issue of equity.

At September 30, 2008, the Company had working capital of €0.3 million. The successful rescheduling of the repayment of \$7.5m to Jinchuan will materially improve this figure and, concurrently to these discussions, the Directors and management are currently evaluating a number of alternative ways of financing the Company. These include various forms of debt financing, working in partnership with larger mining groups, exploring a closer collaboration with our Chinese smelting partner and as a last resort, equity financing. Despite, the turmoil in the world financial system, the directors remain confident that the Company is a going concern.

While management has been successful in obtaining sufficient funding for the Company's operating and capital exploration requirements in the past, there is no assurance that such funding will be available to the Company, or that it will be available on terms which are acceptable to management. If funding does not become available, the Company may not be able to continue as a going concern.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

#### 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 September 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 30, 2008

(Tabular amounts expressed in Euros, except as noted)

(Unaudited)

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

(a) *Basis of presentation (continued)*

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).

(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*. Disclosure requirements are revised and enhanced, while presentation requirements remain essentially unchanged. The new disclosure requirements expand discussion around the significance of financial instruments for the Company's financial position and performance, the nature and extent of risks arising from financial instruments to which it is exposed during the period and at the balance sheet date and how it manages those risks.

(ii) Capital disclosures

As of January 1, 2008, the Company adopted CICA Section 1535, *Capital Disclosures*. Under this section, the Company discloses its objectives, policies and procedures for managing capital, any summary quantitative data about what the Company manages as capital, whether the Company has complied with any externally imposed capital requirements and, if the Company has not complied with them, any consequences of non-compliance with these capital requirements.

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 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 (continued)

###### (iii) Inventories

As of January 1, 2008, the Company adopted the CICA Handbook Section 3031, *Inventories*. This section establishes standards for the measurement and disclosure of inventories and provides a Canadian equivalent to International Accounting Standard IAS 2- Inventories. The main recommendations of the new Section 3031 are:

- Measurement of inventories at the lower of cost or net realizable value, with guidance on the determination of cost, including allocation of overheads and other costs to inventory.
- Specific identification of costs of inventories of items that are not ordinarily interchangeable, and goods or services produced and segregated for specific projects.
- Consistent use (by type of inventory with similar nature and use) of either first-in, first-out (FIFO) or weighted average cost formula to measure the cost of other inventories.
- Reversal of previous write-downs to net realizable value when there is a subsequent increase in the value of inventories.

Application of the above new accounting standards did not have a material impact on the Company's financial position or operating results.

##### (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.

###### (ii) Convergence with International Financial Reporting Standards

The Canadian Accounting Standards Board (AcSB) and the Canadian Securities Administrators (CSA) have confirmed January 1, 2011 as the date IFRS will replace Canadian Generally Accepted Accounting Principles (Canadian GAAP) for publicly accountable profit-oriented enterprises. This presents a change in the fundamental principles upon which financial reporting is conducted and

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 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 (continued)

requires significant analysis and planning to ensure a proper transition. In preparation for the changeover, the Company has commenced assessing the implications of the change, creating a timeline for the implementation, and training key personnel in IFRS. The results of the assessment and key elements and timing of the plan will be discussed as information becomes available.

#### 3. Inventories

	September 2008	December 31 2007
	€	€
Consumables	485,352	396,464
Ore and concentrate	4,486,604	164,250
	<b>4,971,956</b>	<b>560,714</b>

#### 4. Mineral property, plant and equipment

	2008			2007
	Cost	Accumulated depreciation/ depletion	Net book value	Net book value
	€	€	€	€
Land	608,714	-	608,714	273,690
Buildings	1,425,618	75,262	1,350,356	1,425,618
Mining plant and equipment	3,017,323	1,301,017	1,716,306	1,282,538
Nickel properties				
aquisition allocation	23,562,429	13,546,860	10,015,569	23,562,429
Mine development	3,615,026	736,790	2,878,236	1,303,247
Exploration properties	6,474,057	-	6,474,057	4,032,147
Software	28,570	20,381	8,189	10,466
Office equipment	19,546	14,934	4,612	5,941
	<b>38,751,283</b>	<b>15,695,244</b>	<b>23,056,039</b>	<b>31,896,076</b>

The ongoing challenging conditions in financial markets, the commodity markets and the related uncertainty about the future business environment prompted management to conduct a review of the Company's mineral properties. A provisional asset impairment loss of €14,000,000 consisting of €3,319,959 and €9,018,115 in acquisition costs for Hitura and Sarkiniemi respectively and, €680,042 and €981,885 in capitalized expenditures respectively, has been applied against the carrying value of these projects in the third quarter.

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 30, 2008

(Tabular amounts expressed in Euros, except as noted)

(Unaudited)

#### 4. Mineral property, plant and equipment (continued)

A further and more detailed mineral property impairment test will be completed before our year end results for fiscal 2008 are released based on our updated NI 43-101 Reserves and Resources and updated financial projections. The ongoing global liquidity crisis, commodity market volatility and its wider implications for the operating environment of our mining operations could result a further impairment of mineral properties in the future.

#### 5. Jinchuan Prepayment Agreement

In August 2008, Finn Nickel Ltd entered into an agreement with Jinchuan Group Ltd for the latter to provide a US\$7.5 million prepayment facility. Under the terms of the agreement, Finn Nickel agrees 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%.

The Company currently sells all of its concentrate production to Jinchuan 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.

#### 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.

While the annual financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations, certain historical adverse conditions and events cast substantial doubt upon the validity of this assumption.

During the years ended December 31, 2007, 2006 and 2005, the Company incurred losses of €4.3 million, €1 million and €0.4 million, respectively. The funds required to continue operations and exploration activities during this period have been financed primarily from the issue of equity.

At September 30, 2008, the Company had working capital of €0.3 million. The successful rescheduling of the repayment of \$7.5m to Jinchuan will materially improve this figure and, concurrently to these discussions, the Directors and management are currently evaluating a number of alternative ways of financing the Company. These include various forms of debt financing, working in partnership with larger mining groups, exploring a closer collaboration with our Chinese smelting partner and as a last resort, equity financing. Despite, the turmoil in the world financial system, the directors remain confident that the Company is a going concern.

While management has been successful in obtaining sufficient funding for the Company's operating and capital exploration requirements in the past, there is no assurance that such funding will be available to the Company, or that it will be available on terms which are acceptable to management. If funding does not become available, the Company may not be able to continue as a going concern.

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 30, 2008

(Tabular amounts expressed in Euros, except as noted)

(Unaudited)

#### 6. Management of capital risk (continued)

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

#### 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, and commencing July 1, 2008 all sales revenue will be denominated in US dollars under the terms of a new off-take contract. A significant change in the currency exchange rates between the Euro relative to the US and Canadian dollar could have an effect on the Company's operating results, financial position or cash flows.

As at September 30, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in Euros, US dollars and Canadian dollars:

	Euro	Canadian Dollar	US Dollar
Cash and cash equivalents	1,549,496	2,671,007	-
Other working capital items	2,283,536	(40,562)	(7,500,000)

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.

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 30, 2008

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

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

(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.

(e) *Interest rate risk (continued)*

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.

(f) *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.*

#### 8. Commitments

Two new underground ground support rigs are still on order for use at Hitura. The value of this order is €1.13m, however discussions are underway with the supplier to try and cancel delivery of one machine currently.

Under the terms of an offtake agreement with the Jinchuan Group of China, the Company is obliged to deliver 15,000 tonnes of Nickel concentrate annually. As at the end of the quarter, the Company had still to make a shipment under this contract. Shipments started in October 2008. Also, under the terms of a prepayment agreement dated August 20, 2008 the Company is due to start repaying the US\$7.5m advance provided by Jinchuan as follows:

\$2.5m by December 31, 2008  
\$0.5m monthly thereafter

Interest on this payment has been accrued in these financial statements and is calculated at a rate of LIBOR plus 3.5%. Discussions are currently taking place with Jinchuan in an effort to restructure the terms of this advance against sales.

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 30, 2008

(Tabular amounts expressed in Euros, except as noted)

(Unaudited)

#### 9. 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
	€	€
Consultancy	-	78,000
Rent	<b>1,061</b>	11,667

#### 10. 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 September 30, 2008 and December 31, 2007, and revenues and expenses by geographic areas for the nine month periods ended September 30, 2008 and 2007 are as follows:

	<b>September 30 2008</b>		
	<b>Finland</b>	<b>Canada</b>	<b>Total</b>
	€	€	€
Mineral property, plant and equipment	<b>23,050,653</b>	<b>5,386</b>	<b>23,056,039</b>
<b>Total assets</b>	<b>30,521,912</b>	<b>1,800,154</b>	<b>32,322,066</b>

	<b>Nine Months September 30 2008</b>		
	<b>Finland</b>	<b>Canada</b>	<b>Total</b>
Mining revenue	<b>12,483,110</b>	-	<b>12,483,110</b>
Operating costs	<b>(16,208,633)</b>	-	<b>(16,208,632)</b>
Depletion, depreciation and amortization	<b>(1,287,510)</b>	<b>(5,728)</b>	<b>(1,293,238)</b>
Stock-based compensation	<b>(21,215)</b>	<b>(523,001)</b>	<b>(544,216)</b>
General and administrative	<b>(452,896)</b>	<b>(743,852)</b>	<b>(1,196,748)</b>
Interest income	<b>131,470</b>	<b>101,157</b>	<b>232,627</b>
Interest expense	<b>(16,870)</b>	<b>(2,406)</b>	<b>(19,276)</b>
Mineral property impairment	<b>(14,000,000)</b>	-	<b>(14,000,000)</b>
Foreign exchange gain (loss)	<b>(65,073)</b>	<b>(1,665)</b>	<b>(66,738)</b>
<b>Loss before income taxes</b>	<b>(19,437,617)</b>	<b>(1,175,495)</b>	<b>(20,613,111)</b>

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 30, 2008

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

#### 10. Segmented information (continued)

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

For the nine months ended September 30, 2008, 100% of revenue was from one customer and as at September 30, 2008, 100% of accounts receivable was due from one customer.

	December 31 2007		
	Finland	Canada	Total
	€	€	€
Mineral property, plant and equipment	31,887,086	8,990	31,896,076
<b>Total assets</b>	<b>40,463,843</b>	<b>7,387,831</b>	<b>47,851,674</b>

	Nine Months September 30 2007		
	Finland	Canada	Total
Mining revenue	6,979,079	-	6,979,079
Operating costs	(6,843,916)	-	(6,843,916)
Depletion and depreciation and amortization	(219,819)	(10,354)	(230,173)
Stock-based compensation	-	(4,212,562)	(4,212,562)
General and administrative	(165,660)	(499,707)	(665,367)
Interest income	42,572	244,754	287,326
Interest expense	(46,729)	(2,591)	(49,320)
Foreign exchange gain	125,975	(2,451)	123,524
<b>Loss before income taxes</b>	<b>(128,498)</b>	<b>(4,482,911)</b>	<b>(4,611,409)</b>

#### 11. Subsequent Events

On October 15, 2008 the Company announced that due to the heavy fall in nickel prices, a programme to further reduce operating costs had been initiated at its Hitura Nickel Mine. Effective November 2, 2008 all mine development work was suspended.

The suspension of mine development required the temporary dismissal of 36 mine employees out of a permanent workforce of 110 employees. On November 6, 2008 the number of employees on temporary dismissal was extended by a further 65 employees. The Company has the option to request workers return to work within 90 days of the notices having been issued.

This action gives the Company the option to put Hitura on care and maintenance should there be no short term improvement in the nickel price. Conversely, if the nickel price recovers, management could immediately request any dismissed workers to return to work, with no significant impact on the sustainability of the Hitura Mine.