

Unaudited interim consolidated financial statements of

## **Belvedere Resources Ltd.**

Three and nine month periods ended September 30, 2009 and  
2008

The financial statements for the nine month period ended  
September 30, 2009 have not been reviewed by the Company's  
auditors.

# **Belvedere Resources Ltd.**

Three and nine month periods ended September 30, 2009 and 2008

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# Belvedere Resources Ltd.

## Consolidated statements of loss and comprehensive income (loss) three and nine month periods ended September 30, 2009 and 2008

(Expressed in Euros, except share amounts)

	<b>Three Month Period Ended September 30 2009</b>	Three Month Period Ended September 30 2008	<b>Nine Month Period Ended September 30 2009</b>	Nine Month Period Ended September 30 2008
	€	€	€	€
<b>Mining revenue</b>	-	1,675,446	-	12,483,110
Operating expenses				
Operating costs	<b>943,359</b>	2,241,726	<b>2,910,436</b>	16,208,632
Depletion, depreciation and amortization	<b>1,538</b>	439,812	<b>3,096</b>	1,293,238
Stock-based compensation - operations	-	-	-	21,215
	<b>944,897</b>	2,681,538	<b>2,913,532</b>	17,523,085
Loss before undernoted items	<b>(944,897)</b>	(1,006,092)	<b>(2,913,532)</b>	(5,039,975)
Other expense (income)				
General and administrative	<b>134,319</b>	322,152	<b>507,310</b>	1,196,748
Stock-based compensation - administrative	<b>217,379</b>	86,575	<b>290,471</b>	523,001
Interest income	<b>(2,421)</b>	(79,243)	<b>(11,345)</b>	(232,627)
Interest expense	<b>8,469</b>	12,450	<b>257,583</b>	19,276
Mineral property impairment loss	-	14,000,000	-	14,000,000
Foreign exchange (gain) loss	<b>126,984</b>	19,132	<b>(100,329)</b>	66,738
	<b>484,730</b>	14,361,066	<b>943,690</b>	15,573,136
Loss before income taxes	<b>(1,429,627)</b>	(15,367,158)	<b>(3,857,222)</b>	(20,613,111)
Income tax expense (recovery)				
Current income tax expense	-	-	-	-
Future income tax recovery	-	(4,298,402)	-	(5,551,094)
	-	(4,298,402)	-	(5,551,094)
<b>Net loss for the period</b>	<b>(1,429,627)</b>	(11,068,756)	<b>(3,857,222)</b>	(15,062,017)
Other comprehensive income				
Cumulative foreign currency translation adjustments, net of tax	<b>125,006</b>	101,808	<b>157,422</b>	(472,133)
<b>Comprehensive loss for the period</b>	<b>(1,304,621)</b>	(10,966,948)	<b>(3,699,800)</b>	(15,534,150)
Basic and diluted loss per share	<b>(0.02)</b>	(0.14)	<b>(0.05)</b>	(0.20)
Basic weighted average number of common shares outstanding	<b>79,183,336</b>	79,155,158	<b>79,246,692</b>	79,115,158
Diluted weighted average number of common shares outstanding	<b>81,296,255</b>	82,849,013	<b>81,909,433</b>	82,849,013

## Belvedere Resources Ltd.

Consolidated statements of shareholders' equity  
 nine month periods ended September 30, 2009 and 2008  
 (Expressed in Euros)

	Number of common shares	Amount €	Contributed surplus €	Warrants €	Accumulated comprehensive income (loss) €	Deficit €	Total €
Balance, December 31, 2006	43,598,771	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	79,133,338	49,189,135	2,886,679	1,652,165	201,783	(19,632,384)	34,297,378
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	79,183,338	49,225,451	3,484,547	1,652,165	(479,460)	(47,969,159)	5,913,544
Class A preference shares issued on conversion of debt	-	-	-	-	-	-	-
Issued for cash under private placement	23,125,000	1,129,723	-	-	-	-	1,129,723
Stock-based compensation	-	-	291,882	-	-	-	291,882
Comprehensive loss for the period	-	-	-	-	157,422	(3,857,222)	(3,699,800)
Balance, September 30, 2009	102,308,338	50,355,174	3,776,429	1,652,165	(322,038)	(51,826,381)	3,635,349

# Belvedere Resources Ltd.

## Consolidated balance sheets

(Expressed in Euros)

	September 30, 2009	December 31, 2008
	€	€
<b>Assets</b>		
Current assets		
Cash	1,895,321	4,355,276
Accounts receivable	318,169	435,037
Inventories (Note 3)	381,397	404,811
Prepaid expenses	121,902	194,288
	<b>2,716,789</b>	5,389,412
Mineral property, plant and equipment (Note 4)	<b>14,371,860</b>	13,804,644
	<b>17,088,649</b>	19,194,056
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	2,556,378	2,546,921
Short-term debt (Note 5)	2,015,389	7,164,566
	<b>4,571,767</b>	9,711,487
Asset retirement obligations	3,384,351	3,314,727
Long-term liabilities (Note 6)	250,603	254,298
Class A redeemable preference shares (Note 7)	5,246,579	-
	<b>13,453,300</b>	13,280,512
<b>Shareholders' equity</b>		
Common share capital (Note 8)	50,355,174	49,225,451
Contributed surplus	3,776,429	3,484,547
Warrants	1,652,165	1,652,165
Accumulated other comprehensive income (loss)	(322,038)	(479,460)
Deficit	(51,826,381)	(47,969,159)
	<b>3,635,349</b>	5,913,544
	<b>17,088,649</b>	19,194,056

Nature of operations (Note 1)

# Belvedere Resources Ltd.

Consolidated statements of cash flows  
three and nine month periods ended September 30, 2009 and 2008

(Expressed in Euros)

	<b>Three Month Period Ended September 30 2009</b>	Three Month Period Ended September 30 2008	<b>Nine Month Period Ended September 30 2009</b>	Nine Month Period Ended September 30 2008
	€	€	€	€
<b>Operating activities</b>				
Net loss for the period	<b>(1,429,627)</b>	(11,068,756)	<b>(3,857,222)</b>	(15,062,017)
Items not involving cash				
Accretion	-	34,812	<b>69,624</b>	104,436
Depletion, depreciation and amortization	<b>1,538</b>	439,812	<b>3,096</b>	1,293,238
Mineral property impairment loss	-	14,000,000	-	14,000,000
Future income tax recovery	-	(4,298,403)	-	(5,551,094)
Stock-based compensation	<b>217,591</b>	86,575	<b>291,882</b>	544,216
	<b>(1,210,498)</b>	(805,960)	<b>(3,492,620)</b>	(4,671,221)
Net changes in non-cash working capital items				
Accounts receivable	<b>20,348</b>	1,232,922	<b>116,868</b>	3,147,796
Inventories	<b>1,075</b>	(4,078,832)	<b>23,414</b>	(4,411,242)
Prepaid expenses	<b>(1,222)</b>	(295,806)	<b>72,386</b>	(238,916)
Accounts payable and accrued liabilities	<b>(5,139,158)</b>	67,089	<b>(5,139,720)</b>	(452,788)
	<b>(6,329,455)</b>	(3,880,587)	<b>(8,419,672)</b>	(6,626,371)
<b>Financing activities</b>				
Loans payable	<b>(532)</b>	5,243,655	<b>(3,695)</b>	5,243,655
Preference shares issued on debt conversion	<b>5,246,579</b>	-	<b>5,246,579</b>	-
Common shares issued for cash, net of commission	<b>1,129,723</b>	-	<b>1,129,723</b>	16,118
	<b>6,375,770</b>	5,243,655	<b>6,372,607</b>	5,259,773
<b>Investing activities</b>				
Provision for reclamation	-	-	-	100,000
Mineral property, plant and equipment expenditures	<b>(75,959)</b>	(1,999,777)	<b>(570,312)</b>	(6,453,201)
	<b>(75,959)</b>	(1,999,777)	<b>(570,312)</b>	(6,353,201)
Effect of exchange rate changes on cash and cash equivalents	<b>125,006</b>	101,809	<b>157,422</b>	(472,133)
Increase (decrease) in cash and cash equivalents	<b>95,362</b>	(534,900)	<b>(2,459,955)</b>	(8,191,932)
Cash, beginning of period	<b>1,799,959</b>	3,864,949	<b>4,355,276</b>	11,521,981
<b>Cash and cash equivalents, end of period</b>	<b>1,895,321</b>	3,330,049	<b>1,895,321</b>	3,330,049
<b>Supplementary cash flow information</b>				
Interest paid	<b>8,469</b>	12,450	<b>257,583</b>	19,223

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

#### 1. Nature of operations

The Company's corporate goal remains to be a profitable European producer and expand its mineral resources and reserves. Its common shares trade on the TSX Venture Exchange under the symbol 'BEL'.

Belvedere Resources Ltd. (the "Company") is engaged in the acquisition, exploration, development and mining of mineral properties located in Finland. On July 17, 2009, Finn Nickel, Belvedere's nickel production subsidiary, filed for voluntary bankruptcy. The company had continued production from its Hitura and Särkiniemi Nickel mines until December 2008 when the nickel production was put on care and maintenance due to the collapse in the nickel market. 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.

Management looked at various options to restore revenues until the nickel price recovers to levels which would allow nickel production to recommence. This has included looking at various production plans to enable Hitura to restart production as well as economic studies for fast-tracking the Kopsa gold deposit into production, Management has also spent considerable time examining options for restructuring the \$US 7.5m Prepayment debt with Jinchuan. This was successfully resolved in July, 2009, by the conversion into Preference Shares in Belvedere. Unfortunately, due to the prevailing low nickel prices, no viable plan for the restart of nickel production could be implemented, and the worsening financial position and negative equity forced Finn Nickel (Belvedere's nickel subsidiary) to file for voluntary bankruptcy, and on July 17, 2009, an administrator was appointed by the Finnish courts to oversee the affairs of Finn Nickel throughout the bankruptcy proceedings. The administrator has secured additional short term financing to keep pumps operating at Hitura to maintain the assets in good order, maximizing saleable value of the assets for the creditors. Given Belvedere's position as the largest creditor of Finn Nickel, and the recovery in the Nickel price, management considers it too early to accurately determine what further impairment write-downs may be necessary at this stage. The amount and nature of any future impairment charges, changes substantially depending on which assets are disposed of by the administrators. Further impairment write downs will become necessary, but will be partially offset by the release from long term liabilities.

Under Finnish bankruptcy law, the administrators of the estate are required to maintain proper financial records throughout the process for estate accounting purposes only and are under no obligation to provide the Company periodic financial accounts. In essence this means that the traditional financial accounting for Finn Nickel ceased on July 17, 2009. In the interest of prudence, management have recorded accruals based on our best understanding of run rate costs associated with maintaining the operations from that date until September 30, 2009. The impact of the accrued operating costs is reflected in the cash balance and is a contributing factor to the negative working capital balance at the end of the period as discussed below.

In the meantime, the Company intends to concentrate on exploring and developing its gold assets, held in another subsidiary within Finland which remains unaffected by the Finn Nickel bankruptcy.

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 the three and nine month periods ended September 30, 2009 the Company had net losses of €1,429,627 and €3,857,222 respectively (2008 €11,068,756 and €15,062,017). At September 30, 2009, the Company held cash of €1,895,321 (2008 €3,330,048) and had a net working capital deficit of €1,854,978 (2008 net

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

### 1. Nature of operations (continued)

working capital surplus of €318,961). Net working capital is defined as current assets minus current liabilities and includes bank indebtedness and other net current liabilities which form part of the bankruptcy estate of Finn Nickel. These conditions (which include the Finn Nickel bankrupt estate) raise doubt about the Company's ability to continue as a going concern.

### 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

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

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

(c) *Foreign currency translation (continued)*

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.

(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.

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

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

#### (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.

#### (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.

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

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

#### (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.

#### (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.

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

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

(o) *Asset retirement obligations (continued)*

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.

(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

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

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

(t) *Employee future benefits (continued)*

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.

(u) *Adoption of new accounting standards*

*Goodwill and intangible assets*

Effective January 1, 2009, the Company adopted 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.

(v) *Recent accounting pronouncements*

(i) *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.

(ii) *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. Inventories

	<b>September 30</b>	December 31
	<b>2009</b>	2008
	<b>€</b>	€
Consumables	<b>372,061</b>	395,475
Ore and concentrate	<b>9,336</b>	9,336
	<b>381,397</b>	404,811

# Belvedere Resources Ltd.

Notes to the consolidated financial statements

Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

## 4. Mineral property, plant and equipment

*Property, plant and equipment* **September 30  
2009**

	<b>Acquisition Cost</b>	<b>Accumulated depreciation/ depletion</b>	<b>Net book value</b>
	€	€	€
Land	34,142	-	34,142
Mining plant and equipment	2,840,325	1,348,782	1,491,543
Vehicles	64,939	17,765	47,174
Software	34,490	24,685	9,805
Office equipment	19,546	16,267	3,279
	<b>2,993,442</b>	<b>1,407,499</b>	<b>1,585,943</b>

*Finn Nickel and Hitura Purchase Price Allocation*

**September 30  
2009**

	<b>Net book value</b>
	€
Mineral property and equipment	2,936,649
Land	574,572
Buildings	1,323,159
Mine development	1,847,732
	<b>6,682,112</b>

*Mineral property - exploration*

**September 30  
2009**

	<b>Net book value</b>
	€
Balance, beginning of period	5,789,951
Additions	313,854
Write-downs	-
Balance, end of period	<b>6,103,805</b>
Total mineral property, plant and equipment - 2009	<b>14,371,860</b>

# Belvedere Resources Ltd.

Notes to the consolidated financial statements

Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

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

<i>Property, plant and equipment</i>			December 31 2008
	Acquisition 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
	<u>3,007,711</u>	<u>1,332,136</u>	<u>1,675,575</u>
<i>Finn Nickel and Hitura Purchase Price Allocation</i>			December 31 2008
			Net book value
			€
Mineral property and equipment			2,936,649
Land			574,572
Buildings			1,342,728
Mine development			1,485,169
			<u>6,339,118</u>
<i>Mineral property - exploration</i>			December 31 2008
			Net book value
			€
Balance, beginning of year			4,032,147
Additions			3,095,588
Write-downs			(1,337,784)
Balance, end of year			<u>5,789,951</u>
Total mineral property, plant and equipment - 2008			<u>13,804,644</u>

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

#### 5. 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, Finn Nickel is unable to meet this repayment obligation. Additionally, under the terms of the original offtake agreement between the parties, Finn Nickel is also unable to repay a pricing adjustment of US\$ 2.55 million which may be settled from any proceeds of the bankruptcy estate.

In July, 2009, US\$ 7.5 million plus US\$175,605 in interest of the Finn Nickel debt was converted into preference shares in Belvedere Limited. This agreement discharges all remaining obligations of Belvedere and Finn Nickel under the prepayment agreement and parental guarantee. The remaining debt obligations lie with Finn Nickel and are part of the bankruptcy estate

#### 6. Long-term liabilities

	<b>September 30</b>	December 31
	<b>2009</b>	2008
	<b>€</b>	€
Tekes loans (a)	<b>133,000</b>	133,000
Unfunded pension obligation (b)	<b>106,298</b>	106,298
Gold properties damage claims reserve	<b>11,305</b>	15,000
	<b>250,603</b>	254,298

(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 Finish 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.

To the best of our knowledge, 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 remain in effect at Finn Nickel at September 30, 2009.

Note: (a) and (b) above are liabilities belonging to Finn Nickel and form part of the bankruptcy estate.

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

### Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

#### 7. Financial Liabilities

##### Redeemable Preference Shares

(a) *Authorized*

Unlimited number of Class A preference shares with no par value

(b) *Issued*

	Number of preference shares	Amount €
Class A preference shares series 1	7,675,705	5,246,579
<b>Balance, September 30, 2009</b>	<b>7,675,705</b>	<b>5,246,579</b>

In July the Company issued 7,675,605 Class A Preference Shares to Jinchuan Group Limited for US\$1.00 per share. The preference shares have a redemption price of US\$1.00 per share and carry a 2.5% commutative dividend, are non-voting and are not convertible to common shares. The preference shares are redeemable by the Company at any time and redeemable by Jinchuan in four annual tranches beginning on June 30, 2011 and ending on June 30, 2014.

Issuance of the preference shares discharges all obligations of Belvedere Resources Ltd and Finn Nickel for a debt of US\$7,675,605 owed by Finn Nickel and guaranteed by Belvedere Resources Ltd, to Jinchuan under the prepayment agreement.

#### 8. Share capital

(a) *Authorized*

Unlimited number of common shares with no par value

(b) *Issued*

	Number of common shares	Amount €
Balance, December 31, 2007	79,133,338	49,198,588
Exercise of options	50,000	26,863
Balance, December 31, 2008	79,183,338	49,225,451
Shares issued for cash	23,125,000	1,129,723
<b>Balance, September 30, 2009</b>	<b>102,308,338</b>	<b>50,355,174</b>

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

#### 8. Share capital (continued)

##### (b) Issued (continued)

In September the Company completed the private placement of 23,125,000 common shares at \$0.08 per share for net proceeds of C\$1,768,056 (€1,129,723). The private placement was brokered by Ocean Equities Ltd of London for a fee of 6%.

##### (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 September 30, 2009 and December 31, 2008:

	2009		2008	
	Number of options	Weighted average exercise price Cdn\$	Number of options	Weighted average exercise price Cdn\$
Balance outstanding, beginning of year	360,000	0.99	495,000	0.88
Options granted	-	-	-	-
Options exercised	-	-	(50,000)	0.51
Options forfeit	(285,000)	1.12	(85,000)	0.56
Balance outstanding, end of period	75,000	0.50	360,000	0.99

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 September 30, 2009 and December 31, 2008:

# Belvedere Resources Ltd.

Notes to the consolidated financial statements

Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

## 8. Share capital (continued)

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

	2009		2008	
	Number of options	Weighted average exercise price Cdn\$	Number of options	Weighted average exercise price Cdn\$
Balance outstanding, beginning of year	3,270,000	1.87	3,170,000	1.89
Options granted	3,800,000	0.10	100,000	1.08
Options forfeit	(520,000)	1.73	-	-
Balance outstanding, end of period	6,550,000	0.85	3,270,000	1.87

The following table summarizes information concerning outstanding and exercisable options under the 2001 Stock Option Plan at September 30, 2009:

Options outstanding	Options exercisable	Exercise price Cdn\$	Expiry date
75,000	75,000	0.50	May 2, 2011

The following table summarizes information concerning outstanding and exercisable options under the 2007 Rolling Stock Option Plan at September 30, 2009:

Options outstanding	Options exercisable	Exercise price Cdn\$	Expiry date
2,750,000	2,750,000	1.89	August 14, 2011
3,800,000	3,800,000	1.08	August 20, 2014
6,550,000	6,550,000		

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

### 8. Share capital (continued)

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

The changes in warrants were as follows:

	<b>2009</b>		<b>2008</b>	
	<b>Number of</b>	<b>Weighted</b>	<b>Number of</b>	<b>Weighted</b>
	<b>warrants</b>	<b>average</b>	<b>warrants</b>	<b>average</b>
		<b>exercise</b>		<b>exercise</b>
		<b>price</b>		<b>price</b>
		<b>Cdn\$</b>		<b>Cdn\$</b>
Balance outstanding, beginning of year	<b>3,741,422</b>	<b>1.33</b>	3,741,422	1.33
Warrants expired	<b>(3,741,422)</b>	<b>1.33</b>	-	-
Balance outstanding, year	-	-	3,741,422	1.33

(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:

	<b>September 30</b>	<b>December 31</b>
	<b>2009</b>	<b>2008</b>
Risk-free interest rate range	<b>2.7% - 4.6%</b>	3.9% - 4.6%
Expected life	<b>1 - 5 years</b>	1 - 5 years
Annualized volatility range	<b>75.0% - 272.5%</b>	75.0% - 120.3%
Dividend rate	<b>0%</b>	0%
Weighted average grant date fair value per option	<b>Cdn\$0.67</b>	Cdn\$1.39

### 9. 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.

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

#### **9. Capital Disclosures (continued)**

The Company closely monitors its funding requirements to ensure it has the appropriate liquidity to meet its operating and growth objectives. At September 30, 2009, the Company had a working capital deficit of €1.9 million (2008 working capital surplus of €0.3 million). 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.

#### **10. Bankruptcy Proceedings of Subsidiary**

In July, 2009 Finn Nickel decided to initiate voluntary bankruptcy proceedings and was placed into bankruptcy on July 17th. Finn Nickel's main assets include the Hitura and Särkiniemi nickel mines, the Hitura and Luikonlahti processing plants, the permitted Hautalampi Ni-Co-Cu project and a number of exploration properties. The mines of Finn Nickel produced the only significant revenue generated by Belvedere but due to the collapse of the world price for nickel the mines could not be operated profitably and neither Belvedere nor Finn Nickel had the resources to continue operations until the price of nickel improves. This lack of ongoing income means that the Company will need to develop its other properties. There is no guarantee that the Company will be able to develop its other properties.

Belvedere has a finite pool of cash resources with which to continue operations. Should unexpected or unanticipated events take place that cause additional amounts of cash to be expended it is likely that Belvedere will not have sufficient resources to continue operations. In such circumstances, Belvedere will be required to seek additional financing in the capital markets and there is no guarantee that the Company will be able to raise such capital.

Under Finnish bankruptcy law, the administrators of the estate are required to maintain proper financial records throughout the process for estate accounting purposes only and are under no obligation to provide the Company periodic financial accounts. In essence this means that the traditional financial accounting for Finn Nickel ceased on July 17, 2009. In the interest of prudence, management have recorded accruals based on our best understanding of run rate costs associated with maintaining the operations from that date until September 30, 2009.

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

### Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

#### 11. Segmented information

- (a) Operating segment – Until July 2009, when Finn Nickel commenced voluntary bankruptcy proceedings, the Company’s operations were primarily directed towards the acquisition, exploration, development and production of nickel in Finland. Since then, the Company has refocused on its gold assets.
- (b) Geographic segments - The Company’s assets at September 30, 2009 and December 31, 2008, and revenues and expenses by geographic areas for the nine months ended September 30, 2009 and 2008 are as follows:

	<b>September 30 2009</b>		
	<b>Finland</b>	<b>Canada</b>	<b>Total</b>
	€	€	€
Mineral property, plant and equipment	<b>14,363,366</b>	<b>8,494</b>	<b>14,371,860</b>
<b>Total assets</b>	<b>14,749,679</b>	<b>2,539,037</b>	<b>17,288,716</b>

	<b>Nine months September 30 2009</b>		
	<b>Finland</b>	<b>Canada</b>	<b>Total</b>
	€	€	€
Mining revenue	-	-	-
Operating costs	<b>(2,910,436)</b>	-	<b>(2,910,436)</b>
Depletion, depreciation and amortization	-	<b>(3,096)</b>	<b>(3,096)</b>
Stock-based compensation	-	<b>(290,471)</b>	<b>(290,471)</b>
General and administrative	<b>(294,400)</b>	<b>(212,910)</b>	<b>(507,310)</b>
Interest income	<b>1,537</b>	<b>9,808</b>	<b>11,345</b>
Interest expense	<b>(255,474)</b>	<b>(2,109)</b>	<b>(257,583)</b>
Foreign exchange gain (loss)	<b>101,284</b>	<b>(955)</b>	<b>100,329</b>
<b>Loss before income taxes</b>	<b>(3,357,489)</b>	<b>(499,733)</b>	<b>(3,857,222)</b>

# Belvedere Resources Ltd.

## Notes to the consolidated financial statements

Three and nine month periods ended September 30, 2009

(Tabular amounts expressed in Euros, except as noted)

### 11. Segmented information (continued)

	December 31 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

  

	Nine months June 30 2008		
	Finland	Canada	Total
	€	€	€
Mining revenue	12,483,110	-	12,483,110
Operating costs	(16,208,632)	-	(16,208,632)
Depletion, depreciation and amortization	(1,287,510)	(5,728)	(1,293,238)
Stock-based compensation	(21,215)	(523,001)	(544,216)
General and administrative	(452,896)	(743,852)	(1,196,748)
Interest income	131,470	101,157	232,627
Interest expense	(16,870)	(2,406)	(19,276)
Mineral property impairment	(14,000,000)	-	(14,000,000)
Foreign exchange loss	(65,073)	(1,665)	(66,738)
Loss before income taxes	(19,437,616)	(1,175,495)	(20,613,111)

### 12. Subsequent events

On November 16<sup>th</sup>, the administrators have disposed of a substantial portion of the assets of Finn Nickel to Vulcan Resources a company operating in Finland and Australia.

Vulcan has acquired a package of assets including the Luikonlahti mill and the Hautalampi and Valkeisenranta nickel properties for €4.71 million. A deposit of €1.4 million has been paid with the remainder of the sum payable by year end.