

REGENCY GOLD CORP.

THIRD QUARTER REPORT

For the nine months ended October 31, 2008

REGENCY GOLD CORP.
Nine Months ended October 31, 2008
Management's Discussion and Analysis

The following discussion is management's assessment and analysis of the results of operations and financial conditions ("MD&A") of Regency Gold Corp. (formerly Silvio Ventures Inc.) (the "Company" or "Regency") and should be read in conjunction with the accompanying unaudited interim consolidated financial statements and related notes thereto for the three and nine months ended October 31, 2008 and the most recent audited consolidated annual financial statements for the year ended January 31, 2008 which are also available at the SEDAR website at www.sedar.com.

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with Canadian generally accepted accounting principles and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The effective date of this report is December 12, 2008.

Overview

The Company was incorporated under the laws of the Province of British Columbia and continued under the Canada Business Corporation Act. On July 17, 2008 the Company changed its name to Regency Gold Corp. and commenced trading on the NEX board of the TSX Venture Exchange at the opening on July 17, 2008 under the symbol **RAU.H** and the common shares of Silvio Ventures Inc. (SIV.H) were delisted.

Nevada Projects:

On March 4, 2008 Regency entered into an option agreement to acquire 100% of the Meridian Ridge and Bombardier exploration projects located in Nevada from Sirius Exploration, LLC ("Sirius") of Elko, Nevada. On July 2, 2008 the Company entered into a second agreement with Sirius to acquire the South Lida project also located in Nevada.

In addition we teamed up the principals of Sirius, Curt Everson and Eric Saderholm, who each have more than 25 years experience in this field to direct the exploration of the projects.

The Company conducted mapping, rock chip and soil sampling and geophysical surveys at the project and while the results were encouraging on a few of the targets and less encouraging on most of the targets the Company chose to maintain the Company's strong capital structure and solid balance sheet rather than continue to pursue early stage exploration efforts on these prospects. While we maintain that these mineral prospects have strong potential, in this adverse capital market environment it is best that the Company pursue other projects, either inside or outside the mineral exploration arena.

On August 15, 2008 the Company and Sirius agreed to terminate the two mineral property option agreements and as part of the termination and mutual release agreement, Regency relinquished its title and rights to all of its mineral claims in Nevada to Sirius in consideration of Sirius returning all 425,000 shares previously issued to it by Regency for return to treasury and cancellation.

Results of Operations

Results of Operations for the nine month periods ended October 31, 2008 and 2007

Operating Expenses

Total operating expenses were \$444,218 for the nine months ended October 31, 2008 (2007 - \$98,816).

Consulting fees and salaries of \$92,519 (2007 - \$nil) included the salary paid to the Company's President and Chief Executive Officer and the fees of \$36,000 paid to Golden Oak Corporate Services Ltd., a company wholly owned by the Chief Financial Officer, Corporate Secretary and Director in the nine months ended October 31, 2008. Golden Oak provides corporate compliance and financial reporting services to the Company.

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The Company recorded \$86,168 (2007 - \$nil) of property investigation costs. This category includes consulting fees, assays and travel costs to visit and evaluate prospective areas that did not result in the acquisition of a mineral property.

The Company recorded \$37,519 (2007 - \$12,962) in transfer agent and filings fees during the nine months ended October 31, 2008. This included the cost of the mailing of the annual general meeting material and the extra costs associated with the annual general meeting as well as the extra costs associated with the name change of the Company.

Shareholder relations costs of \$18,699 (2007 - \$nil) are expected to grow as the Company repositions itself in the market place.

Travel expense of \$13,718 (2007 - \$7,050) was the cost of the President's travel to visit the site of the Nevada projects and travel to investigate other business opportunities. This category of cost is expected to increase in the future.

The Company recorded \$136,285 (2007 - \$nil) as the fair value of stock options vested in the nine months ended October 31, 2008. There were 400,000 stock options granted to Curt Everson and Eric Saderholm that were cancelled on November 15, 2008 being 90 days after termination of the agreement with Sirius. There will be an adjustment to the stock based compensation expense in the fourth quarter for the options that did not vest prior to cancellation.

Other Item

The Company earned \$13,700 (2007 - \$8,913) in interest income during the nine months ended October 31, 2008.

The Company wrote off \$418,899 (2007 - \$nil) of acquisition and exploration costs associated with acquiring and examining the Bombardier, Meridien and South Lida projects in Nevada before writing them off.

Net Loss

The Company recorded a net loss of \$849,417 or \$0.08 per share (2007 - \$89,903 / \$0.01) for the nine months ended October 31, 2008.

Summary of Quarterly Results

	Oct 31	July 31	Apr 30	Jan 31	Oct 31	July 31	Apr 30	Jan 31
	2008	2008	2008	2008	2007	2007	2007	2007
	\$	\$	\$	\$	\$	\$	\$	\$
Total revenues	-	-	-	-	-	-	-	-
Net income (loss)	(81,599)	(496,243)	(271,575)	(146,301)	(31,316)	(49,169)	(9,418)	16,513,145
Net earnings (loss) per share - basic and diluted	(0.01)	(0.04)	(0.02)	(0.02)	(0.00)	(0.01)	(0.00)	2.72

During the quarter ended January 31, 2007, the Company incurred one-time gain on the settlement of debt of \$16,511,042 for the satisfaction of the restructuring.

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During the quarters ended July 31 2007 and October 31, 2007 the Company was involved in a property acquisition and incurred increased professional fees and travel related to that failed transaction.

During the quarter ended January 31, 2008 the Company incurred a non-cash stock compensation expense of \$128,299 representing the fair value of stock options vested in the period.

During the quarter ended April 30, 2008 the Company reported the costs to audit the financial statements for the year ended January 31, 2008 and the extra costs associated with the preparation and mailing of the Company's annual shareholder meeting material as well as \$89,867 of a non-cash stock compensation expense.

During the quarter ended July 31, 2008 the Company wrote off \$395,832 of mineral property acquisition and exploration costs for its Nevada mineral projects and an additional \$23,209 of non-cash stock compensation expense.

Liquidity

The Company began the 2009 fiscal year with cash of \$1,211,076. Cash expended on operations in the period, net of working capital changes was \$289,858. The Company incurred \$418,899 cash costs on acquisition and exploration on three mineral properties written off and \$2,754 to purchase computer equipment. The Company ended at October 31, 2008 with cash of \$499,565.

Capital Resources

The Company had no commitments for material capital expenditures as of October 31, 2008.

The Company had 300,000 stock options outstanding at December 12, 2008 which if exercised would raise additional capital.

There can be no assurance that additional financing will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs until the Company acquires an operating business or achieves positive cashflow. The Company currently has no commitments for any credit facilities such as revolving credit agreements or lines of credit that could provide additional working capital.

Transactions with Related Parties

Included in the determination of net loss for the period is \$36,000 of consulting fees paid to a company wholly owned by the Company's Chief Financial Officer and Corporate Secretary.

The above noted transactions have been in the normal course of business and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

REGENCY GOLD CORP.
Nine Months ended October 31, 2008
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Disclosure of Outstanding Share Data

The following details the share capital structure as of the date of this MD&A.

	Common Shares Issued and Outstanding	Common Share Purchase Warrants	Stock Options
Balance, October 31, 2008	11,056,438	-	700,000
Stock options cancelled	-	-	(400,000)
Balance, December 12, 2008	11,056,438	-	300,000

Forward-Looking Statements

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future exploration activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes, and continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual result or developments may differ materially from those projected in the forward-looking statements.

Risks

Should the Company stay in the mineral exploration business, mineral exploration is subject to a high degree of risk, which a combination of experience, knowledge, and careful evaluation may fail to overcome. Exploration activities seldom result in the discovery of a commercially viable mineral resource. Exploration activities are also expensive. The Company will therefore require additional financing to carry on its business and such financing may not be available when it is needed.

Disclosure and Internal Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

The Chief Executive Officer and Chief Financial Officer have designed the internal controls over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management has not identified any material uncorrected weaknesses in internal controls during the course of the preparation of these interim financial statements.

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Management's Discussion and Analysis

Corporate Governance

Management of the Company is responsible for the preparation and presentation of the annual financial statements and notes thereto, MD&A and other information contained in this interim report. Additionally, it is management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The Company's management is held accountable to the Board of Directors ("Directors"), each member of which is elected annually by the shareholders of the Company. The Directors are responsible for reviewing and approving the interim and annual financial statements and MD&A. The Directors perform the role normally assumed by an audit committee. As there are only three directors at this point the Directors fill that role.

The auditors are appointed annually by the shareholders to conduct an audit of the financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Directors to discuss the audit, financial reporting and related matters resulting from the annual audit as well as assisting the Directors in discharging their corporate governance responsibilities.

Other Information

Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com.

Regency Gold Corp.

(formerly Silvio Ventures Inc.)

Interim Consolidated Financial Statements

(Unaudited – Prepared by Management)

For the nine months ended October 31, 2008

Notice to Reader

These interim consolidated financial statements of Regency Gold Corp. have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these interim consolidated financial statements, notes to financial statements and the related interim Management Discussion and Analysis.

Regency Gold Corp.
Interim Consolidated Balance Sheets

	October 31	January 31
	2008	2008
	(Unaudited)	
ASSETS		
Current		
Cash	\$ 499,565	\$ 1,211,076
Amounts receivable	1,799	8,035
Prepaid expenses	-	2,248
	<u>501,364</u>	<u>1,221,359</u>
Property and equipment (Note 4)	<u>2,295</u>	-
	<u>\$ 503,659</u>	<u>\$ 1,221,359</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 3,520	\$ 8,088
SHAREHOLDERS' EQUITY		
Share Capital (Note 6)	73,102,552	73,102,552
Contributed Surplus (Note 6)	264,584	128,299
Deficit	<u>(72,866,997)</u>	<u>(72,017,580)</u>
	<u>500,139</u>	<u>1,213,271</u>
	<u>\$ 503,659</u>	<u>\$ 1,221,359</u>

Nature and continuance of operations (Note 1)

Approved by the Directors:

"William Radvak" Director

"Doris Meyer" Director

The accompanying notes form an integral part of these financial statements

Regency Gold Corp.
Interim Consolidated Statements of Operations, Comprehensive Loss and Deficit

	Three months ended October 31		Nine months ended October 31	
	2008 (unaudited)	2007 (unaudited)	2008 (unaudited)	2007 (unaudited)
Expenses				
Amortization	\$ -	\$ -	\$ 459	\$ -
Foreign exchange	(15,370)	-	(7,599)	-
Interest and bank charges	837	23	2,489	472
Consulting fees and salary (Note 7)	28,016	-	92,519	-
Office	5,962	226	18,706	1,289
Professional fees	2,096	31,885	45,255	77,043
Property investigation costs	10,125	-	86,168	-
Shareholder relations	266	-	18,699	-
Stock-based compensation	23,209	-	136,285	-
Transfer agent and filing fees	2,822	2,200	37,519	12,962
Travel	2,297	62	13,718	7,050
	60,260	34,396	444,218	98,816
Other items:				
Interest income	(1,728)	(3,080)	(13,700)	(8,913)
Write-down of mineral properties	23,067	-	418,899	-
Net loss and comprehensive loss for the period	(81,599)	(31,316)	(849,417)	(89,903)
Deficit, beginning of period	(72,785,398)	(71,839,963)	(72,017,580)	(71,781,376)
Deficit, end of period	\$ (72,866,997)	\$ (71,871,279)	\$ (72,866,997)	\$ (71,871,279)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.08)	\$ (0.01)
Weighted average number of shares outstanding	11,056,438	8,556,438	11,221,766	8,492,335

The accompanying notes form an integral part of these financial statements

Regency Gold Corp.
Interim Consolidated Statements of Cash Flows

	Three months ended October 31		Nine months ended October 31	
	2008	2007	2008	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cash flows to operating activities				
Net loss for the period	\$ (81,599)	\$ (31,316)	\$ (849,417)	\$ (89,903)
Items not involving cash:				
Amortization	-	-	459	-
Stock-based compensation	23,209	-	136,285	-
Write-down of mineral properties	23,067	-	418,899	-
Changes in non-cash working capital items:				
Amounts receivable	(814)	(702)	6,236	(11,235)
Prepaid expenses	-	(2,609)	2,248	(2,609)
Accounts payable	(2,191)	(22,159)	(4,568)	(18,820)
Accrued interest on loan	-	-	-	(5,498)
	(38,328)	(56,786)	(289,858)	(128,065)
Cash flows to investing activities				
Property and equipment	-	-	(2,754)	-
Mineral properties	(23,067)	-	(418,899)	-
Accounts payable included in mineral property costs	(32,553)	-	-	-
	(55,620)	-	(421,653)	-
Cash flows from financing activities				
Common shares issued	-	-	-	500,000
Loan proceeds	-	-	-	7,500
Repayment of loans	-	-	-	(33,000)
	-	-	-	474,500
Increase (decrease) in cash	(93,948)	(56,786)	(711,511)	346,435
Cash beginning of period	593,513	403,592	1,211,076	371
Cash, end of period	\$ 499,565	\$ 346,806	\$ 499,565	\$ 346,806

The accompanying notes form an integral part of these financial statements

Regency Gold Corp.
Schedule of Mineral Property Costs

	Acquisition costs	Exploration costs	For the nine months ended October 31, 2008	For the nine months ended October 31, 2007
Bombardier Project				
Acquisition	27,995	-	\$ 27,995	\$ -
Assays	-	30,267	30,267	-
Field support	-	653	653	-
Geological consulting fees	-	28,922	28,922	-
Travel and accommodation	-	8,677	8,677	-
Change in period	27,995	68,519	96,514	-
Balance, beginning of period	-	-	-	-
Write-down of mineral properties	(27,995)	(68,519)	(96,514)	-
Balance, end of period	-	-	-	-
Meridian Ridge Project				
Acquisition	33,277	-	33,277	-
Assays	-	46,654	46,654	-
Field support	-	32	32	-
Geological consulting fees	-	40,088	40,088	-
Travel and accommodation	-	12,072	12,072	-
Change in period	33,277	98,846	132,123	-
Balance, beginning of period	-	-	-	-
Write-down of mineral properties	(33,277)	(98,846)	(132,123)	-
Balance, end of period	-	-	-	-
South Lida Project				
Acquisition	47,505	-	47,505	-
Assays	-	71,445	71,445	-
Field support	-	1,631	1,631	-
Geological consulting fees	-	54,728	54,728	-
Travel and accommodation	-	14,953	14,953	-
Change in period	47,505	142,757	190,262	-
Balance, beginning of period	-	-	-	-
Write-down of mineral properties	(47,505)	(142,757)	(190,262)	-
Balance, end of period	-	-	-	-
Mineral Properties				
Change in period	108,777	310,122	418,899	-
Balance, beginning of period	-	-	-	-
Write-down of mineral properties	(108,777)	(310,122)	(418,899)	-
Balance, end of period	\$ -	\$ -	\$ -	\$ -

The accompanying notes form an integral part of these financial statements

1. Nature and continuance of operations

Regency Gold Corp. (the "Company"), formerly Silvio Ventures Inc., was incorporated under the laws of the Province of British Columbia and continued under the Canada Business Corporation Act. The Company is currently listed on the NEX board of the TSX Venture Exchange.

These financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year.

The Company has not generated any revenue since inception and has never paid any dividends and is unlikely to pay dividends or generate earnings in the immediate or foreseeable future. As at October 31, 2008, the Company has working capital of \$497,844. Although cash is expected to provide sufficient funds through the current fiscal year, the capital expenditures required to achieve operations may be substantial. The continuation of the Company as a going concern for a period longer than the current fiscal year is dependent upon the ability of the Company to obtain necessary equity financing to continue operations.

2. Significant accounting policies

These interim consolidated financial statements for the Company have been prepared in accordance with GAAP. They do not include all of the information and disclosures required by GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim consolidated financial statements should be read in conjunction with the Company's audited financial statements including the notes thereto for the year ended January 31, 2008 which may be found on www.sedar.com.

The accounting policies followed by the Company are set out in note 2 to the audited financial statements for the year ended January 31, 2008 and have been consistently followed in the preparation of these interim financial statements.

Newly adopted accounting policies

On February 1, 2008, the Company adopted the following additional accounting policies. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

a) Consolidation

These consolidated financial statements include the accounts of the Company, its wholly owned subsidiary, Silvio USA, Inc. in Nevada as of its incorporation date on February 12, 2008. All significant inter-company transactions and balances have been eliminated upon consolidation.

b) Mineral properties

The Company defers its costs relating to the acquisition and exploration of mineral properties until the properties are placed into commercial production, sold, or abandoned. These costs will be amortized over the estimated useful life of the property following commencement of production, or written off as mineral properties are sold or abandoned. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties and related deferred exploration costs could be written-down to the estimated amount recoverable.

2. Significant accounting policies - continued

c) Property and equipment

Property and equipment consisting of computer equipment are stated at cost less accumulated amortization. Amortization is over three years using the straight line method. One-half of the annual rate is applied in the year of acquisition.

d) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories (see Note 3).

e) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows (see Note 3).

f) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed (see Note 8). Under this standard, the Company will be required to disclose the following:

- qualitative information about its objectives, policies and processes for managing capital;
- summary quantitative data about what it manages as capital;
- whether during the period it complied with any externally imposed capital requirement to which it is subject; and
- when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

g) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern (see Note 1).

3. Financial Instruments

All financial instruments are recorded initially at estimated fair value on the balance sheet. Financial assets classified as held to maturity, loans and other receivables and financial liabilities other than those held for trading are measured at amortized cost. Available for sale financial instruments are measured at fair market value with unrealized gains and losses recorded in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the income statement for the period.

Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's financial instruments consist of cash, amounts receivable, and accounts payable and accrued liabilities.

The Company has classified cash as held-for-trading. Receivables are classified as loans and receivables, and accounts payable and accrued liabilities as other liabilities, all of which are measured at amortized cost.

Regency Gold Corp.
Notes to Interim Consolidated Financial Statements
Nine months ended October 31, 2008 and 2007

3. Financial Instruments – continued

Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management processes.

Credit Risk

The Company's only exposure to credit risk is on its bank accounts. Bank accounts are with a Canadian Schedule 1 bank with a \$20 million counterparty credit limit.

Liquidity Risk

The Company ensures that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is invested in business accounts which are available on demand.

Market Risk

The only significant market risk exposure to which the Company is exposed is interest rate risk. The Company's bank account earns interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to short-term rates.

Exchange Risk

As at October 31, 2008 the majority of the Company's cash was held in Canada. The Company's significant operations were carried out in Nevada. As a result a portion of the Company's cash, accounts payable and accrued liabilities are denominated in United States Dollars, and are therefore subject to fluctuation in exchange rates.

4. Property and equipment

	October 31, 2008			January 31, 2008	
	Cost	Accumulated amortization	Net book value	Net book value	
Computer equipment	\$ 2,754	\$ 459	\$ 2,295	\$	-
	\$ 2,754	\$ 459	\$ 2,295	\$	-

Regency Gold Corp.
Notes to Interim Consolidated Financial Statements
Nine months ended October 31, 2008 and 2007

5. Mineral Properties

	Acquisition Cost	Exploration Costs	Written down	October 31, 2008	January 31, 2008
Bombardier Project	\$ 27,995	\$ 68,519	\$ (96,514)	\$ -	\$ -
Meridian Ridge Project	33,277	98,846	(132,123)	-	-
South Lida Project	47,505	142,757	(190,262)	-	-
	\$ 108,777	\$ 310,122	\$ (418,899)	\$ -	\$ -

Nevada Projects

On March 4, 2008 the Company entered into an option agreement to acquire 100% of the Meridian Ridge and Bombardier exploration projects located in Nevada from Sirius Exploration, LLC ("Sirius") of Elko, Nevada. Pursuant to the option agreement the Company paid US\$50,000 and issued the first tranche of 250,000 common shares at a fair value of \$117,500.

On July 2, 2008 the Company entered into an option agreement to acquire 100% of the South Lida exploration project located in Nevada from Sirius. Pursuant to the option agreement the Company issued the first tranche of 175,000 common shares at a fair value of \$96,250.

On August 15th, 2008 the Company and Sirius entered into a termination and mutual release agreement to terminate the two mineral property option agreements dated March 4, 2008 and July 2, 2008. On August 29th, 2008 Sirius returned all 425,000 shares previously issued to it by the Company for return to treasury and cancellation in consideration of the Company transferring its title and rights to the Meridian Ridge, Bombardier and South Lida projects. The Company has written off the exploration expenses on the Meridian Ridge, Bombardier and South Lida Projects and returned the 425,000 common shares with a value of \$213,750 to treasury for cancellation.

6. Share Capital

a) Authorized

Unlimited Class A common shares, without par value

b) Issued

	Shares	Share capital	Contributed Surplus
Balance, January 31, 2008	11,056,438	73,102,552	128,299
Fair value of stock options granted	-	-	136,285
Balance, October 31, 2008	11,056,438	73,102,552	264,584

As described in note 5, during the nine months ended October 31, 2008 the Company issued 425,000 shares at a value of \$213,750 pursuant to mineral property agreements. These shares have since been returned to treasury and cancelled as result of the mutual termination and release agreement signed between the Company and Sirius on August 15th, 2008.

6. Share Capital – continued

c) Stock Options

On October 30, 2007 the Board of Directors adopted a stock option incentive plan (the “Plan”) subject to regulatory approval. Stock options may be granted to the Company’s directors, senior officers, employees, consultants and consultant’s companies. The stock option plan: (i) provides that the number of common shares reserved for issuance, within a one year period, to any one optionee, shall not exceed 5% of the outstanding common shares; (ii) provides the maximum number of common shares reserved for issuance pursuant to options granted may not exceed 10% of the issued common shares; and (iii) contains other provisions to ensure the stock option plan is compliant with stock exchange regulations.

	Number of options	Weighted average exercise price
Outstanding, January 31, 2008	250,000	\$0.55
Granted	450,000	0.55
Outstanding, October 31, 2008	700,000	\$0.55

During the nine months ended October 31, 2008 the Company recorded \$113,076 in stock-based compensation for the vested portion of stock options granted. The fair value of the stock options granted was estimated on the date of grant using the Black-Scholes option pricing model using a risk free interest rate of 2.93% to 2.97%, an expected life of five years, volatility of 150% and no expected dividends resulting in a fair value of \$0.50 to \$0.52 per option.

As at October 31, 2008 stock options outstanding were as follows:

Number of Stock Options Outstanding	Number of Stock Options Exercisable	Exercise Price	Expiry Date
250,000	250,000	\$0.55	October 31, 2012
400,000	100,000	\$0.55	March 6, 2013
50,000	50,000	\$0.57	March 12, 2013
<u>700,000</u>	<u>400,000</u>		

7. Related Party Transactions

During the nine months ended October 31, 2008, \$36,000 (October 31, 2007 – \$nil) in consulting fees were paid to a company wholly owned by the Company’s Chief Financial Officer and Corporate Secretary for corporate and financial reporting services.

All of the above noted transactions have been in the normal course of business and, in management’s opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

8. Management of Capital

The Company manages its cash, common shares, stock options and warrants as capital (see Note 6). 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. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.