

# Jiulian Resources Inc.

## **Interim Financial Statements Expressed in Canadian Dollars**

**Six Months Ended August 31, 2007  
(Unaudited)**

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**The interim financial statements of Jiulian Resources Inc. for the Six months ended August 31, 2007 were prepared by management. They have not been reviewed by the Corporation's independent external auditor.**

# Jiulian Resources Inc.

## Balance Sheet

As at August 31, 2007

	August 31, 2007 In CAD\$ (Unaudited)	February 28, 2007 In CAD\$ (Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 63,285	\$ 40,997
Term deposit (Note 3)	200,936	100,249
GST Recoverable	2,379	48
	<u>266,600</u>	<u>141,294</u>
<b>Capital Assets</b>		
Computer Hardware	1,102	-
Accumulated Depreciation -Computer Hardware	(82)	-
	<u>1,020</u>	<u>-</u>
<b>TOTAL ASSETS:</b>	<b>\$ 267,620</b>	<b>\$ 141,294</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 8,580	\$ 10,000
Due to related party	10,078	10,078
	<u>18,658</u>	<u>20,078</u>
<b>Shareholders' equity</b>		
Share capital (Note 4)	335,000	135,000
Accumulated deficit	(86,038)	(13,784)
	<u>248,962</u>	<u>121,216</u>
<b>TOTAL LIABILITIES &amp; EQUITY:</b>	<b>\$ 267,620</b>	<b>\$ 141,294</b>

- Continuance of operations (Note 1)

- Subsequent events (Note 7)

On behalf of the Board:

"Charlie Cheng" Director

"James Zhang"

Director

See accompanying notes to the financial statements

**Jiulian Resources Inc.**  
**Statement of Operations and Deficit**  
Expressed in Canadian Dollars

	Six Months Ended August 31, 2007 <u>(Unaudited)</u>	Period from Incorporation on October 17, 2006 to February 28, 2007 <u>(Audited)</u>
<b>Administration Expenses</b>		
Accounting and audit	\$ 1,422	\$ 7,500
Bank charges	172	47
Depreciation	82	-
Filing and transfer agent fees	29,801	1,284
Legal	9,028	2,500
Office, administration	1,104	125
Share Issuing Expense	20,000	-
Travel and related expenses	12,503	2,970
Loss before other item:	74,112	14,426
<b>OTHER ITEM</b>		
Interest income	(1,858)	642
Net income (loss) for the period	<b>\$ (72,254)</b>	<b>\$ (13,784)</b>
Retained earnings, beginning of period:	\$ (13,784)	\$ -
<b>Net Loss For the Period:</b>	<b>\$ (86,038)</b>	<b>\$ (13,784)</b>
Basic and diluted loss per share	\$ (0.03)	\$ -
<b>Weighted average number of common shares outstanding</b>		
Basic	3,100,000	-
Diluted	3,503,333	-

See accompanying notes to the financial statements

**Jiulian Resources Inc.**  
**Statement of Cash Flows**  
**Expressed in Canadian Dollars**

	Six Months Ended August 31, 2007 (Unaudited)	Period from Incorporation on October 17, 2006 to February 28, 2007 (Audited)
<b>Cash Flows From Operating Activities</b>		
Net income for the period	\$ (72,254)	\$ (13,784)
Items not affecting cash:		
Depreciation	82	
Changes in non-cash working capital items:		
Accrued interest on term deposit	(687)	(249)
Increased in GST recoverable	(2,332)	(48)
Accounts payable and accrued liabilities	(1,419)	10,000
Net cash flow from operating activities	(76,610)	(4,081)
<b>Cash Flows From Investing Activities</b>		
Acquisition (Redemption) of term deposits	(100,000)	(100,000)
Purchase of fixed assets	(1,102)	-
Net cash from investing activities	(101,102)	(100,000)
<b>Cash Flows From Financing Activities</b>		
Advance from related party	-	10,078
Proceeds from issuance of shares	200,000	135,000
Net cash from financing activities	200,000	145,078
<b>Increased (decrease) in cash during the period</b>	<b>22,288</b>	<b>40,997</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>40,997</b>	<b>-</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 63,285</b>	<b>\$ 40,997</b>

see accompanying notes to the financial statements

**Jiulian Resources Inc.**  
**Notes to Financial Statements**  
**August 31, 2007**

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**Note 1 NATURE AND CONTINUANCE OF OPERATIONS**

The Corporation was incorporated on October 17, 2006 under the laws of British Columbia. It is a capital pool corporation as defined in the TSX Venture Exchange (the "Exchange") Policy 2.4, and accordingly, its principal purpose is to use its capital to investigate and acquire an asset or assets sufficient for the Corporation to meet the minimum listing requirements of the Exchange as a Tier 1 or Tier 2 issuer (referred to as a "Qualifying Transaction").

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") with the assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business.

The Exchange may suspend from trading or delist the listed shares of the Corporation where the Corporation has not completed its Qualifying Transaction within twenty four months following the date of listing of the Corporation's shares on the Exchange. The Qualifying Transaction will be subject to regulatory approval and may be subject to shareholder approval.

**Note 2 SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Corporation have been prepared in accordance with Canadian GAAP and are stated in Canadian dollars.

- a) **Estimates and Assumptions**  
The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.
- b) **Income taxes**  
Future income taxes relate to the expected future tax consequences of differences between the carrying amount of balance sheet items and their corresponding tax values. Future income tax assets, if any, are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates at the date of enactment or substantive enactment.

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**Notes to Financial Statements**  
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Note 2 **SIGNIFICANT ACCOUNTING POLICIES** (Cont'd)

c) **Loss per Share**

Loss per share is computed by dividing the net earnings for the period by the weighted average number of common shares outstanding during the year. To compute diluted earnings per share, adjustments are made to common shares outstanding. The weighted average number of common shares outstanding is adjusted to include the number of additional common shares that would be outstanding if, at the beginning of the period or at time of issuance, if later, all options were exercised. If the Corporation is in a loss position, the diluted loss per share will not be presented since it is "anti-dilutive".

The shares outstanding at February 28, 2007 have been excluded from the weighted average number of shares because they are contingently returnable.

d) **Term Deposit**

Term deposit is valued at the lower of cost and market.

e) **Financial instruments**

The Corporation's financial instruments consist of cash, term deposit, accounts payable and accrued liabilities, and amount due to related party. It is management's opinion that the Corporation is not exposed to significant interest or credit risks arising from its financial instruments, since all cash and the term deposit are placed with a major Canadian financial institution and their fair values approximate their carrying values except where separately disclosed.

f) **Stock Based Compensation**

The fair value of stock options granted is determined using the Black-Scholes options pricing method and is expensed over the period of vesting. Any consideration paid on the exercise of stock option is credited to capital stock.

Note 3 **TERM DEPOSIT**

Guaranteed investment certificate at cost plus accrued interest at prime rate minus 2.45% per annum, with maturity date on February 1, 2008.

Note 4 **SHARE CAPITAL**

a) Authorized:

Unlimited number of common shares without par value

b) Escrow Shares:

During the period ended May 31, 2007, the Corporation issued 2,700,000 common shares at a price of \$0.05 per share for a total of \$135,000 cash. These

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**Notes to Financial Statements**  
**August 31, 2007**

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Note 4 b) Escrow Shares: (Cont'd)

shares were subscribed for by the Corporation's directors, allotted from treasury, and are held in escrow. The shares will be released from escrow upon issuance of notice of final acceptance of a Qualifying Transaction by the Exchange. The Corporation has not yet announced a Qualifying Transaction. Such releases will either be over a period of 18 months or 3 years depending on the valuation of the assets acquired and on the determination as to the Tier upon which the Corporation's shares are listed. While escrowed, the escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the Exchange.

c) IPO Shares:

On June 19, 2007, the Corporation completed an initial public offering ("IPO") of 2,000,000 common shares of the Corporation at \$0.10 per share for gross proceeds of \$200,000.

Note 5 **STOCK OPTIONS**

The Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with Exchange requirements, grant to directors and officers to the Corporation, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares of the Corporation, exercisable for a period of up to five years, from the date of grant. However, while the Corporation is a capital pool company, the Corporation is restricted to stock option grants that in aggregate do not exceed 10% of the issued and outstanding shares of the Corporation as at completion of its IPO. There are no vesting requirements under the stock option plan. The Board may, however, add such provisions in its discretion on a grant by grant basis.

- a) On June 19, 2007, the Corporation completed the IPO and received net proceeds of \$165,341.33, after deducting agent's fees, commissions and related tax. Pursuant to an agency agreement with Leede Financial Markets Inc. (the "agent"), the agent received a commission of 10% of the gross proceeds. The Corporation also granted the agent a non-transferable option to purchase 200,000 common shares at an exercise price of \$0.10 per common share exercisable for a period of 24 months from the date of listing of the common shares on the Exchange.
- b) On June 19<sup>th</sup>, 2007, the Corporation granted stock options to directors and officers of the Corporation to purchase up to a total of 350,000 common shares at an exercise price of \$0.10 per common share for a period of 5 years from the date of grant.
- c) At August 31, 2007 the Corporation had outstanding stock options enabling the holders to acquire 550,000 shares as follows:

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**Notes to Financial Statements**  
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Note 5 c) **STOCK OPTIONS** (Con't)

	Number of Shares	Exercise Price	Expiry Date
Stock options (1)	200,000	\$ 0.10	June 20, 2009
Stock options (1)	350,000	\$ 0.10	June 19, 2012

(1) These options were issued in conjunction with the IPO in June 2007.

Note 6 **RELATED PARTY TRANSACTION**

During the period, the Corporation received a loan from a director of the Corporation in the amount of \$10,078. The loan is unsecured, non-interest bearing and has no specific date of repayment. Accordingly the fair value cannot be determined.

Note 7 **SUBSEQUENT EVENTS**

The Corporation issued a press release on July 31, 2007, which was undated on August 10, 2007, wherein the Corporation announced a non-brokered private placement of up to 4,500,000 common shares of the Corporation at a price of \$0.36 per share for gross proceeds of up to \$1,620,000. The private placement has been delayed but is still in process with regulatory acceptance yet to be obtained. While there are no assurances that the private placement will complete, management do expect to complete the private placement shortly. The proceeds will be added to working capital.