

# Jiulian Resources Inc.

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

**For The Six Month Period Ended August 31, 2008**  
**(Unaudited – Prepared by Management)**

### **Contents**

---

#### **Financial Statements**

<b>Interim Balance Sheets</b>	<b>2</b>
<b>Interim Statements of Operations and Deficit</b>	<b>3</b>
<b>Interim Statements of Cash Flows</b>	<b>4</b>
<b>Notes to the Interim Financial Statements</b>	<b>5-8</b>

**The accompanying interim financial statements of Jiulian Resources Inc. for the six month period ended August 31, 2008 were prepared by management. They have not been reviewed or audited by the Company's independent external auditor. This notice is being provided in accordance with section 4.3(3)(a) of the National Instrument 51-102 Continuous Disclosure Obligations.**

---

**Jiulian Resources Inc.****Interim Balance Sheets****As at August 31, 2008****(Unaudited – Prepared By Management)**

---

	<b>August 31, 2008</b>	<b>February 29, 2008</b>
	<b>In CAD\$</b>	<b>In CAD\$</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 72,827	\$ 71,578
Term deposit (Note 3)	1,759,058	1,823,222
Prepaid expenses	1,620	1,620
GST recoverable	4,358	4,242
	1,837,863	1,900,662
<b>Equipment</b> (Note 4)	1,384	1,786
	1,839,247	1,902,448
<b>TOTAL ASSETS:</b>	<b>\$ 1,839,247</b>	<b>\$ 1,902,448</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 3,794	\$ 38,038
Due to related party (Note 5)	10,078	10,078
	13,872	48,116
<b>Shareholders' Equity</b>		
Share capital (Note 6)	1,944,950	1,944,950
Contributed surplus	45,500	45,500
Accumulated deficit	(165,075)	(136,118)
	1,825,375	1,854,332
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY:</b>	<b>\$ 1,839,247</b>	<b>\$ 1,902,448</b>

- Continuance of operations (Note 1)

- Subsequent events (Note 8)

**On behalf of the Board:**

*“Charlie Cheng”*

**Director**

*“James Zhang”*

**Director**

See accompanying notes to the financial statements

**Jiulian Resources Inc.**  
**Interim Statements of Operations and Deficit**  
**Expressed in Canadian Dollars**  
**(Unaudited – Prepared By Management)**

	<b>Three Months Ended August 31, 2008</b>	<b>Six Months Ended August 31, 2008</b>	<b>Six Months Ended August 31, 2007</b>
<b>Administration Expenses</b>			
Accounting and audit	\$ 3,128	\$ 3,128	\$ 1,422
Bank charges	79	208	172
Amortization	201	402	82
Filing and transfer agent fees	3,558	9,179	29,801
Legal	14,951	14,951	9,028
Office, administration	9,159	15,843	1,104
Share issuing expenses	-	-	20,000
Salaries & wages	9,620	19,240	-
Travel and related expenses	4,031	7,536	12,503
<b>Loss before other items:</b>	<b>44,727</b>	<b>70,487</b>	<b>74,112</b>
<b>Other Items</b>			
Interest income	21,583	41,257	1,858
Net and comprehensive loss for the period	(23,144)	(28,957)	(72,254)
Deficit, beginning of the period:	(141,931)	(136,118)	(13,784)
<b>Deficit, end of the period:</b>	<b>\$ (165,075)</b>	<b>\$ (165,075)</b>	<b>\$ (86,038)</b>
<b>Basic and diluted loss per share</b>	<b>\$ ( 0.00)</b>	<b>\$ ( 0.00)</b>	<b>\$ ( 0.002)</b>
<b>Weighted average number of shares outstanding</b>	<b>8,965,343</b>	<b>8,965,343</b>	<b>3,503,333</b>

See accompanying notes to the financial statements

---

**Jiulian Resources Inc.**  
**Interim Statement of Cash Flows**  
**Expressed in Canadian Dollars**  
**(Unaudited – Prepared By Management)**

---

	<b>Three Months Ended August 31, 2008</b>	<b>Six Months Ended August 31, 2008</b>	<b>Six Months Ended August 31, 2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss for the period	\$ (23,144)	\$ (28,957)	\$ (72,254)
Items not affecting cash:			
Amortization	201	402	82
Changes in non-cash working capital items:			
Accrued interest on term deposit	(16,261)	(35,836)	(687)
GST recoverable	(2,933)	2,817	(2,332)
Accounts payable and accrued liabilities	(32,000)	(2,244)	(1,419)
Net cash flow from operating activities	(74,137)	(24,614)	(76,610)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Acquisition (Redemption) of term deposit	100,000	100,000	(100,000)
Purchase of fixed assets			(1,102)
	100,000	100,000	(101,102)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Proceeds from issuance of shares	-	-	200,000
<b>Increase (decrease) in cash during the period</b>	(25,863)	(24,614)	22,288
<b>Cash, beginning of the period</b>	46,964	71,578	40,997
<b>Cash, end of the period</b>	<b>\$ 72,827</b>	<b>\$ 46,964</b>	<b>\$ 63,285</b>

See accompanying notes to the financial statements

**Jiulian Resources Inc.**  
**Notes to the Interim Financial Statements**  
**August 31, 2008**

---

**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") on a going concern basis with the assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Corporation be unable to continue in 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**

Management in accordance with generally accepted accounting principles in Canada has prepared the financial statements of the Corporation. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements, in management's opinion, have been properly prepared using careful judgment with reasonable limits of materiality.

The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal year ended February 29, 2008. These interim financial statements do not contain all disclosures required under general accepted accounting principles for annual financial statements and should therefore be read in conjunction with the financial statements and the notes for the year ended February 29, 2008.

**Jiulian Resources Inc.**  
**Notes to the Interim Financial Statements**  
**August 31, 2008**

---

Note 3 **TERM DEPOSIT**

The term investment (redeemable) is through a chartered Canadian bank and interest is accrued at a fixed rate of 4.35% per annum, with a maturity date of November 12, 2008.

Note 4 **EQUIPMENT**

August 31, 2008			
Description	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$2,242	\$858	\$1,384

Note 5 **RELATED PARTY TRANSACTION**

The Company received a loan from a director of the Company 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 6 **SHARE CAPITAL**

a) **Authorized:**

Unlimited number of common shares without par value

b) **Common Shares Issued:**

As at August 31, 2008, the Corporation has issued total 9,320,000 common shares, there are 2,700,000 common shares were subscribed for by the Corporation's directors and allotted from treasury, to be held in escrow. The shares will be released from escrow upon issuance of a notice of final acceptance of a Qualifying Transaction by the Exchange. Such releases will either be over a period of 18 months or 3 years depending 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.

**Jiulian Resources Inc.**  
**Notes to the Interim Financial Statements**  
**August 31, 2008**

	As of August 31, 2008	
	Number of Shares	Amount
Issued for cash:		
Seed shares	2,700,000	\$135,000
IPO shares	2,000,000	200,000
Private placements	4,620,000	1,663,200
Share issuance costs	-	(53,250)
<b>Balance, beginning and end of period</b>	<b>9,320,000</b>	<b>\$ 1,944,950</b>

**c) Stock Options**

No options were granted, exercised or expired during the period.

As at August 31, 2008, the Corporation had outstanding stock options enabling the holders to acquire 590,000 shares as follows:

	Number of Shares	Exercise Price	Expiry Date
Stock options	350,000	\$ 0.10	June 19, 2012
Stock options	40,000	\$ 0.36	July 15, 2012
Agent options	200,000	\$ 0.10	June 21, 2009

**Note 7 INCOME TAXES**

The Corporation has available non-capital losses of approximately \$13,784, \$136,118, and \$28,957 expiring in 2027, 2028 and 2029 for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. In addition the Corporation has share issue costs \$42,600 for deduction. The Corporation has not recognized any future income tax asset as realization is not considered more likely than not due to the uncertainty of the business and future taxable income.

**Note 8 PENDING TRANSACTION**

On December 20, 2007, the Corporation announced that it had entered into an initial agreement (the "Initial Agreement") dated December 19, 2007 with the Inner Mongolia Tuoye Mining Development Co. China ("Tuoye"), an Inner Mongolia, China Company for the acquisition and earn-in of up to a 98% equity interest in

**Jiulian Resources Inc.**  
**Notes to the Interim Financial Statements**  
**August 31, 2008**

---

Tuoye's nickel-copper exploration property (the "Sunite Property") in Inner Mongolia, China. Tuoye is an exploration company registered in Hohhot City, Inner Mongolia, China, and is engaged in the exploration of mineral properties. It owns a 100% interest in the Sunite Property, consisting of five exploration permits and covering a total area of 198 km<sup>2</sup>. Pursuant to the Initial Agreement but in variation thereof, the Corporation entered into an equity joint venture agreement with Tuoye on March 30, 2008, whereby the Corporation has the right to earn, prior to the triggering of a dilution provision, a minimum 85% equity interest in Tuoye in two stages. In stage I, the Corporation has the right to earn a 60% interest by investing \$3.96 million in exploration. The Corporation has the option in Stage II to earn an additional 25% interest in Tuoye. The transaction is subject to the establishment of Tuoye as a foreign controlled joint venture in China, and Exchange acceptance of the transaction.

The transaction is expected to constitute an arm's length resource "Qualifying Transaction" in accordance with the policies of the TSX Venture Exchange.