

# **Cedar Mountain Exploration Inc.**

Financial Statements

**For the three and six months ended March 31, 2009 and 2008**

To the shareholders of Cedar Mountain Exploration Ltd:

The interim balance sheet of Cedar Mountain Exploration Ltd. as at March 31, 2009, and the interim statements of loss and deficit and cash flows for the periods then ended have been compiled by management.

No audit or review of this information has been performed by the Company's auditors.

# Cedar Mountain Exploration Inc.

## Balance Sheets

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As at	<i>(unaudited)</i> March 31, 2009	<i>(audited)</i> September 30, 2008
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash	231,210	378,724
Accounts receivable	136,492	100,595
Prepaid expenses and deposits	22,881	21,900
	<hr/> 390,583	501,219
<b>Mineral properties (Note 5)</b>	<hr/> 1,356,419	794,148
	<hr/> 1,747,002	1,295,367
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<hr/> 68,327	50,675
<b>Shareholders' equity</b>		
Share capital (Note 6)	2,504,569	1,839,166
Contributed surplus (Note 7)	497,100	444,600
Deficit	<hr/> (1,322,994)	(1,039,074)
	<hr/> 1,678,675	1,244,692
	<hr/> 1,747,002	1,295,367

Approved on behalf of the Board

Signed "*John Williamson*" Director

Signed "*Sean Mager*" Director

See accompanying notes to financial statements

# Cedar Mountain Exploration Inc.

## Statements of Net Loss, Comprehensive Loss, and Deficit

For the three and six months ended March 31, 2009 and 2008

(unaudited)

Period ended March 31	2009 3 months \$	2008 3 months \$	2009 6 months \$	2008 6 months \$
<b>Expenses</b>				
Management fees	39,343	44,446	86,513	86,413
Marketing and investor relations	22,131	26,011	35,580	44,935
Office and administration	57,629	11,309	79,206	55,818
Professional fees	6,024	623	13,057	7,694
Stock-based compensation (Note 6)	52,500	-	52,500	372,600
	(177,627)	(82,389)	(266,856)	(567,460)
<b>Other income</b>				
Interest	170	7,965	735	17,535
Foreign exchange	(3,456)	-	(17,799)	
<b>Net loss and comprehensive loss</b>	<b>(180,913)</b>	<b>(74,424)</b>	<b>(283,920)</b>	<b>(549,925)</b>
<b>Deficit - beginning of period</b>	<b>(1,142,081)</b>	<b>(629,612)</b>	<b>(1,039,074)</b>	<b>(154,111)</b>
<b>Deficit - end of period</b>	<b>(1,322,994)</b>	<b>(704,036)</b>	<b>(1,322,994)</b>	<b>(704,036)</b>
<b>Basic and diluted net loss per common share (Note 6)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.04)</b>
<b>Weighted average number of common shares outstanding</b>	<b>18,568,424</b>	<b>13,985,088</b>	<b>16,954,798</b>	<b>13,591,645</b>

See accompanying notes to financial statements

# Cedar Mountain Exploration Inc.

## Statements of Cash Flows

For the three and six months ended March 31, 2009 and 2008

Period ended March 31	2009 3 months \$	2008 3 months \$	2009 6 months \$	2008 6 months \$
<b>Cash provided by (used in)</b>				
<b>Operating activities</b>				
Net loss for the period	(180,913)	(74,424)	(283,920)	(549,925)
Item not affecting cash:				
Stock-based compensation	52,500	-	52,500	372,600
	(128,413)	(74,424)	(231,420)	(177,325)
Change in non cash working capital items	11,355	(49,190)	(5,659)	(160,273)
	(117,058)	(123,614)	(237,079)	(337,598)
<b>Investing activities</b>				
Acquisition of Sterling Mexico (note 3)	-	-	(170,485)	-
Acquisition of mineral properties	-	-	(340,445)	-
Expenditures on mineral properties	(40,113)	(23,276)	(64,908)	(364,242)
	(40,113)	(23,276)	(575,838)	(364,242)
<b>Financing activities</b>				
Proceeds from issuance of shares	-	-	686,500	1,600,000
Share issuance costs	(220)	-	(21,097)	(183,439)
	(220)	-	665,403	1,416,561
<b>Increase (decrease) in cash</b>	<b>(157,391)</b>	<b>(146,890)</b>	<b>(147,514)</b>	<b>714,721</b>
<b>Cash - beginning of period</b>	<b>388,601</b>	<b>888,361</b>	<b>378,724</b>	<b>26,750</b>
<b>Cash - end of period</b>	<b>231,210</b>	<b>741,471</b>	<b>231,210</b>	<b>741,471</b>

The non-cash transactions described in Note 6 have been excluded from the Statements of Cash Flows.

See accompanying notes to financial statements

# **Cedar Mountain Exploration Inc.**

## **Notes to Financial Statements**

**For the three and six months ended March 31, 2009 and 2008**

*(unaudited)*

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### **1. Nature of operations**

Cedar Mountain Exploration Inc. (the “Company” or “Cedar Mountain”) was incorporated in Alberta and commenced operations on March 16, 2006. On October 18, 2007, the Company closed its initial public offering (“IPO”) and began trading on the TSXV stock exchange under the symbol **CED** on October 29, 2007.

Cedar Mountain is in the business of acquiring and exploring mineral properties. The Company has not yet determined whether these properties contain mineral reserves that are economically recoverable and the Company is presently, or is planning to carry out active exploration efforts on all of its mineral properties. The Company has not yet earned significant revenues and is considered to be in the development stage. The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain necessary financing to complete the development, and ultimately upon future profitable production or proceeds from disposition of the mineral properties. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets should the Company be unable to continue as a going concern.

### **2. Principles of consolidation and preparation of financial statements**

The accompanying unaudited interim consolidated financial statements have been prepared by the Company following the same accounting policies and methods as those disclosed in the audited consolidated financial statements for the year ended September 30, 2008, unless otherwise stated. Certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in Canada have been omitted. These interim consolidated financial statements should be read in conjunction with the September 30, 2008 audited consolidated financial statements and the notes thereto. In the opinion of management, all adjustments of a normal and recurring nature that are necessary for a fair presentation of the balance sheet, results of operations, and cash flows of those interim periods have been included.

The consolidated balance sheets include the assets and liabilities of the Company’s wholly owned subsidiaries Evoba Mining de Mexico S. de R.L.de C.V. (“Evoba”) and Sterling Mining de Mexico S.A. de C.V. (“Sterling Mexico”). The consolidated statements of net loss, comprehensive loss and deficit and cash flows for the three and six months ended March 31, 2009 include the accounts of Evoba from the date of its incorporation (September 30, 2008) and the accounts of Sterling Mexico from the date of acquisition (note 3).

The consolidated financial statements use the Canadian Dollar as the unit of measurement. Where foreign currency-denominated balance sheet items or commitments are disclosed, the Canadian Dollar equivalent amount is presented, at the rate in effect at the related balance sheet date, unless otherwise indicated.

# Cedar Mountain Exploration Inc.

## Notes to Financial Statements

For the three and six months ended March 31, 2009 and 2008

(unaudited)

### New accounting policies

The following new accounting policies have been adopted by the Company effective October 1, 2008:

#### *General Standards of Financial Statement Presentation*

The CICA has amended CICA Section 1400 *General Standards of Financial Statement Presentation* of the CICA Handbook to include requirements to assess and disclose the Company's ability to continue as a going concern. This new accounting standard has been adopted by the Company as of October 1, 2008. The new standard does not have an impact on the Company's consolidated financial statements.

#### *Goodwill and Intangible Assets*

The CICA has issued Section 3064 – Goodwill and Intangible Assets, which replaces Section 3062 – Goodwill and Other Intangible Assets and Section 3450 – Research and Development Costs. The new accounting standard is effective on the Company's interim and annual financial statements beginning October 1, 2008. This Section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this standard does not have an impact on the Company's consolidated financial statements.

### 3. Business combination

On December 22, 2008, the Company announced that it had acquired 99% of the issued and outstanding shares of Sterling Mexico, a company incorporated in Mexico, from an arm's length party for USD 240,000 (\$287,047) (the "Acquisition"). The Company has accounted for the Acquisition using the purchase method and, for accounting purposes, has deemed the acquisition to occur on December 31, 2008.

The following table is a preliminary allocation of the total acquisition cost with the assets acquired and liabilities assumed in the Acquisition. The Company is in the process of allocating the purchase price to the assets acquired and liabilities assumed in the Acquisition and the reconciliation below is subject to material changes.

Cash	\$ 287,047
Acquisition costs	<u>5,531</u>
Total purchase price	<u>\$ 292,578</u>
Cash	\$ 122,093
Accounts receivable	36,285
Mineral properties	156,918
Accounts payable	<u>(22,718)</u>
Net assets acquired	<u>\$ 292,578</u>

# Cedar Mountain Exploration Inc.

## Notes to Financial Statements

For the three and six months ended March 31, 2009 and 2008

(unaudited)

The mineral properties acquired with Sterling Mexico, comprising approximately 5,400 ha of mineral rights in the State of Zacatecas in central Mexico, have been added to the Company's *País del Elephante* area of interest (note 5).

#### 4. Segmented information

The Company's operations are managed on a regional basis. The two regional operational segments are Canada and Mexico.

The following table allocates assets by segment:

	March 31 2009	September 30 2008
Canada	\$ 1,118,066	\$ 1,295,367
Mexico	<u>628,936</u>	<u>-</u>
Total assets	<u>\$ 1,747,002</u>	<u>\$ 1,295,367</u>

The following table allocates net loss by segment:

Period ended March 31, 2009	(3 months)	(6 months)
Canada	\$ (165,355)	\$ (252,518)
Mexico	<u>(15,558)</u>	<u>(31,402)</u>
Net income (loss)	<u>\$ (180,913)</u>	<u>\$ (283,920)</u>



# Cedar Mountain Exploration Inc.

## Notes to Financial Statements

For the three and six months ended March 31, 2009 and 2008

(unaudited)

### 5. Mineral properties

	British Columbia, Canada			Zacatecas State, Mexico		Total \$
	Cedar Creek \$	Lemon Lake \$	Venus \$	Jimenez del Teul \$	País del Elephante \$	
Balance - September 30, 2007	253,163	120,606	66,117	-	-	439,886
Acquisition	-	(657)	-	-	-	5,979
Claims and land use	519	713	266	-	-	1,498
Geological consulting	121,561	11,529	8,600	-	-	141,690
Ground geophysics	600	-	-	-	-	600
Analysis	125,488	1,239	1,330	-	-	128,057
Fieldwork	80,775	3,454	2,189	-	-	86,418
<b>Balance, March 31, 2008</b>	<b>582,106</b>	<b>136,884</b>	<b>78,502</b>	<b>-</b>	<b>-</b>	<b>797,492</b>
Claims and land use	2,040	942	-	-	-	2,982
Geological consulting	25,684	3,064	1,991	-	-	30,739
Analysis	13,167	-	668	-	-	13,835
Fieldwork	33,898	1,685	1,147	-	-	36,730
Mineral tax credits	(80,250)	(4,194)	(3,186)	-	-	(87,630)
<b>Balance – September 30, 2008</b>	<b>576,645</b>	<b>138,381</b>	<b>79,122</b>	<b>-</b>	<b>-</b>	<b>794,148</b>
Acquisition	-	-	-	132,735	364,633	497,368
Claims and land use	250	613	366	19,282	-	20,511
Geological consulting	5,433	2,610	2,243	12,013	18,263	40,562
Analysis	-	3,262	20	-	-	3,282
Fieldwork	295	219	34	-	-	548
<b>Balance – March 31, 2009</b>	<b>582,623</b>	<b>145,085</b>	<b>81,785</b>	<b>164,030</b>	<b>382,896</b>	<b>1,356,419</b>
Acquisition	134,229	113,920	62,631	132,735	364,633	808,148
Claims and land use	2,809	7,925	4,118	19,282	-	34,134
Exploration	525,835	27,434	18,222	12,013	18,263	601,767
Mineral tax credits	(80,250)	(4,194)	(3,186)	-	-	(87,630)
<b>Balance – March 31, 2009</b>	<b>582,623</b>	<b>145,085</b>	<b>81,785</b>	<b>164,030</b>	<b>382,896</b>	<b>1,356,419</b>

#### *Jimenez del Teul and País del Elephante*

On October 1, 2008, the Company acquired various mineral properties in the State of Zacatecas in central Mexico totalling approximately 14,000 ha, for total consideration of \$265,740. These mineral properties have been split into two areas of interest by the Company, *Jimenez del Teul* (approximately 9,500 ha) and *País del Elephante* (approximately 4,500 ha).

# Cedar Mountain Exploration Inc.

## Notes to Financial Statements

For the three and six months ended March 31, 2009 and 2008

(unaudited)

On October 15, 2008, the Company acquired additional mineral properties in the State of Zacatecas in central Mexico totalling approximately 900 ha, for consideration of \$279,525. These mineral properties have been added to the Company's *País del Elephante* area of interest.

On December 21, 2008, the Company acquired Sterling Mexico (note 3) which included 5,400 ha of mineral properties in the State of Zacatecas in central Mexico. These properties have been assigned an acquisition cost of \$156,918 (note 3) and have been added to the Company's *País del Elephante* area of interest.

The Company has discovered certain obligations associated with certain mineral interests acquired in Mexico and has been compensated by the vendors of the properties in the amount of \$204,816. This amount has offset the acquisition cost of the various properties.

Certain mineral properties included in the Company's *País del Elephante* area of interest are subject to exploration work commitments of up to USD 250,000, to be expended by May 2010 and are subject to a 2% net smelter royalty ("NSR"). The Company is currently determining the amounts spent to the date on which the Company acquired the mineral properties and is in negotiation with the landowners to further reduce work commitments.

Certain mineral properties in the Company's *Jimenez del Teul* area of interest are subject to option payments aggregating USD 491,000 in increments, with the full amount required to be paid by May 31, 2011. In addition, certain mineral properties are subject to exploration work commitments aggregating up to USD 500,000 to be expended by June 20, 2013, and are subject to NSR's ranging from 2% to 2.5%. The Company is currently in the process of determining the amounts spent to the date on which the Company acquired the mineral properties. Subsequent to March 31, 2009, the Company paid USD 20,000 toward these commitments.

## 6. Share capital

Authorized:

Unlimited number of common shares

	Six months ended March 31, 2009		Year ended September 30, 2008	
Issued:	Common Shares #	Amount \$	Common Shares #	Amount \$
Balance – beginning of period	13,985,088	1,839,166	9,985,088	617,911
Shares issued for cash	4,576,669	685,500	4,000,000	1,600,000
Shares issued to finders	6,667	1,000	-	-
Share issuance costs	-	(22,097)	-	(255,439)
Deferred share issuance costs	-	-	-	(123,306)
Balance – end of period	<b>18,568,424</b>	<b>2,503,569</b>	13,985,088	1,839,166

# Cedar Mountain Exploration Inc.

## Notes to Financial Statements

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(unaudited)

On November 6, 2008, the Company announced that it had closed the first tranche of a private placement, originally announced on October 22, 2008, of 2,091,670 units (“Units”) for gross proceeds of \$313,750. Each Unit, sold for \$0.15 per Unit, consisted of one common share of the Company (“Share”) and one common share purchase warrant, where each warrant is exercisable into one common share at a price of \$0.25 per common share until November 4, 2009.

On December 19, 2008, the Company announced that it had closed the second and final tranche of the private placement announced on October 22, 2008, of an additional 2,484,999 Units for gross proceeds of \$372,750. Finders acting in connection with the private placement received a finders’ fee in the total amount of \$8,925 and 6,667 Units.

### Warrants

The following table summarizes activity related to warrants:

	Six months ended March 31, 2009		Year ended September 30, 2008	
	Number of warrants #	Weighted average exercise price \$	Number of warrants #	Weighted average exercise price \$
Balance – beginning of period	-	-	-	-
Granted	4,583,336	0.25	-	-
Balance – end of period	4,583,336	0.25	-	-

The following table summarizes information about warrants outstanding:

	March 31, 2009			September 30, 2008		
	Number of warrants outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life Years	Number of warrants outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life Years
2,091,670	0.25	0.85	-	-	-	
2,491,666	0.25	1.00	-	-	-	
4,583,336	0.25	0.93	-	-	-	

# Cedar Mountain Exploration Inc.

## Notes to Financial Statements

For the three and six months ended March 31, 2009 and 2008

(unaudited)

### Agent options

The following table summarizes activity related to agent options:

	Six months ended March 31, 2009		Year ended September 30, 2008	
	Number of agent options #	Weighted average exercise price \$	Number of agent options #	Weighted average exercise price \$
Balance – beginning of period	400,000	0.40	-	-
Granted	-	-	400,000	0.40
Balance – end of period	400,000	0.40	400,000	0.40

The following table summarizes information about agent options outstanding:

March 31, 2009			September 30, 2008		
Number of agent options outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life Years	Number of agent options outstanding #	Weighted Average exercise price \$	Weighted average remaining contractual life Years
400,000	0.40	0.8	400,000	0.40	1.0
400,000	0.40	0.8	400,000	0.40	1.0

### Stock Options

The following table summarizes activity related to stock options:

	Six months ended March 31, 2009		Year ended September 30, 2008	
	Number of options #	Weighted average exercise price \$	Number of options #	Weighted average exercise price \$
Balance – beginning of period	1,380,000	0.40	-	-
Granted	525,000	0.15	1,380,000	0.40
Expired	(100,000)	0.40	-	-
Balance – end of period	1,805,000	0.33	1,380,000	0.40

# Cedar Mountain Exploration Inc.

## Notes to Financial Statements

For the three and six months ended March 31, 2009 and 2008

(unaudited)

The following table summarizes information about stock options outstanding:

March 31, 2009			September 30, 2008		
Number of agent options outstanding #	Weighted average exercise price \$	Weighted average remaining contractual life Years	Number of agent options outstanding #	Weighted Average exercise price \$	Weighted average remaining contractual life Years
1,280,000	0.40	3.6	1,380,000	0.40	4.3
525,000	0.15	4.8	-	-	-
1,805,000	0.33	4.0	1,380,000	0.40	4.3

During the period ended March 31, 2009, the Company issued 525,000 stock options under the Company's stock option plan to an officer, a director, and consultants of the Company, exercisable at \$0.15 per common share, subject to a four month hold period, expiring on January 23, 2014 (or earlier as determined by the Company's stock option plan), and vesting upon issuance. The company has estimated an aggregate fair value of the 525,000 stock options issued as \$52,500, or \$0.10 per option. The fair value was estimated using the Black-Scholes option valuation model with the following weighted average assumptions: market price at issuance, \$0.15 per share; expected life of the option, 5 years; expected volatility 80%; risk free interest rate, 1.74%.

## 7. Contributed surplus

Contributed surplus arises from the recognition of estimated fair value of stock options and agents options as follows:

	Six months ended March 31, 2009	Year ended September 30, 2008
	\$	\$
Balance – beginning of period	444,600	-
Agent options granted	-	72,000
Stock options granted	52,500	372,600
Balance – end of period	497,100	444,600

## 8. Financial instruments

### Financial instrument classification

The Company's financial instruments recognized on the consolidated balance sheet consist of cash, accounts receivable and accounts payable and accrued liabilities.

# Cedar Mountain Exploration Inc.

## Notes to Financial Statements

For the three and six months ended March 31, 2009 and 2008

(unaudited)

Upon initial recognition, the Company has designated its cash as held for trading, and accordingly it is recognized on the consolidated balance sheet at its fair value, and changes in fair value are recognized in net income in the period in which the change arises. Accounts receivable has been classified as loans and receivables, and is measured at amortized cost. Accounts payable and accrued liabilities have been classified as other liabilities, and are measured at amortized cost.

The estimated fair market values of the Company's financial instruments approximate their carrying values due to their short-term nature.

The Company has no unrecognized financial instruments or derivative financial instruments.

### Risk management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. It is management's opinion that the Company is not subject to significant interest, currency, or credit risks arising from its use of financial instruments or capital.

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain title to and explore its mineral properties. The capital structure of the Company consists of cash and share capital.

## **9. Related party transactions**

During the six months ended March 31, 2009, management fees of \$62,500 (2008 - \$49,000) were paid to officers and directors or companies controlled by officers and directors of the Company. These amounts were fully paid as at March 31, 2009.

At March 31, 2009, the Company had an outstanding payable to Companies with common officers and directors in the amount of \$53,544 (2008- \$9,383) for reimbursement of shared staffing, general and administrative costs. These amount were paid subsequent to the period.

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

## **10. Comparative Figures**

Certain comparative amounts have been reclassified to conform to the current period's presentation.