

**TAWSHO MINING INC**  
**INTERIM FINANCIAL STATEMENTS**  
**AS AT JUNE 30, 2008**

**Unaudited, prepared by management.**

**TAWSHO MINING INC**  
**(A Development Stage Company)**  
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**AS AT JUNE 30, 2008**

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**NOTICE TO READER**

The accompanying unaudited interim financial statements have been prepared by the company's management and the company's independent auditors have not performed a review of these interim financial statements.

**TAWSHO MINING INC**  
**(A Development Stage Company)**  
**INTERIM BALANCE SHEET**

	<b>June 30</b>	December 31
	<b>2008</b>	2007
	(Unaudited)	(Audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 2,723,868	\$ 2,909,204
Cash reserved for exploration	-	394,502
Sundry receivables	84,883	48,331
	<b>2,808,751</b>	3,352,037
<b>Mining Assets</b>		
Interests in mining properties and deferred exploration expenditures (Statement and Note 4)	2,429,980	1,614,315
	<b>\$ 5,238,731</b>	<b>\$ 4,966,352</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 151,945	\$ 141,271
Mining acquisition payable	-	650,000
	151,945	791,271
<b>Future income taxes payable (Note 6)</b>	<b>134,908</b>	-
	<b>286,853</b>	791,271
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital (Note 7)</b>	<b>4,334,755</b>	3,554,552
<b>Warrants (Note 9)</b>	<b>690,650</b>	622,450
<b>Contributed Surplus (Note 8)</b>	<b>5,540</b>	-
<b>Deficit</b>	<b>(79,067)</b>	(1,921)
	<b>4,951,878</b>	4,175,081
	<b>\$ 5,238,731</b>	<b>\$ 4,966,352</b>

Unaudited, prepared by management.

**TAWSHO MINING INC**  
**(A Development Stage Company)**  
**INTERIM STATEMENT OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT**

	<b>Three Months ended June 30 2008 (Unaudited)</b>	<b>Six Months ended June 30 2008 (Unaudited)</b>	<b>Year ended December 31 2007 (Audited)</b>
<b>INCOME</b>			
Interest	\$ 15,375	\$ 37,480	\$ 88,695
<b>EXPENSES</b>			
Professional fees	17,908	25,402	26,374
Office and general	23,691	24,723	8,741
Share transfer, listing and filing fees	6,550	6,550	-
Directors' stock options	267	267	-
Management fees	-	-	5,935
Property investigation	3,300	3,300	8,260
	<b>51,716</b>	<b>60,242</b>	<b>49,310</b>
<b>NET INCOME (LOSS) before income taxes</b>	<b>(36,341)</b>	<b>(22,762)</b>	<b>39,385</b>
Income taxes	(1,158)	-	12,076
<b>NET INCOME (LOSS)</b>	<b>(35,183)</b>	<b>(22,762)</b>	<b>27,309</b>
<b>COMPREHENSIVE LOSS</b>			
Comprehensive loss changes for the period	-	-	-
<b>NET INCOME (LOSS) AND COMPREHENSIVE LOSS</b>	<b>(35,183)</b>	<b>(22,762)</b>	<b>27,309</b>
<b>SHARE ISSUE COSTS</b>	<b>(40,457)</b>	<b>(54,384)</b>	<b>(27,792)</b>
<b>DEFICIT, beginning of period</b>	<b>(3,427)</b>	<b>(1,921)</b>	<b>(1,438)</b>
<b>DEFICIT, end of period</b>	<b>\$ (79,067)</b>	<b>\$ (79,067)</b>	<b>\$ (1,921)</b>
<b>EARNINGS PER COMMON SHARE:</b>			
<b>WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>			
Basic	17,933,467	17,620,235	14,537,969
Effect of dilutive warrants and options	7,965,805	7,869,653	6,433,573
Diluted weighted average number of shares outstanding	25,899,272	25,080,504	20,971,542
<b>BASIC EARNINGS PER COMMON SHARE</b>	<b>\$ (0.0020)</b>	<b>\$ (0.0013)</b>	<b>\$ 0.0019</b>
<b>DILUTED EARNINGS PER COMMON SHARE</b>	<b>\$ (0.0020)</b>	<b>\$ (0.0013)</b>	<b>\$ 0.0013</b>

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**TAWSHO MINING INC**  
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**INTERIM STATEMENT OF CASH FLOWS**

	<b>Three Months ended June 30 2008 (Unaudited)</b>	<b>Six Months ended June 30 2008 (Unaudited)</b>	<b>Year ended December 31 2007 (Audited)</b>
<b>INTERIM CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>			
Net income (loss)	\$ (35,183)	\$ (22,762)	\$ 27,309
<b>Non-cash items :</b>			
Stock-based compensation	267	267	-
<b>Changes in non-cash operating assets and liabilities:</b>			
Sundry receivables	(15,877)	(31,965)	(48,331)
Accounts payable and accrued liabilities	34,174	27,190	22,718
	<b>(16,619)</b>	<b>(27,270)</b>	<b>1,696</b>
<b>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</b>			
Proceeds from private share placements	852,500	852,500	4,156,602
Cash balances acquired on amalgamation with Jardincap Inc.	155,593	155,593	-
Share issue costs	(17,141)	(23,179)	(23,997)
	<b>990,952</b>	<b>984,914</b>	<b>4,132,605</b>
<b>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</b>			
Interests in mining properties and deferred exploration expenditures	(555,273)	(1,537,481)	(850,995)
Cash reserved for exploration	-	394,502	(394,502)
	<b>(555,273)</b>	<b>(1,142,979)</b>	<b>(1,245,497)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>419,060</b>	<b>(185,336)</b>	<b>2,888,804</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>2,304,808</b>	<b>2,909,204</b>	<b>20,400</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>\$ 2,723,868</b>	<b>\$ 2,723,868</b>	<b>\$ 2,909,204</b>
<b>SUPPLEMENTAL INFORMATION</b>			
Changes in other non-cash assets and liabilities			
Mining property acquisition costs	\$ (1,041)	\$ (650,000)	\$ 650,000
Mining deferred exploration costs	(175,312)	(71,816)	113,320
Prepaid drilling expenses	100,000	-	-
Share issue costs	23,316	31,205	3,795
Income tax benefits renounced in favour of flow-through shares	-	(134,908)	-

Unaudited, prepared by management.

**TAWSHO MINING INC**  
**(A Development Stage Company)**  
**INTERIM STATEMENT OF MINING PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**  
**AS AT JUNE 30, 2008**

	Total	Chevrier		Other	Total	Chevrier	Other
	Inception to June 30 2008 (Unaudited)	Three Months ended June 30 2008 (Unaudited)	Three Months ended March 31 2008 (Unaudited)	Three Months ended June 30 2008 (Unaudited)	Inception to December 31 2008 (Audited)	Year ended December 31 2007 (Audited)	Year ended December 31 2007 (Audited)
<b>Balance at December 31, 2006</b>	\$ -			\$ -	\$ -	\$ -	-
<b>PROPERTY ACQUISITION COSTS</b>							
Acquisition, Chevrier	\$ -	\$ -	-	-		1,400,000	
Legal fees		600	4,692	-		12,787	
Claims in surrounding area		25,441	3,776	-		35,736	
<b>Total Acquisition Costs</b>	<b>1,483,032</b>	<b>26,041</b>	<b>8,468</b>	<b>-</b>	<b>1,448,523</b>	<b>1,448,523</b>	<b>-</b>
<b>DEFERRED EXPLORATION COSTS</b>							
Management and administration		10,000	25,000	-		41,475	
Drilling		432,058	168,488	-		-	
Geological		1,941	18,191	-		23,827	
Geophysical		6,022	90,472	-		130,922	
Line cutting		-	27,284	-		-	
Travel and transport		-	-	-		10,515	
Property investigation				5,000			12,235
Balance before write-downs and tax credits		450,021	329,435	5,000		206,739	12,235
Write-downs during year				(3,300)			(8,260)
Mining tax credits		1,158	(1,158)	-		(44,247)	(675)
<b>Total Deferred Exploration Costs</b>	<b>946,948</b>	<b>451,179</b>	<b>328,277</b>	<b>1,700</b>	<b>165,792</b>	<b>162,492</b>	<b>3,300</b>
Balance at December 31, 2007					\$ 1,614,315	\$ 1,611,015	\$ 3,300
<b>Balance at June 30, 2008</b>	<b>\$ 2,429,980</b>	<b>\$ 477,220</b>	<b>\$ 336,745</b>	<b>\$ 1,700</b>			

Unaudited, prepared by management.

## **1. FINANCIAL INFORMATION**

The interim financial statements of Tawsho Mining Inc. (the "Corporation") have been prepared by management in accordance with Canadian generally accepted accounting principles, as they apply to development stage companies. On May 31, 2008 the prior Tawsho Mining Inc. ("Tawsho (prior)") and a public company Jardincap Inc. ("Jardincap") amalgamated. For accounting purposes, because of its approximately 96% diluted interest, the Corporation's operations are considered a continuation of Tawsho (prior)'s operations.

The interim financial statements have been prepared following the same policies and computation methods as the audited financial statements of Tawsho (prior) for the fiscal years ended December 31, 2007 and 2006. The disclosures included below are incremental to those included in these annual audited financial statements. These interim financial statements should be read in conjunction with the most recent audited financial statements of Tawsho (prior) and accompanying notes for the fiscal years ended December 31, 2007 and 2006.

## **2. NATURE OF THE CORPORATION**

The Corporation was created under Articles of Amalgamation in the Province of Ontario, Canada on May 31, 2008. Prior to amalgamation, Tawsho (prior) was incorporated in Ontario on November 28, 2006. On May 31, 2008 the Corporation amalgamated with Jardincap and effectively created a publicly listed company on the TSX Venture Exchange ("TSX"), that continues to operate as Tawsho Mining Inc. (See Note 11)

The Corporation, which is in the exploration stage of development, with mineral property interests located in Quebec, is engaged in the acquisition, exploration and development of properties for the mining of precious and base metals. The Corporation is accounted for as a development stage company in accordance with accounting guidelines "AcG-11" of the Canadian Institute of Chartered Accountants ("CICA") Handbook.

The Corporation is in the process of exploring its mining properties for mineral resources and has not determined whether the properties contain economically recoverable reserves.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Corporation to raise alternative financing, if necessary, or alternatively upon the Corporation's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write downs of the carrying values.

## **3. SIGNIFICANT ACCOUNTING POLICIES**

### **Mining assets**

The Corporation records its mining assets, comprised of wholly owned mining properties, undivided interests in mining properties and deferred exploration expenses, at cost less certain recoveries. Exploration expenses are capitalized on the basis of specific mining property blocks or areas of geological interest until the mining assets to which they relate are placed into production, sold or allowed to lapse. Management reviews the carrying values of mining assets on a regular basis to determine whether any write-downs are necessary. These costs will be amortized over the estimated useful life of mining assets following commencement of production or written off if the mining assets or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining assets are expensed as incurred.

The recoverability of amounts recorded under mining properties and deferred exploration expenses is dependent upon the discovery of economically recoverable reserves, the ability of the Corporation to obtain the financing needed to complete development, and future profitable production or proceeds from the disposal of these assets. The amounts shown for mining properties and deferred exploration expenses are not necessarily indicative of present or future values.

### **Future income taxes**

The Corporation has adopted the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are based on temporary differences between financial statement income and taxable income, and, tax loss carry forwards. Future income tax method, future income tax assets and liabilities are calculated using enacted tax rates expected to apply in future years when temporary differences are expected to terminate and tax losses are utilized. The recognition of future income tax assets in the financial statements is limited to the amount that is more likely than not to be realized.

### **3. SIGNIFICANT ACCOUNTING POLICIES .....continued**

#### **Flow-through financing**

The Corporation finances a portion of its exploration activities through the issue of flow-through shares, which transfers the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs will be charged to mineral properties. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will give rise to future income taxes payable and will reduce share capital.

#### **Use of estimates**

The preparation of interim 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. Actual results may differ from estimates.

#### **Financial instruments**

The Corporation has adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530 "*Comprehensive Income*", Section 3855 "*Financial Instruments – Recognition and Measurement*" and Section 3861 "*Financial Instruments – Disclosure and Presentation*".

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value, except for loans and receivables, held-to maturity investments and other financial liabilities, which are measured at amortized cost using the effective interest method. Subsequent measurement and changes in fair value will depend on their initial classification. Held-for-trading financial assets and liabilities are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

Section 3861, establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. These revisions came into effect for fiscal years beginning on or after October 1, 2006.

#### **Capital Disclosures**

The Corporation follows Handbook Section 1535, "*Capital Disclosures*". This section establishes standards for disclosing information about a Corporation's capital and how it is managed in order that a user of the financial statements may evaluate the Corporation's objectives, policies and processes for managing capital.

#### **Accounting Policy Choice for Transaction Costs**

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, "*Accounting Policy Choice for Transaction Costs*" ("EIC-166"). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar.

### **4. MINING ASSETS**

#### **Chevrier Property**

During 2007, Tawsho (prior) acquired a 100% interest in 239 mining claims located in the townships of Queylus, Hauy and Fancamp, in the Province of Quebec through an agreement of sale and purchase with GeoNova Explorations Inc. ("GeoNova"). Some of these claims are subject to royalties on net profit interests and net smelter returns. The Tawsho (prior) also acquired and continues to acquire 100% interest to numerous mining claims in areas adjacent and surrounding the GeoNova agreement properties.

### **5. SHARE ISSUE COSTS**

During the six months ended June 30, 2008 share issue costs of \$54,384 were incurred, comprising mainly of professional fees and regulatory filing costs in the issuance of flow-through shares and similar costs relating to the amalgamation with Jardincap.

**TAWSHO MINING INC**  
**(A Development Stage Company)**  
**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**6. INCOME TAXES**

For accounting purposes, future income taxes of \$134,908 became payable on March 18, 2008 when Tawsho (prior) exploration expenses were renounced in favour of their flow-through shareholders. Accordingly, a corresponding \$134,908 reduced the previously reported value of proceeds from flow-through shares. The audited financial statements of Tawsho (prior) for the fiscal years ended December 31, 2007 and 2006 provide further information regarding the Corporation's future tax assets and liabilities and the reconciliation of financial statement income and taxable income.

**7. SHARE CAPITAL**

**Authorized**

Unlimited Common shares  
 Unlimited Preferred shares

**Issued**

The following summarizes the issued and outstanding share capital as at June 30, 2008:

	<u>Shares</u>	<u>Amount</u>
<b>Common shares</b>		
The Corporation exchanged common shares, on amalgamation with Jardincap, on May 31, 2008 as follows:		
18,159,503 Tawsho (prior) Class A common shares in exchange for	18,159,503	\$ 4,203,944
3,058,070 Jardincap common shares in exchange for	1,019,357	130,811
Outstanding at June 30, 2008	<u>19,178,860</u>	<u>\$ 4,334,755</u>

**Amalgamation exchange of prior Class A common shares for new common shares**

Tawsho (prior) Class A common shares:

Outstanding at December 31, 2007	17,307,003	\$ 3,554,552
Income tax benefits renounced in favour of flow-through shares (See Note 6)	-	(134,908)
Allotment 6(a) for cash consideration	852,500	784,300
Outstanding Class A common shares pre-amalgamation	18,159,503	4,203,944
Exchanged for Tawsho Mining Inc. (new) common shares on May 31, 2008	<u>-18,159,503</u>	<u>-4,203,944</u>
Outstanding at June 30, 2008	<u>-</u>	<u>\$ -</u>

Prior to Amalgamation with Jardincap, Tawsho (prior) offered for cash consideration, allotment 6(a) units of \$1 each through private placements. Each unit issued comprised of one common share and one half common share purchase warrant. The value presented of \$784,300 is net of the warrant value, established at \$68,200. After amalgamation this private placement offer continued and an additional 1,352,500 units of \$1 were issued (allotment 6(b)). (See Note 11)

**Stock Options**

On May 15, 2008 the shareholders of Jardincap approved a Stock Option Plan (the "Plan") for the benefit of officers, directors, employees and technical consultants. The aggregate number of common shares reserved for issuance with respect to the Plan cannot exceed 10% of the issued and outstanding shares of the Corporation. Options pursuant to the Plan are granted at the discretion of the Board of Directors.

As at amalgamation on May 31, 2008, no options had been granted under the Plan except for Jardincap's options outstanding under their Plan, which were exchanged for Corporation options as follows:

<b>Pre-amalgamation Jardincap options</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	125,263	\$ 0.15	April 17, 2009
	303,332	\$ 0.15	April 11, 2012
	<u>428,595</u>		
<b>Exchange of Jardincap options for Corporation options</b>	<b>Number of Options</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
	41,754	\$ 0.45	April 17, 2009
	101,111	\$ 0.45	April 11, 2012
Outstanding and exercisable at June 30, 2008	<u>142,865</u>		

**Amalgamation agreement**

On July 31, 2008 the Corporation granted 1,215,000 options approved to officers and directors under the Plan and the amalgamation agreement. (See Note 11)

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**8. CONTRIBUTED SURPLUS**

The following table summarizes contributed surplus for the period ended June 30, 2008.

Balance, beginning of the year	\$ -
Stock options exchanged on Jardincap amalgamation (See Note 7)	5,273
Stock options based compensation	<u>267</u>
Balance, end of period	<u><u>5,540</u></u>

**9. WARRANTS**

The warrants issued by the Corporation are subscription rights to common shares.

Subscription rights to:	<i>Common Shares</i>	<b>Amount</b>
On amalgamation with Jardincap on May 31, 2008 the Corporation exchanged warrant rights as follows::		
8,199,751 Tawsho (prior) warrants in exchange for	8,199,751	\$ 690,650
Outstanding at June 30, 2008	<u>8,199,751</u>	<u>\$ 690,650</u>
<b>Amalgamation exchange of prior Class A common share warrants for new common share warrants</b>		
Tawsho (prior) Class A common share warrants:		
Outstanding at December 31, 2007	7,773,501	\$ 622,450
Allotment 6(a) warrant fair value	<u>426,250</u>	<u>68,200</u>
Outstanding Class A common share warrants prior to amalgamation	8,199,751	690,650
Exchanged for Tawsho Mining Inc. (new) common shares warrants on May 31, 2008	<u>-8,199,751</u>	<u>-690,650</u>
Outstanding at June 30, 2008	<u>-</u>	<u>\$ -</u>

The following table summarizes the components of issued and outstanding warrants as at June 30, 2008:

	<b>Exercise Price</b>		
Expiring: February 1, 2009	<u>\$0.10</u>	4,240,000	\$ 50,880
May 9, 2009	\$0.75	3,270,500	542,903
June 30, 2009	\$1.00	263,001	28,667
May 29, 2010	\$1.25	<u>426,250</u>	<u>68,200</u>
		<u>8,199,751</u>	<u>\$ 690,650</u>

**10. CONTINGENCIES**

**Environment**

The Corporation's exploration activities are subject to various laws and regulations governing environmental protection. These laws and regulations are continually changing and generally tend to impose increasing restrictions. The Corporation conducts its operations so as to provide adequate protection for public health and the environment.

**Canadian exploration expenses**

The Corporation is partly financed by the issuance of flow-through shares; however, there are no guarantees that the funds spent by the Corporation will qualify as Canadian exploration expenses, even if the Corporation has taken all the necessary measures for this purpose. The refusal of some expenses by the fiscal authorities would have a negative fiscal impact on investors and a deductible tax could be payable by the Corporation.

**11. SUBSEQUENT EVENTS**

On July 18, 2008 the Corporation closed a non-brokered private placement that resulted in fulfillment of the financing conditions required by TSX under the amalgamation agreement. This brought the total funds raised under the agreement to \$3,352,499.50 made up of \$1,999,999.50 from issuance of 1,739,130 flow through common shares at \$1.15 each and \$1,352,500 from the issuance of 1,352,500 Units at \$1 each. One unit consists of one common share and one-half of a common share purchase warrant at an exercise price of \$1.25 per whole common share, expiring 24 months from closing. Finder's fees amounting to \$75,000 were paid to an arm's length party for their assistance in raising the proceeds. Upon completion of these financings, the Corporation had issued and outstanding 21,417,990 common shares, 8,449,751 warrants and 142,865 options respectively. The shareholders of Jardincap exchanged their holdings for approximately 4% diluted interest in the amalgamated Corporation. On July 28, the amalgamated Corporation was relisted for trading on the TSX under the symbol TAW.

On July 31, 2008 the Corporation granted 1,215,000 options to officers and directors approved under the Plan and the amalgamation agreement.

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