

Management's Report to the Shareholders

The financial statements and Management's Discussion and Analysis are the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Management is responsible for internal control systems and procedures that are intended to provide reasonable assurance that assets are safeguarded, that transactions and financial records are properly recorded and that reliable information is produced in a timely manner.

KPMG LLP, independent external auditors appointed by the shareholders, have examined and reported upon the financial statements and Martin & Brusset Associates Petroleum Consultants, independent reserve evaluators, have reviewed and reported on the Company's petroleum and natural gas reserves.

The Audit Committee of the Board of Directors has reviewed these financial statements with management and the external auditors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

"signed Robert V. Shields"
PRESIDENT & CHIEF EXECUTIVE OFFICER

"signed John C. Loewen"
CHIEF FINANCIAL OFFICER

Calgary, Canada
April 30, 2009

Auditors' Report

We have audited the consolidated balance sheets of Marauder Resources East Coast Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"signed KPMG LLP"
Chartered Accountants

Calgary, Canada
April 30, 2009

Marauder Resources East Coast Inc.

Consolidated Balance Sheets

December 31

	2008	2007
Assets		
Current		
Cash and cash equivalents	\$ 158,897	\$ 649,607
Accounts receivable	9,394	319,679
Prepaid expenses and deposits	19,139	21,354
	<u>187,430</u>	<u>990,640</u>
Property and equipment (note 4)	<u>35,308,515</u>	<u>35,309,704</u>
	<u>\$ 35,495,945</u>	<u>\$ 36,300,344</u>
 Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 828,736	\$ 390,564
Due to related parties (note 10 (e))	226,662	—
	<u>1,055,398</u>	<u>390,564</u>
Future income tax (note 8)	<u>6,310,403</u>	<u>6,622,376</u>
	<u>7,365,801</u>	<u>7,012,940</u>
 Shareholders' Equity		
Share capital (note 5)	43,362,379	43,362,379
Warrants (note 6)	167,190	121,840
Contributed surplus (note 7)	7,258,302	7,167,292
Deficit	<u>(22,657,727)</u>	<u>(21,364,107)</u>
	<u>28,130,144</u>	<u>29,287,404</u>
	<u>\$ 35,495,945</u>	<u>\$ 36,300,344</u>

Future operations (note 1)

On behalf of the Board

“signed John Loewen” Director

“signed Robert Shields” Director

See accompanying notes to consolidated financial statements

Marauder Resources East Coast Inc.
Consolidated Statements of Operations, Comprehensive Loss and Deficit
Years ended December 31

	<u>2008</u>	<u>2007</u>
Expenses and other items		
General and administrative (<i>note 10</i>)	\$ 1,173,412	\$ 598,953
Stock-based compensation (<i>note 5</i>)	86,280	464,403
Interest expense	73,247	–
Depreciation (<i>note 4</i>)	3,276	3,204
Settlement of related party indemnification (<i>note 10 (e)</i>)	219,298	–
	<u>1,555,513</u>	<u>1,066,560</u>
Loss before income taxes	(1,555,513)	(1,066,560)
Future income tax reduction (provision) (<i>note 8</i>)	311,973	(6,622,376)
Net loss and comprehensive loss for the year	(1,243,540)	(7,688,936)
Deficit, beginning of year	(21,364,107)	(13,675,171)
Warrant modification (<i>note 6</i>)	(50,080)	–
Deficit, end of year	\$ <u>(22,657,727)</u>	\$ <u>(21,364,107)</u>
Net loss per share (<i>note 5</i>)		
Basic and diluted	\$ <u>(0.02)</u>	\$ <u>(0.15)</u>

See accompanying notes to consolidated financial statements

Marauder Resources East Coast Inc.
Consolidated Statements of Cash Flows
Years ended December 31

	2008	2007
Cash provided by (used in):		
Operating activities		
Net loss for the year	\$ (1,243,540)	\$ (7,688,936)
Add back non-cash items:		
Depletion and depreciation	3,276	3,204
Stock-based compensation	86,280	464,403
Future income tax (reduction) provision	(311,973)	6,622,376
	(1,465,957)	(598,953)
Change in non-cash working capital (<i>note 9</i>)	977,334	(61,815)
	(488,623)	(660,768)
Financing activities		
Net proceeds from share issue	-	654,481
Change in non-cash working capital (<i>note 9</i>)	-	(695)
	-	653,786
Investing activities		
Expenditures on property and equipment	(2,087)	(1,245)
Proceeds on disposal of property and equipment	-	100,000
Change in non-cash working capital (<i>note 9</i>)	-	(48,672)
	(2,087)	50,083
(Decrease) increase in cash	(490,710)	43,101
Cash, beginning of year	649,607	606,506
Cash, end of year	\$ 158,897	\$ 649,607
Supplemental cash flow information:		
Interest paid	\$ 65,883	\$ -

See accompanying notes to consolidated financial statements

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

Marauder Resources East Coast Inc. (the "Company") is incorporated under the Business Corporations Act (Alberta). The Company's principle business is the exploration for and the production of petroleum and natural gas reserves off the east coast of Canada and elsewhere.

1. Future operations

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company experienced significant losses in 2008 and 2007 and has experienced significant negative cash flow from operations over a number of years. As at December 31, 2008, the Company had an accumulated deficit of \$22,657,727 (2007 – \$21,364,107) and a working capital deficit of \$867,968 (2007 – positive working capital of \$600,076). In addition, the Company does not have an established source of revenue or proven oil and gas reserves.

The ability of the Company to continue as a going concern and to realize the carrying value of its assets and discharge its liabilities when due is dependent on the Company's ability to obtain financing to continue the development of its petroleum and natural gas reserves and fund current operations. There is no certainty that the Company will be able to obtain the financings required to continue exploration and development activities and to fund operations.

The financial statements do not reflect adjustments that would be necessary to the presentation and carrying amounts of assets and liabilities should the Company be unable to continue as a going concern. These adjustments and reclassifications may be material.

2. Significant accounting policies

The consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada and include the accounts of the Company and its wholly owned subsidiaries.

a) Property and equipment

The Company follows the full cost method of accounting for oil and gas operations, whereby all costs of exploring for and developing oil and gas properties and related reserves are capitalized. Capitalized costs include land acquisition costs, cost of drilling both productive and non-productive wells, and geological and geophysical expenses and related overhead.

Capitalized costs, excluding costs relating to unproved properties, are depleted using the unit-of-production method based on estimated proved reserves of oil and gas before royalties as determined by independent petroleum engineers. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude oil based on relative energy content of six thousand cubic feet to one barrel of oil. Costs of acquiring and evaluating unproved properties are excluded from costs subject to depletion until it is determined whether proved reserves are attributable to the properties or impairment occurs.

Proceeds from disposal of properties are deducted from the full cost pool without recognition of a gain or loss unless such a sale would alter the rate of depletion and depreciation by in excess of 20%.

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

2. Significant accounting policies (continued)

a) Property and equipment (continued)

Under the full cost method of accounting, oil and gas assets are evaluated at least annually to determine that the costs are recoverable and do not exceed the fair value of the properties. The costs are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves and the lower of cost and market of unproved properties exceed the carrying amount of the oil and gas assets. If the carrying amount of the oil and gas assets is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying amount exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using a risk-free rate.

Office furniture and equipment are recorded at cost and are depreciated on the declining balance basis using rates varying from 20% to 30%.

b) Asset retirement obligation

The Company records a liability for the fair value of legal obligation associated with the retirement of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability, there is a corresponding increase in the carrying amount of the related asset known as the asset retirement cost, which is depleted on a unit-of-production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows.

c) Interest in joint operations

Certain of the Company's oil and gas exploration and development activities are conducted jointly with others and, accordingly, the consolidated financial statements reflect only the Company's proportionate interest in such activities.

d) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

e) Flow-through shares

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. Future income tax liabilities are increased and share capital is reduced by the estimated tax cost when the expenditures are renounced.

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

2. Significant accounting policies (continued)

f) Stock-based compensation

Under the Company's stock option plan described in note 5, options to purchase common shares are granted to directors, officers, employees and consultants at current market prices or higher. Stock-based compensation expense is recorded in the statement of operations for all options granted with a corresponding amount recorded as contributed surplus. Compensation expense is based on the estimated fair values on the options at the time of the grant as determined using a Black Scholes option model. The expense is recognized on a straight-line basis over the vesting period of the option. Upon the exercise of the stock options, consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are forfeited, previously recognized compensation expense associated with such stock options is reversed.

g) Per share amounts

Basic loss per share is calculated on the basis of the weighted average number of common shares outstanding during the year. Diluted per share amounts are calculated using the treasury stock method. Diluted calculations reflect the weighted average incremental common shares that would be issued upon exercise of dilutive options and warrants assuming the proceeds would be used to repurchase shares at average market prices for the year. Anti-dilutive options and warrants are not included in the calculation.

h) Measurement uncertainty

The ceiling test is based on estimates of gross reserves, production rates, oil and gas prices, future costs and other relevant assumptions. Amounts related to the fair value of stock options and warrants are based on estimates of share price volatility, risk-free interest rate and expected lives of options and warrants. Future income tax assets and liabilities are reported based on estimates of future income tax rates. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of changes in such estimates in future periods could be material.

i) Financial instruments

All financial instruments, including derivatives, are recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired.

The Company has classified its financial assets and liabilities as follows:

<u>Held-for-trading</u>	<u>Loans and receivables</u>	<u>Other liabilities</u>
Cash and cash equivalents	Accounts receivable	Accounts payable and accrued liabilities
		Due to related parties

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

2. Significant accounting policies (continued)

i) Financial instruments (continued)

At each balance sheet date, the Company assesses financial assets for impairment with any impairment recorded in the consolidated statement of operations.

j) Comprehensive income

Comprehensive income (loss) is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as held available-for-sale. The Company has reported a consolidated statement of comprehensive loss combined with the consolidated statement of operations.

3. Changes in accounting policies

On January 1, 2008, the Company adopted the new Canadian accounting standards for capital disclosures and financial instruments. Prior periods have not been restated. The adoption of these standards had no impact on the Company's financial position or results of operations however the policies did result in new disclosures.

a) Capital disclosures

Section 1535 Capital Disclosures specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital, (ii) quantitative data about what the entity regards as capital, (iii) whether the entity has complied with any capital requirements, and (iv) if it has not complied, the consequences of such noncompliance.

b) Financial instruments – disclosure and presentation

Section 3862 Financial Instruments – Disclosure and *Section 3863 Financial Instruments – Presentation* replace *Section 3861 Financial Instruments – Disclosure and Presentation*. The new standards revise and enhance disclosure requirements and place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. Presentation requirements remain unchanged.

c) Pending accounting pronouncements

International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board (AcSB) published a new strategic plan that outlines the convergence of Canadian generally accepted accounting principles with IFRS. The changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles is interim and annual financial statements for fiscal years beginning on or after January 1, 2011 with the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Marauder Resources East Coast Inc.
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

4. Property and equipment

	December 31, 2008		
	Cost	Accumulated depletion and depreciation	Net
Petroleum and natural gas properties	\$ 42,558,718	\$ 7,260,382	\$ 35,298,336
Office equipment	22,309	12,130	10,179
	<u>\$ 42,581,027</u>	<u>\$ 7,272,512</u>	<u>\$ 35,308,515</u>

	December 31, 2007		
	Cost	Accumulated depletion and depreciation	Net
Petroleum and natural gas properties	\$ 42,558,718	\$ 7,260,382	\$ 35,298,336
Office equipment	20,222	8,854	11,368
	<u>\$ 42,578,940</u>	<u>\$ 7,269,236</u>	<u>\$ 35,309,704</u>

The Company did not capitalize any general and administrative costs in 2008 or 2007. The Company has no production or proved reserves therefore no depletion expense has been recorded except as it relates to ceiling test impairments.

The Company applied the ceiling test to its capitalized assets at December 31, 2008 and determined that there was no impairment. For the purposes of the December 31, 2008 impairment test the following benchmark prices were used.

	WTI (US\$) Price \$/bbl	Company Average Oil Price \$/bbl
2009	N/A	N/A
2010	N/A	N/A
2011	N/A	N/A
2012	N/A	N/A
2013	94.00	97.00
2014	96.00	99.00
2015	98.00	101.00
2016	100.00	103.00

5. Share capital

a) Authorized

Unlimited number of common voting shares

Unlimited number of preferred shares, issued in series, of which none have been issued

Marauder Resources East Coast Inc.
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

5. Share capital (continued)

b) Common shares issued

	Number of shares		Amount
	_____		_____
Balance – December 31, 2006	51,568,835	\$	42,829,738
Private placement	2,420,666		609,090
Share issue costs	–		(76,449)
	_____		_____
Balance – December 31, 2007 and December 31, 2008	53,989,501	\$	43,362,379
	_____		_____

In September 2007, the Company completed a private placement of 2,420,666 units at a price of \$0.30 per unit for total gross proceeds of \$726,200. Each unit consisted of one common share and one-half common share purchase warrant. Each whole common share purchase warrant entitled the holder to purchase one common share at a price of \$0.50 per share on or before September 11, 2008. The expiry date of the warrants was subsequently extended to September 11, 2009.

At the time of the private placement, \$117,110 was ascribed to the warrants and \$609,090 was ascribed to the common shares. The warrant value was estimated using the Black-Scholes pricing model based on expected volatility of 110%, one year life and a risk-free interest rate of 4.2%.

In addition to cash commissions of \$36,310, one of the agents received warrants to purchase 24,700 units at a price of \$0.30 per unit until September 12, 2008. Each unit consisted of one common share and one-half common share purchase warrant. Each whole common share purchase warrant entitled the holder to purchase one common share at a price of \$0.50 per share on or before September 12, 2008. The fair value of the warrants was recorded as share issue costs estimated at \$4,730 using the Black-Scholes option pricing model assuming a risk-free interest rate of 4.2%; weighted average life of one year; dividend yield of nil; and expected volatility rate of 110%.

c) Stock options

The Company has a stock option plan that allows for the issuance of options to purchase shares at specific prices for a specific period of time. The maximum number of shares issuable pursuant to options granted under the plan is limited to 10% of the total issued and outstanding common shares. All directors, officers and certain employees and consultants are eligible to participate in the plan. The option price under the plan will not be less than the market price of the common shares on the date of grant. The expiry date for each option is set by the Board of Directors at the time of issue of the option but in any event will not be more than five years after the date of grant.

In April and July 2007, the Company granted 1,475,000 stock options to directors and a consultant. The options were granted at an exercise price of \$0.25 per option, vest immediately and expire five years from date of grant. The fair value of these options was estimated to be \$298,010 using the Black-Scholes pricing model based on a volatility of 299%, risk-free interest rate ranging from 4.2% to 4.6%, expected life of 5 years and no dividend yield.

Marauder Resources East Coast Inc.
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

5. Share capital (continued)

c) Stock options (continued)

In April 2007, the Company modified the terms of 3,400,000 outstanding options with exercise prices ranging from \$0.65 to \$1.50 per share and expiry dates in 2009 and 2010. The exercise price of the modified options was reduced to \$0.25 per share and the expiry dates extended to April 2012. The fair value of the modified options was estimated using the Black-Scholes pricing model using the same assumptions described above. The incremental fair value of the modified options, being the difference between the fair value of the modified options and the fair value of the original options immediately prior to the modifications, resulted in additional stock based compensation expense of \$166,393.

In September 2008, the Company granted 550,000 stock options to directors of the Company. The 550,000 stock options vested over three years, were exercisable at a price of \$0.25 per share, and expire five years from the date of grant. The fair value of the options was estimated to be \$72,770 on the date of grant using the Black-Scholes pricing model based on a volatility of 122%, risk-free interest rate of 2.76%, expected life of 5 years and no dividend yield. In December 2008, the 550,000 options were re-priced to an exercise price of \$0.10 and the vesting terms were revised to vest immediately. The increase in the fair value of the options as a result of the modification was estimated to be \$3,670 using the Black-Scholes pricing model based on a volatility of 133%, risk-free interest rate of 1.93%, expected life of 5 years and no dividend yield. Total stock-based compensation expense recognized in 2008 with respect to the 550,000 options was \$76,440.

In December 2008, 250,000 stock options were granted to a director and officer of the Company. The options vest immediately, are exercisable at a price of \$0.10 per common share, and expire five years from the date of grant. The fair value of these options was estimated to be \$9,840 using the Black-Scholes pricing model based on a volatility of 125%, risk-free interest rate of 2.3%, expected life of 5 years and no dividend yield.

Shares have been reserved for the following outstanding stock options:

	2008		2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	4,875,000	\$ 0.25	3,400,000	\$ 1.35
Granted	800,000	0.10	1,475,000	0.25
Modified	(550,000)	(0.25)	(3,400,000)	(1.35)
Re-priced	550,000	0.10	3,400,000	0.25
Forfeited	(425,000)	0.25	—	—
Balance, end of year	5,250,000	\$ 0.23	4,875,000	\$ 0.25

Marauder Resources East Coast Inc.
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

5. Share capital (continued)

c) Stock options (continued)

The following table summarizes information about stock options outstanding at December 31, 2008:

Number outstanding	Weighted average remaining contractual life (years)	Exercise price	Number exercisable
800,000	4.8	\$ 0.10	800,000
4,450,000	3.0	0.25	4,450,000
<u>5,250,000</u>	<u>3.5</u>	<u>\$ 0.23</u>	<u>5,250,000</u>

d) Per share amounts

The basic and diluted weighted average number of common shares outstanding during the year ended December 31, 2008 was 53,989,501 (2007 – 52,311,615). In computing diluted per share amounts, all of the Company's outstanding options and warrants have been excluded as they are anti-dilutive.

6. Warrants

	December 31, 2008		December 31, 2007	
	Number of warrants	Amount	Number of warrants	Amount
Balance, beginning of year	1,247,383	\$ 121,840	200,870	\$ 140,902
Granted (<i>note 5 (b)</i>)	–	–	1,247,383	121,840
Warrant modification	–	50,080	–	–
Expired	(37,050)	(4,730)	(200,870)	(140,902)
Balance, end of year	<u>1,210,333</u>	<u>\$ 167,190</u>	<u>1,247,383</u>	<u>\$ 121,840</u>

In August 2008, the Company received regulatory consent to extend the expiry date of 1,210,333 share purchase warrants from September 11, 2008 to September 11, 2009. The warrants were issued pursuant to a September 2007 private placement and are exercisable at a price of \$0.50 per common share. As a result of the warrant modification, an additional \$50,080 was ascribed to the value of the warrants and included in the Company's deficit and per share calculations at December 31, 2008. The incremental warrant value was estimated using the Black-Scholes pricing model based on expected volatility of 115%, one-year life and a risk-free interest rate of 2.7%.

As at December 31, 2008, all warrants are exercisable and have a weighted average remaining life of 0.7 years.

Marauder Resources East Coast Inc.
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

7. Contributed surplus

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 7,167,292	\$ 6,561,987
Stock-based compensation (<i>note 5</i>)	86,280	464,403
Expiry of warrants (<i>note 6</i>)	<u>4,730</u>	<u>140,902</u>
Balance, end of year	<u>\$ 7,258,302</u>	<u>\$ 7,167,292</u>

8. Income taxes

The future income tax reduction reported in the consolidated statements of operations and deficit differs from the amount computed by applying the combined federal and provincial tax rates to the net loss before taxes. The difference results from the following:

	<u>2008</u>	<u>2007</u>
Expected income tax provision (reduction) at 29.50% (2007 – 32.12%)	\$ (458,876)	\$ (342,579)
Non-deductible items	90,748	150,949
Rate adjustment and other	73,379	2,753,731
Change in valuation allowance	<u>(17,224)</u>	<u>4,060,275</u>
	<u>\$ (311,973)</u>	<u>\$ 6,622,376</u>

The components of the net future income tax asset (liability) at December 31 are:

	<u>2008</u>	<u>2007</u>
Non-capital losses	\$ 24,285,480	\$ 23,909,870
Share issue costs	21,706	103,386
Capital losses	92,608	92,608
Eligible capital expenditures	56,716	63,949
Property and equipment	(7,600,123)	(7,608,175)
Valuation allowance	<u>(23,166,790)</u>	<u>(23,184,014)</u>
	<u>\$ (6,310,403)</u>	<u>\$ (6,622,376)</u>

As at December 31, 2008, the Company has approximately \$5.1 million of tax pools and \$97.1 million of non-capital losses available for deduction against future taxable income. A valuation allowance has been provided for on the non-capital losses as they may not be realized prior to expiration. Non-capital losses expire between 2009 and 2028.

9. Change in non-cash working capital

	<u>2008</u>	<u>2007</u>
Accounts receivable	\$ 310,285	\$ 28,000
Prepaid expenses and deposits	2,215	15,009
Accounts payable and accrued liabilities	438,172	(154,191)
Due to related parties	<u>226,662</u>	<u>-</u>
	<u>\$ 977,334</u>	<u>\$ (111,182)</u>

Marauder Resources East Coast Inc.
Notes to Consolidated Financial Statements
December 31, 2008 and 2007

9. Change in non-cash working capital (continued)

The change in non-cash working capital has been allocated to the following activities:

	2008	2007
Operations	\$ 977,334	\$ (61,815)
Financing	–	(695)
Investing	–	(48,672)
	\$ 977,334	\$ (111,182)

10. Related party transactions

The Company had the following related party transactions during the year ended December 31, 2008:

- a) The Company was charged \$32,589 (2007 – \$110,552) by a legal firm in which a director of the Company is a partner.
- b) The Company was charged \$147,798 (2007 – \$141,931) for office rent by a corporation controlled by an officer and director of the Company.
- c) The Company recognized \$700,000 (2007 – nil) of management fees owed to an officer and director of the Company for past service.
- d) The Company had accrued a liability in the amount of \$281,795 at December 31, 2007 for the indemnification of investors subject to reassessment as a result of an audit by the Canada Revenue Agency for unexpended renounced flow-through share expenditures. A director of the Company had indemnified the Company for these costs; as such, an equal amount had been accrued in accounts receivable. During 2008, the reassessment period expired therefore the remaining accrued liability and the related account receivable of \$181,222 were derecognized.

Included in accounts payable and accrued liabilities at December 31, 2008 is \$713,113 (2007 – \$282,392) and included in accounts receivable at December 31, 2008 is \$nil (2007 – \$283,087) in respect of the related party transactions described in notes (a) to (d). These transactions were in the normal course of operations and measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- e) The Company accrued a \$250,000 liability, the amortized cost of which is \$226,662 at December 31, 2008 (December 31, 2007 – nil) due to a director and officer and a former officer of the Company (“the related individuals”) who indemnified the Company for the abandonment liability of a corporation they controlled when it was acquired by the Company. In 2007, the Company disposed of the well to which the abandonment liability related. In November 2008, two \$125,000 promissory notes were issued to the related individuals, payable by the Company on October 29, 2010, or such earlier date as is agreed to by the parties. The promissory notes are unsecured and non-interest bearing. Fair value adjustments on these financial instruments in the amount of \$23,338 were recorded based on their amortized cost at an estimated imputed interest rate of 14% and repayment over an average period of one year.

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

11. Financial instruments and financial risk management

The Company's financial instruments include cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due to related parties. The classification of these financial assets and liabilities is disclosed in note 2. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity and as a result of imputing interest on the amounts due to related parties.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Cash and cash equivalents as at December 31, 2008 are on deposit with a major Canadian bank.

As at December 31, 2008, the maximum credit exposure is the carrying amount of the accounts receivable of \$9,394 (2007 – \$283,087). The Company's accounts receivable relate to Goods and Services Tax input tax credits.

The Company wrote off \$11,144 of accounts receivable during the period ended December 31, 2008 after all reasonable avenues of collection had been exhausted.

As the Company has not entered into any derivative financial instruments, it is not exposed to credit risk associated with possible non-performance by counterparties to any such derivative financial instrument contracts.

b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its current and future financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation.

As at December 31, 2008, the Company's financial liabilities total \$1,055,398 (2007 –\$390,564) and are comprised of accounts payable and accrued liabilities and amounts due to related parties. \$939,775 of the financial liabilities are owed to related individuals and these amounts are subject to the forbearance of the related individuals.

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2008 and 2007

11. Financial instruments and financial risk management (continued)

c) Market risk

Market risk consists of currency risk, commodity price risk and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i) Currency risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not currently produce petroleum and natural gas and is therefore not directly impacted by changes in the exchange rate between the Canadian and United States dollar.

ii) Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. The Company is not currently exposed to commodity price risk except to the extent that future projects may be impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and United States dollar.

iii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk primarily through its variable interest rate on its cash and cash equivalents and the underlying fair value of amounts due to related parties. For the year ended December 31, 2008, interest rate variances on cash and cash equivalents, with all other variables held constant, would not have significantly impacted the Company's loss for the periods.

12. Capital management

The Company's objective when managing capital is to maintain a flexible capital structure which will allow it to fund general and administrative expenses and execute on future capital expenditure programs.

The Company manages its common shares, options and warrants as capital. As the Company has no established revenue, its principal source of funds is from the issuance of common shares. It is the Company's objective to safeguard its ability to continue as a going concern in order to explore and develop future projects for the benefit of its stakeholders. In order to maintain or adjust its capital structure, the Company will consider the potential level of credit facilities that may be available as a result of the value of the Company's assets, availability of other sources of debt with different characteristics than conventional debt, the sale of assets and new equity if available on favourable terms. The Company's ability to raise future capital through debt or equity is subject to uncertainty and the inability to raise such capital may have an adverse impact on the Company's ability to continue as a going concern.

There has been no change in the Company's approach to capital management during the year ended December 31, 2008. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.