

CORTEZ RESOURCES CORP.
INTERIM FINANCIAL STATEMENTS

August 31, 2008

(Stated in Canadian Dollars)

(Unaudited)

**THE ACCOMPANYING FINANCIAL STATEMENTS FOR THE PERIOD ENDED AUGUST 31,
2008 HAVE NOT BEEN REVIEWED OR AUDITED BY THE CORPORATION'S AUDITORS.**

CORTEZ RESOURCES CORP.
INTERIM BALANCE SHEETS
August 31, 2008
(Stated in Canadian Dollars)
(Unaudited)

	August 31, 2008	February 29, 2008
<u>ASSETS</u>		
Current		
Cash	\$ 412,123	\$ 462,454
GST recoverable	1,684	1,592
	\$ 413,807	\$ 464,046
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 946	\$ 13,448
<u>SHAREHOLDERS' EQUITY</u>		
Share capital – Note 3	517,166	517,166
Contributed surplus – Note 3	65,989	65,989
Deficit	(170,294)	(132,557)
	412,861	450,598
	\$ 413,807	\$ 464,046

Nature of Operations – Note 1
Commitments – Note 3

APPROVED ON BEHALF OF THE BOARD:

<u>“Robert Eadie”</u> Robert Eadie	Director	<u>“Gary Arca”</u> Gary Arca	Director
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CORTEZ RESOURCES CORP.
INTERIM STATEMENTS OF OPERATIONS AND DEFICIT
For the three months ended August 31, 2008 and 2007,
for the six months ended August 31, 2008 and
for the period March 29, 2007 (Date of Incorporation) to August 31, 2007
(Stated in Canadian Dollars)
(Unaudited)

	Three months ended August 31, 2008	Three months ended August 31, 2007	Six months ended August 31, 2008	March 29, 2007 (date of incorporation) to August 31, 2007
Expenses				
Audit fees	\$ 128	\$ 1,978	\$ 128	\$ 4,978
Bank charges and interest	111	248	179	313
Consulting	900	-	900	-
Legal and corporate services	8,000	2,155	16,000	2,692
Office and administration– Note 4	4,502	3,738	9,002	6,847
Rent-Note 4	4,500	6,000	9,000	9,090
Shareholder communications	283	-	403	-
Stock-based compensation	-	52,657	-	52,657
Transfer agent and filing fees	4,827	5,947	5,254	6,212
Loss before other item	(23,251)	(72,723)	(40,866)	(82,789)
Other item				
Interest income	1,348	1,539	3,129	1,995
Net loss and comprehensive loss	(21,903)	(71,184)	(37,737)	(80,794)
Deficit and accumulated comprehensive loss, beginning of period	(148,391)	(9,610)	(132,557)	-
Deficit and accumulated comprehensive loss, end of period	\$ (170,294)	\$ (80,794)	\$ (170,294)	\$ (80,794)
Basic and diluted loss per share	\$ (0.01)	\$ (0.20)	\$ (0.02)	\$ (0.39)
Weighted average number of shares outstanding	2,050,000	347,826	2,050,000	205,128

CORTEZ RESOURCES CORP.
INTERIM STATEMENTS OF CASH FLOWS
For the three months ended August 31, 2008 and 2007,
for the six months ended August 31, 2008 and
for the period March 29, 2007 (Date of Incorporation) to August 31, 2007
(Stated in Canadian Dollars)
(Unaudited)

	Three months ended August 31, 2008	Three months ended August 31, 2007	Six months ended August 31, 2008	March 29, 2007 (date of incorporation) to August 31, 2007
Operating Activities				
Net loss for the period	\$ (21,903)	\$ (71,184)	\$ (37,737)	\$ (80,794)
Non-cash item:				
Stock based compensation	-	52,657	-	52,657
	(21,903)	(18,527)	(37,737)	(28,137)
Changes in non-cash working capital items:				
Accounts payable and accrued liabilities	(7,054)	12,971	(12,502)	15,991
GST recoverable	(614)	(2,435)	(92)	(2,634)
Prepaid expenses	-	4,246	-	(5,754)
Cash used in operating activities	(29,571)	(3,745)	(50,331)	(20,534)
Financing Activities				
Issuance of common shares	-	400,000	-	600,000
Share issue costs	-	(79,502)	-	(79,502)
Cash provided by financing activities	-	320,498	-	520,498
Increase (decrease) in cash	(29,571)	316,753	(50,331)	499,964
Cash, beginning of the period	441,694	183,211	462,454	-
Cash, end of the period	\$ 412,123	\$ 499,964	\$ 412,123	\$ 499,964
Supplementary disclosure of cash flow information:				
Cash paid for:				
Interest	\$ -	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -	\$ -

Note 3 **Share Capital and Contributed Surplus**

b) Shares issued – (cont'd)

- i) The Company issued 2,000,001 common shares for proceeds of \$200,000. These shares are subject to an escrow agreement to be released in accordance with CPC policy guidelines.
- ii) During the period ended February 29, 2008, the Company completed its initial public offering (“IPO”) and issued 2,000,000 common shares at \$0.20 per share for gross proceeds of \$400,000. The Company paid a commission of \$40,000 to the agent and issued the agent warrants to acquire up to 200,000 shares at \$0.20 per share until August 20, 2009. The Company also paid an administration fee of \$10,000 and incurred expenses of \$29,502. Share issue costs include \$17,776 for the fair value of the agent’s warrants. Their fair value was determined using the Black-Scholes model with the following assumptions:

Dividend rate	0%
Risk-free interest rate	4.23%
Expected life	2 years
Expected annual volatility	78.27%

The net proceeds from all of the Company’s financings have certain limitations on them until completion of the Qualifying Transaction.

- iii) During the period ended February 29, 2008, the Company issued 50,000 common shares at \$0.20 for proceeds of \$10,000 pursuant to the exercise of agent’s warrants.

c) Stock-based Compensation

The Company, in accordance with the policies of the Exchange, is authorized to grant options to directors, officers, and employees to acquire up to 10% of common stock outstanding. Options may be granted for a maximum term of 5 years. Optioned shares will vest when granted except where granted for investor relations activities which vest and may be exercised in accordance with the vesting provisions as to ¼ of the options each 3 months.

In conjunction with its public listing, the Company granted 400,000 share purchase options (390,000 to directors and 10,000 to a registered charity). Each director’s option allows the holder to acquire an additional common share of the Company at \$0.20 per share for a period of five years until August 20, 2012. The registered charity options are exercisable at \$0.20 per share and expire on the earlier of August 20, 2017, or the 90th day following the date the charity ceases to be an eligible charitable organization.

The fair value of the 400,000 options granted and included in stock-based compensation was estimated to be \$52,657 using the Black-Scholes option-pricing model with the following weighted average assumptions at date of grant:

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Note 3 **Share Capital and Contributed Surplus** – (cont'd)

c) **Stock-based Compensation** – (cont'd)

	August 31, 2008	February 29, 2008
Dividend rate	N/A	0%
Risk-free interest rate	N/A	4.30%
Expected life	N/A	5 Years
Expected annual volatility	N/A	78.27%

No stock options were granted during the period ended August 31, 2008.

A summary of the Company's outstanding stock options as of August 31, 2008 and the changes during the period then ended is presented below:

	Number of Options	Weighted Average Exercise Price
Options granted during the period and outstanding and exercisable at February 29, 2008 and August 31, 2008	400,000	\$0.20

At August 31, 2008, there were 400,000 stock options outstanding entitling the holders thereof to purchase one common share for each option held as follows:

Number of Shares	Number Exercisable	Exercise Price	Expiry Date	Contractual Life Remaining
390,000	390,000	\$0.20	August 20, 2012	3.97 years
10,000	10,000	\$0.20	August 20, 2017	8.97 years
400,000	400,000	\$0.20		4.10 years

d) **Warrants Outstanding**

A summary of the Company's outstanding share purchase warrants at August 31, 2008 and the changes during the period then ended is presented below:

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Note 3 **Share Capital and Contributed Surplus** – (cont'd)

d) Warrants Outstanding – (cont'd)

	Number of Warrants	Weighted Average Exercise Price
Issued	200,000	\$0.20
Exercised	(50,000)	\$0.20
Outstanding at February 29, 2008 and August 31, 2008	150,000	\$0.20

The warrants are exercisable until August 20, 2009.

e) Contributed Surplus

	August 31, 2008	February 29, 2008
Balance, beginning of period	\$ 65,989	\$ -
Stock-based compensation	-	52,657
Agent's warrants granted	-	17,776
Transferred to share capital on exercise of warrants	-	(4,444)
Balance, end of period	\$ 65,989	\$ 65,989

Note 4 **Related Party Transactions**

During the period ended August 31, 2008, the Company paid rent of \$9,000 (2007: \$9,090) and office and administration fees of \$9,000 (2007: \$9,090) to a company controlled by a director.

These charges were measured at the exchange amount which is the amount agreed upon by the transacting parties.