

CORTEZ RESOURCES CORP.

FINANCIAL STATEMENTS

February 28, 2009

(Stated in Canadian Dollars)



BDO Dunwoody LLP
Chartered Accountants

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AUDITORS' REPORT

To the Shareholders,
Cortez Resources Corp.

We have audited the balance sheets of Cortez Resources Corp. as at February 28, 2009 and February 29, 2008 and the statements of operations and deficit and cash flows for the year ended February 28, 2009 and the period March 29, 2007 (Date of Incorporation) to February 29, 2008. 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 financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2009 and February 29, 2008 and the results of its operations and its cash flows for the year ended February 28, 2009 and the period March 29, 2007 (Date of Incorporation) to February 29, 2008 in accordance with Canadian generally accepted accounting principles.

(signed) “BDO Dunwoody LLP”

Chartered Accountants

Vancouver, Canada
May 21, 2009

CORTEZ RESOURCES CORP.
BALANCE SHEETS
February 28, 2009
(Stated in Canadian Dollars)

	February 28, 2009	February 29, 2008
<u>ASSETS</u>		
Current		
Cash	\$ 366,822	\$ 462,454
GST recoverable	2,431	1,592
	\$ 369,253	\$ 464,046

<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 13,750	\$ 13,448

<u>SHAREHOLDERS' EQUITY</u>		
Share capital – Note 3	517,166	517,166
Contributed surplus – Note 3	65,989	65,989
Deficit	(227,652)	(132,557)
	355,503	450,598
	\$ 369,253	\$ 464,046

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitments – Note 3
Subsequent Event – Note 8

APPROVED ON BEHALF OF THE BOARD:

<u>“Robert Eadie”</u> Robert Eadie	Director	<u>“Gary Arca”</u> Gary Arca	Director
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SEE ACCOMPANYING NOTES

CORTEZ RESOURCES CORP.
STATEMENTS OF OPERATIONS AND DEFICIT
For the year ended February 28, 2009 and
for the period March 29, 2007 (Date of Incorporation) to February 29, 2008
(Stated in Canadian Dollars)

	For the year ended February 28, 2009	From March 29, 2007 (date of incorporation) to February 29, 2008
Expenses		
Accounting and audit fees	\$ 8,248	\$ 12,978
Bank charges and interest	299	434
Consulting fees	3,050	900
Legal and corporate services	31,804	23,138
Office and administration – Note 4	18,861	17,872
Rent – Note 4	18,000	16,590
Shareholder communications	5,576	-
Stock-based compensation – Note 3	-	52,657
Transfer agent and filing fees	13,301	16,195
Loss before other item	(99,139)	(140,764)
Other item		
Interest income	4,044	8,207
Net loss and comprehensive loss for the year	(95,095)	(132,557)
Deficit, beginning of year	(132,557)	-
Deficit, end of year	\$ (227,652)	\$ (132,557)
Basic and diluted loss per share	\$ (0.05)	\$ (0.11)
Weighted average number of shares outstanding – Note 2	2,050,000	1,193,788

SEE ACCOMPANYING NOTES

CORTEZ RESOURCES CORP.
STATEMENTS OF CASH FLOWS
For the year ended February 28, 2009 and
for the period March 29, 2007 (Date of Incorporation) to February 29, 2008
(Stated in Canadian Dollars)

	For the year ended February 28, 2009	From March 29, 2007 (date of incorporation) to February 29, 2008
Operating Activities		
Net loss for the period	\$ (95,095)	\$ (132,557)
Non-cash item:		
Stock-based compensation	-	52,657
	(95,095)	(79,900)
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	302	13,448
GST recoverable	(839)	(1,592)
Cash used in operating activities	(95,632)	(68,044)
Financing Activities		
Issuance of common shares	-	610,000
Share issue costs	-	(79,502)
Cash provided by financing activities	-	530,498
Increase (decrease) in cash during the year	(95,632)	462,454
Cash, beginning of the year	462,454	-
Cash, end of the year	\$ 366,822	\$ 462,454
Supplementary disclosure of cash flow information:		
Cash paid for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

Non-cash Transaction – Note 6

SEE ACCOMPANYING NOTES

CORTEZ RESOURCES CORP.
NOTES TO THE FINANCIAL STATEMENTS
February 28, 2009
(Stated in Canadian Dollars)

Note 1 **Nature of Operations and Ability to Continue as a Going Concern**

The Company was incorporated in the Province of British Columbia on March 29, 2007 under the Business Corporations Act of British Columbia as 0786996 BC Ltd. and changed its name to Cortez Resources Corp. on April 13, 2007. The Company is classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (the “Exchange”) Policy 2.4.

The Company’s continued operations are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in, or an investment of an interest in a Qualifying Transaction (as defined). The Company is required to complete its Qualifying Transaction within 24 months of August 20, 2007, the “Listing Date”. The acquisition will be subject to shareholder and regulatory approval.

Subsequent to February 28, 2009, the Company entered into an agreement to acquire a group of mineral properties. This acquisition, if completed, will represent the Company’s Qualifying Transaction (see Note 9).

Note 2 **Significant Accounting Policies**

Management has prepared the financial statements of the Company in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. These financial statements have been prepared within the framework of the significant accounting policies summarized below.

a) **Basic and Diluted Loss per Share**

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 550,000 were not included in the computation of loss per share because their effect was anti-dilutive. 2,000,001 common shares held in escrow are also excluded in the computation of loss per share. As all of the escrow shares are considered contingently issuable until the Company completes the Qualifying Transaction, they are not considered to be outstanding shares for purposes of loss per share calculations.

Note 2 **Significant Accounting Policies** – (cont'd)

b) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are determined based on differences between the tax and accounting basis of assets and liabilities. The future tax assets or liabilities are calculated using the tax rates for the period in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

c) Stock-based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's shares, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate, as determined at the grant date. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options. The estimated fair value of awards of stock-based compensation are charged to expense over their vesting period, with offsetting amounts recognized as contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

d) Share issue costs

Share issue costs, which include commissions, professional and regulatory fees are charged directly to share capital.

Note 2 Significant Accounting Policies – (cont'd)

e) Financial Instruments

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the balance sheet and are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method. Gains and losses upon inception, derecognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs related to debt financings will be expensed in the period incurred.

The Company's financial instruments consist of cash, which is classified as held-for-trading, and accounts payable, which is classified as other financial liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments (Note 7).

f) Recently Adopted Canadian Accounting Standards

Going Concern

Effective March 1, 2008, the Company adopted the amendments to the guidelines of CICA Handbook Section 1400, General Standards of Financial Statement Presentation. The Canadian Accountability Standards Board amended Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The adoption of these amendments resulted in no disclosure changes to the Company's financial statements.

Financial Instruments

Effective March 1, 2008, the Company adopted the new guidelines of CICA Handbook Section 3862, Financial Instruments – Disclosures, and Section 3863, Financial Instruments – Presentation. These standards replace CICA Handbook Section 3861, Financial Instruments – Disclosure and Presentation.

Note 2 **Significant Accounting Policies** – (cont'd)

f) **Recently Adopted Canadian Accounting Standards** – (cont'd)

These standards increase the disclosures previously required, enabling users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, qualitative and quantitative disclosure is required about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the Company is exposed to such risk, based on information provided internally to the entity's key management personnel. The disclosure required under this accounting standard is contained within Note 7.

Capital Disclosures

Effective March 1, 2008, the Company adopted the new guidelines of CICA Handbook Section 1535, Capital Disclosures, which requires companies to disclose their objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital, and whether they have complied with externally imposed capital requirements and, if not in compliance, the consequences of such non-compliance. The disclosure required under this accounting standard is contained within Note 8.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The effective date for the Company is for interim and annual financial statements relating to fiscal years beginning on or after March 1, 2011. This transition will require the restatement, for comparative purposes, of amounts reported by the Company for the year ended February 28, 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

CORTEZ RESOURCES CORP.
Notes to the interim Financial Statements
February 28, 2009
(Stated in Canadian Dollars) – Page 5

Note 3 **Share Capital and Contributed Surplus**

a) Authorized

Unlimited common shares without par value

b) Shares issued

		Number	Amount
Issued for cash pursuant to:			
Incorporation	- at \$0.01	1	\$ -
Private placement	- at \$0.10	2,000,000	200,000
Public offering (“IPO”)	- at \$0.20	2,000,000	400,000
Share issue costs		-	(97,278)
Exercise of agent’s warrants	- at \$0.20	50,000	10,000
Transfer from contributed surplus on exercise of agent’s warrants		-	4,444
Balance, February 29, 2008 and February 28, 2009		4,050,001	\$ 517,166

i) During the period ended February 29, 2008, 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.

iv) The Company issued no common shares during the year ended February 28, 2009.

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

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:

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

No stock options were granted during the year ended February 28, 2009.

A summary of the Company's outstanding stock options as of February 28, 2009 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 February 28, 2009	400,000	\$0.20

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

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

At February 28, 2009, there were 400,000 stock options outstanding entitling the holders thereof to purchase one common share for each option held as follows:

<u>Number of Shares</u>	<u>Number Exercisable</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Contractual Life Remaining</u>
390,000	390,000	\$0.20	August 20, 2012	3.48 years
10,000	10,000	\$0.20	August 20, 2017	8.48 years
400,000	400,000	\$0.20		3.61 years

d) Warrants Outstanding

A summary of the Company's outstanding share purchase warrants at February 28, 2009 and the changes during the period then ended is presented below:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>
Issued	200,000	\$0.20
Exercised	(50,000)	\$0.20
Outstanding at February 29, 2008 and February 28, 2009	150,000	\$0.20

The warrants are exercisable until August 20, 2009.

e) Contributed Surplus

	<u>February 28, 2009</u>	<u>February 29, 2008</u>
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

CORTEZ RESOURCES CORP.
Notes to the interim Financial Statements
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Note 4 **Related Party Transactions**

During the year ended February 28, 2009, the Company paid rent of \$18,000 (2008: \$16,590) and office and administration fees of \$18,000 (2008: \$16,590) 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.

Note 5 **Income taxes**

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	February 28, 2009	February 29, 2008
Loss before income taxes	\$ (95,095)	\$ (132,557)
Basic statutory and provincial income tax rate	30.75%	33.68%
Expected tax recovery on net loss, before income tax	(29,200)	(44,600)
Differences due to recognition of items for tax purposes:		
Permanent differences	-	17,700
Effect of reduction in statutory rate	4,500	6,100
Increase in valuation allowance	24,700	20,800
Future income tax recovery	\$ -	\$ -

Significant components of the Company's future tax assets and liabilities are as follows:

	February 28, 2009	February 29, 2008
Future income tax assets		
Non-capital losses carried forward	\$ 54,000	\$ 25,000
Undeducted financing cost	13,000	17,000
	67,000	42,000
Less: valuation allowance	(67,000)	(42,000)
Future income tax assets	\$ -	\$ -

At February 28, 2009, the Company has accumulated non-capital losses totalling approximately \$208,000, which may be applied against future years' taxable income. The non-capital losses expire in various amounts from 2028 to 2029.

Note 6 **Non-cash Transaction**

Investing and financing activities that do not have a direct impact on current cash flows are excluded from cash flows. The statements of cash flows exclude the issue of warrants issued during the period ended February 29, 2008 to the agent and valued at \$17,776 in connection with the Company's public offering.

Note 7 **Financial Instruments**

(a) Interest rate risk

The Company's cash earns interest at a variable interest rate. Because of the nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair values as of February 29, 2009. Future cash flows from interest income on cash will be affected by interest rate fluctuations. Interest rate risk consists of two components:

- (i) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (ii) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company's exposure to interest rate fluctuations is minimal.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk with respect to its cash, the balance of which at February 29, 2009 is \$366,822. Cash is held at a chartered Canadian financial institution.

(c) Liquidity risk

Liquidity risk arises from the excess of financial obligations over available financial assets due at any point in time. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company achieves this by maintaining sufficient cash reserves. As at February 28, 2009, the Company was holding cash of \$366,822. The Company's accounts payable and accrued liabilities are due in the short term.

Note 8 **Capital Management**

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support a qualifying transaction. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company is currently attempting to identify, evaluate and negotiate an acquisition of, a participation in, or an investment of an interest in a Qualifying Transaction. As such the Company is dependent on external financing to fund its activities. In order to carry out the requirements of a Qualifying Transaction and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Should current market conditions persist, management anticipates potential challenges in raising further external financing.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended February 28, 2009. The net proceeds from all of the Company's financings have certain limitations on them until completion of the Qualifying Transaction. The Company is subject to no other externally imposed capital requirements.

Note 9 **Qualifying Transaction**

The Company has entered into a letter agreement dated March 25, 2009 (the "Agreement") with Seabridge Gold Inc. ("Seabridge") to acquire various mineral claims in Nevada (the "Proposed Acquisition") held by Seabridge's wholly-owned subsidiaries.

Pursuant to the Agreement, the Company paid Seabridge US\$20,000 and has the exclusive option for a period of 60 days to finalize a formal agreement with Seabridge for the purchase of the Properties (the "Formal Agreement"). Upon execution of the Formal Agreement, the Company will pay Seabridge a further US\$80,000.

In consideration of the Proposed Acquisition and to acquire 100% of Seabridge's interest in the Properties (subject to existing underlying royalty and leaseholder entitlements), the Company will:

- (1) issue 10 million common shares to Seabridge;
- (2) pay to Seabridge the further sum of US\$2,900,000; and
- (3) appoint two directors selected by Seabridge to the Board of Directors of the Company.

After completion of the Proposed Acquisition, and as long as Seabridge and its affiliates collectively own more than 15% of the outstanding shares of the Company, Seabridge shall have the right to nominate two directors for election at each annual meeting of the Company's shareholders.

Note 9 **Qualifying Transaction** – cont'd

The Properties comprise interests in 2,141 claims covering more than 30 exploration projects staked in Nevada.

The Company proposes to raise the first tranche of the funds required pursuant to the Agreement, by way of a non-brokered private placement. The proposed financing will be subject to regulatory approvals and will involve the issuance of up to 5,000,000 common shares priced at \$0.20 per share for gross proceeds of up to \$1,000,000. The proceeds from this initial private placement will be used to complete the due diligence on the Proposed Transaction with Seabridge, and will be added to working capital. The Company will require additional funds in order to complete the Proposed Acquisition, which the Company expects to complete through an additional private placement financing prior to closing.

Conditions to closing the Proposed Acquisition include (a) completion of a due diligence review by the Company of the Properties; (b) the execution and delivery of the Formal Agreement; (c) completion of financing sufficient to enable the Company to complete the Proposed Acquisition; and (d) approval of the Proposed Acquisition as a Qualifying Transaction by the Exchange.