

# **Blue Ribbon Capital Corporation**

**(A capital pool corporation)**

## **Interim Financial Statements**

**For the Three and Nine Month Periods Ended  
September 30, 2008**

### **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 financial statements.

# Blue Ribbon Capital Corporation

(A capital pool company)

## Interim Balance Sheets

(unaudited - see Notice to Reader)

	Note	Sept 30 2008	Dec 31 2007 (audited)
<b>Assets</b>			
<b>Current</b>			
Cash	4	\$ 27,128	\$ 131,693
Short-term investments		703,803	706,257
Amounts receivable		-	8,687
Prepaid expenses		-	6,417
<b>Deferred qualifying transaction costs</b>	5	<b>43,168</b>	-
		<b>\$ 774,099</b>	<b>\$ 853,054</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		\$ 5,944	\$ 31,980
<b>Shareholders' Equity</b>			
Capital stock		885,948	885,948
Contributed surplus	6	149,965	149,965
Deficit		(267,758)	(214,839)
		<b>\$ 768,155</b>	<b>\$ 821,074</b>
		<b>\$ 774,099</b>	<b>\$ 853,054</b>

See accompanying notes.

# Blue Ribbon Capital Corporation

(A capital pool corporation)

## Statement of Operations and Deficit

(unaudited - see Notice to Reader)

	Nine Month Period Ended Sept 30		Three Month Period Ended Sept 30	
	2008	2007	2008	2007
<b>Income</b>				
Interest income	\$ 22,646	\$ -	\$ 13,483	\$ -
<b>Expenses</b>				
Professional fees	\$ 26,150	\$10,000	\$ 5,379	\$ 6,500
Stock-compensation	-	97,405	-	97,405
General and administrative	49,415	11,662	8,859	5,830
	<b>75,565</b>	119,067	<b>14,238</b>	109,735
<b>Net loss</b>	<b>(52,919)</b>	(119,067)	<b>(755)</b>	(109,735)
<b>Deficit - beginning of period</b>	<b>(214,839)</b>	-	<b>(267,003)</b>	(9,332)
<b>Deficit – end of period</b>	<b>\$ (267,758)</b>	\$(119,067)	<b>\$ (267,758)</b>	\$(119,067)
<b>Basic and diluted loss per share</b>	<b>\$ (0.04)</b>	\$(0.12)	<b>\$ (0.04)</b>	\$ (0.057)
<b>Weighted average common shares outstanding</b>	<b>6,050,000</b>	996,886	<b>6,050,000</b>	1,919,965

See accompanying notes.

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# Blue Ribbon Capital Corporation

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## Interim Statements of Cash Flows

(unaudited - see Notice to Reader)

	Nine Month Period Ended Sept 30		Three Month Period Ended Sept 30	
	2008	2007	2008	2007
<b>Cash flows from operating activities</b>				
Net loss for the period	\$ (52,919)	\$(119,067)	\$ (755)	\$(109,735)
Items not affecting cash:				
Agent option valuation	-	52,560	-	52,560
Director's stock compensation	-	97,405	-	97,405
Changes in non-cash working capital items				
Amounts receivable	8,687	(3,608)	-	(1,813)
Prepaid expenses	6,417	-	-	-
Accrued liabilities	(26,036)	12,028	(3,052)	(1,502)
	<b>(63,851)</b>	39,318	<b>(3,807)</b>	36,915
<b>Cash flows from financing activities</b>				
Issuance of capital stock	-	885,948	-	785,948
Deferred qualifying transaction costs	(43,168)	(2,793)	(15,750)	56,528
Short-term investments	2,454	-	5,616	-
	<b>(40,714)</b>	883,155	<b>(10,136)</b>	842,476
<b>Increase (decrease) in cash during the period</b>	<b>(104,565)</b>	922,473	<b>(13,947)</b>	879,391
<b>Cash at beginning of period</b>	<b>131,693</b>	-	<b>41,071</b>	43,082
<b>Cash at end of period</b>	<b>\$ 27,128</b>	<b>\$ 922,473</b>	<b>\$ 27,128</b>	<b>\$ 922,473</b>

See accompanying notes.

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# Blue Ribbon Capital Corporation

(A capital pool corporation)

Notes to Interim Financial Statements

September 30, 2008

(unaudited - see Notice to Reader)

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## 1. NATURE OF THE CORPORATION

Blue Ribbon Capital Corporation (the "Company") is a Capital Pool Company that has not commenced commercial operations and has no assets other than a minimum amount of cash. The Company will not carry on any business other than the identification and evaluation of assets or businesses with a view to completing a Qualifying Transaction, as defined under the policies of the TSX Venture Exchange (the "Exchange"). The Company was incorporated as a private company by Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (Ontario) on September 12, 2006.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The disclosures in these interim financial statements do not meet all disclosure requirements of Canadian generally accepted accounting principles ("GAAP") for annual financial statements. These interim financial statements should be read in conjunction with the annual audited financial statements of the Company and the notes thereto.

## 3. RECENT ACCOUNTING PRONOUNCEMENTS ISSUED AND NOT YET APPLIED

(i) In 2008, the CICA issued Handbook Section 3064, Goodwill and Intangible Assets ("CICA 3064"). CICA 3064, which replaces Section 3062, Goodwill and Intangible Assets, and Section 3450, Research and Development Costs, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. This new standard is effective for the Company's interim and annual financial statements for periods commencing January 1, 2009. The Company is assessing the impact of the new standard on its financial statements.

(ii) The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011, when IFRS will be fully adopted. The impact of the transition to IFRS on the Company's financial statements is not yet determinable.

## 4. CASH RESTRICTION

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the Exchange.

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## 5. DEFERRED QUALIFYING TRANSACTION COSTS

These costs relate directly to the proposed Qualifying Transaction by the Company as disclosed in Note 10. Upon completion of the Qualifying Transaction, these costs will be charged against capital stock.

## 6. STOCK OPTIONS

Stock options were granted pursuant to an agency agreement relating to the initial public offering for the benefit of the agent.

The Company also has a stock option plan. Under the plan, the Company's directors are authorized to grant options to its directors, officers, employees or consultants for the purchase of up to 10% of the issued and outstanding common shares. The Company granted options to directors pursuant to the plan as detailed below.

The Company issued stock options to acquire common shares as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Beginning balance	-	\$ -
Granted to directors	605,000	\$ 0.20
Granted to agents	450,000	\$ 0.20
<b>Balance as of September 30, 2008</b>	<b>1,055,000</b>	<b>\$ 0.20</b>
<b>Exercisable</b>	<b>1,055,000</b>	<b>\$ 0.20</b>

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## 6. STOCK OPTIONS ... (cont'd)

The Company had the following stock options outstanding at September 30, 2008:

Number of Options	Exercisable	Exercise Price	Expiry Date
605,000	605,000	\$ 0.20	September 14, 2012
450,000	450,000	\$ 0.20	September 14, 2009

The above options were not included in the computation of diluted net loss per share as they are anti-dilutive.

## 7. FINANCIAL INSTRUMENTS

The carrying values of cash, short term investments and accounts payable and accrued liabilities approximate fair values due to the relatively short term maturities of these instruments.

## 8. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Company includes cash and equity, comprised of issued common shares, contributed surplus and deficit, in the definition of capital.

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of potential acquisitions. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The Company is not subject to externally imposed capital requirements other than the cash restriction disclosed in Note 4, and there has been no change with respect to the overall capital risk management strategy during the three months ended September 30, 2008.

## 9. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including interest rate risk) and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

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## 9. FINANCIAL RISK MANAGEMENT....Con'td

Risk management is carried out by the finance department under policies approved by the Board of Directors. This department identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

### (a) Market risk:

Interest rate risk:

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company's cash earns interest at market rates.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct operations on a day-to-day basis.

### (b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due.

The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

As at September 30, 2008, the Company has accounts payable and accrued liabilities of \$5,944 due within 12 months and has cash and short term investments of \$730,931 to meet its current obligations. As a result the Company has minimal liquidity risk.

### (c) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's cash and cash equivalents are exposed to credit risk. The credit risk on cash equivalents is small because the counterparties are highly rated banks.



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## 10. QUALIFYING TRANSACTION

The Company has announced that further to its preliminary news release of September 27, 2007 and a subsequent press release issued on May 12, 2008, that it has entered into an arm's length binding letter agreement (the "Agreement") with Kilo Goldmines Inc. ("Kilo"), originally dated September 27, 2007, as amended on April 12, 2008, pursuant to which it has agreed to acquire, directly or indirectly, all of the issued and outstanding shares of Kilo Goldmines Inc. (the "Kilo Shares"). The acquisition of Kilo will be Blue Ribbon's qualifying transaction (the "Qualifying Transaction") pursuant to the rules and policies of the TSX Venture Exchange (the "Exchange") and will result in the listing of Blue Ribbon as a Tier 2 Resource Issuer. The Qualifying Transaction is expected to occur through the amalgamation of Kilo and a wholly owned subsidiary of Blue Ribbon to be created, pursuant to which Kilo outstanding securities will be exchanged for equivalent Blue Ribbon securities as further provided herein. It is expected that upon completion of the Qualifying Transaction, Blue Ribbon will change its name to Kilo Goldmines Ltd. or to a similar name.

Pursuant to the Agreement, the outstanding common shares of Blue Ribbon will first be consolidated on a "one for four" basis (such post-consolidated Blue Ribbon common shares are hereinafter referred to as "Blue Ribbon Shares"). Blue Ribbon will then acquire all of the issued and outstanding common shares of Kilo in exchange for the issuance to the shareholders of Kilo of an aggregate of 22,933,413 Blue Ribbon Shares, plus the additional number to be issued pursuant to the Offering (as defined below) at a deemed price of \$0.80 per Blue Ribbon Share. Each Kilo shareholder will be entitled to one (1) Blue Ribbon Share for each one (1) share held by them in Kilo. In addition, Blue Ribbon has agreed to issue replacement options and warrants to all holders of Kilo options and warrants who surrender such securities to Blue Ribbon pursuant to the Agreement. The number and exercise price of the replacement options and warrants issued by Blue Ribbon will have identical exercise terms as the Kilo options and warrants that are surrendered. In addition, Kilo intends to complete a private placement financing to raise additional funds prior to the closing of the Qualifying Transaction (the "Offering").