



**TORCH RIVER RESOURCES LTD.**

**THIRD QUARTER  
INTERIM FINANCIAL STATEMENTS**

**July 31, 2008**  
(Prepared by Management)

**NOTICE TO SHAREHOLDERS  
FOR THE SECOND QUARTER ENDED JULY 31, 2008  
TORCH RIVER RESOURCES LTD.**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statement has not been reviewed by an auditor.

The Accompanying unaudited interim consolidated financial statements of Torch River Resources Ltd. have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, consistent with previous periods.

Torch River Resources Ltd.'s independent auditor has not performed a review of these consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statement by an entity's auditor.

**TORCH RIVER RESOURCES LTD.**  
**BALANCE SHEET AS AT JULY 31, 2008**

	<u>July 2008</u>	<u>July 2007</u>	<u>YE October 31 2007 (Audited)</u>
<b>ASSETS</b>			
<b>Current</b>			
Cash and equivalents	\$ 116,296	\$ 30,400	\$ 10,669
Short term investments	1,549,572	2,735,185	2,109,334
Accounts Receivable	53,710	41,459	218,993
Prepaid Expenses	280,136	47,969	20,605
	<u>1,999,714</u>	<u>2,855,013</u>	<u>2,359,601</u>
<b>Restricted cash</b>	36,000	26,000	26,000
<b>Equipment</b>	106,375	125,194	106,538
<b>Deferred Finance Charge</b>	7,774	13,384	7,774
<b>Mineral properties and rights</b>	3,029,887	965,000	1,938,060
<b>Deferred exploration costs</b>	3,336,228	2,369,035	2,583,446
	<u>\$ 8,515,978</u>	<u>\$ 6,353,626</u>	<u>\$ 7,021,419</u>
<b>LIABILITIES</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 294,184	\$ 187,157	\$ 56,524
Current portion of long term debt	23,655	44,396	25,232
	<u>317,839</u>	<u>231,553</u>	<u>81,756</u>
<b>Long Term</b>			
Finance contracts payable	6,247	21,073	23,357
	<u>324,086</u>	<u>252,626</u>	<u>105,113</u>
<b>SHAREHOLDER'S EQUITY</b>			
Share capital	9,810,977	7,469,967	8,493,761
Contributed Surplus	936,167	523,928	775,802
Deficit	(2,555,252)	(1,892,895)	(2,353,257)
	<u>8,191,892</u>	<u>6,101,000</u>	<u>6,916,306</u>
	<u>\$ 8,515,978</u>	<u>\$ 6,353,626</u>	<u>\$ 7,021,419</u>

On behalf of the Board of Directors

**"William E. Pfaffenberger"**  
William Pfaffenberger  
President, CEO

**"Barry Pearson"**  
Barry Pearson  
CFO

**TORCH RIVER RESOURCES LTD.**

**STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (DEFICIT)  
FOR THE NINE MONTH PERIOD ENDED JULY 31, 2008**

	<b>3 Months July 31 2008</b>	<b>3 Months July 31 2007</b>	<b>9 Months July 31 2008</b>	<b>9 Months July 31 2007</b>
<b>Administrative Costs</b>				
Amortization	\$ 6,723	\$ 2,500	\$ 17,561	\$ 5,720
Bank and loan interest	969	743	1,398	1,071
Filing fees	4,680	465	13,217	11,456
General Meetings	1,521	7,105	4,506	7,952
Internet and website	226	1,006	2,708	3,072
Investor Relations	69,798	22,159	137,830	70,405
Management fees	25,400	22,200	72,200	52,500
Office compensation	3,036		8,145	
Office expense	3,622	1,509	11,889	5,693
Property examination			1,494	
Professional fees	44,066	19,233	60,586	61,601
Stock Compensation	58,802	180,300	160,365	287,158
Telecommunications	132	126	904	1,755
Transfer Agent	2,329	2,864	5,286	8,611
Travel & Promotion	21,066	33,003	44,143	38,152
<b>Operating costs for the year</b>	<b>\$ 242,370</b>	<b>\$ 293,213</b>	<b>\$ 542,232</b>	<b>\$ 555,146</b>
Interest	12,849	25,893	50,237	36,144
<b>Loss before income taxes</b>	<b>\$ 229,521</b>	<b>\$ 267,320</b>	<b>\$ 491,995</b>	<b>\$ 519,002</b>
<b>Future income tax recovery</b>	<b>\$ 290,000</b>		<b>\$ 290,000</b>	<b>\$ 228,000</b>
<b>Loss (Income) for period</b>	<b>\$ (60,479)</b>	<b>\$ 267,320</b>	<b>\$ 201,995</b>	<b>\$ 291,002</b>
<b>Deficit, beginning of year / quarter</b>	<b>\$ 2,615,731</b>	<b>\$ 1,625,575</b>	<b>\$ 2,353,257</b>	<b>\$ 1,601,893</b>
Deficit end of quarter	\$ 2,555,252	\$ 1,892,895	\$ 2,555,252	\$ 1,892,895
<b>Loss (gain) per share - basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>	<b>\$ 0.01</b>

## TORCH RIVER RESOURCES LTD.

### STATEMENT OF CASH FLOWS

FOR THE THIRD QUARTER ENDED JULY 31, 2008

	3 Months July 31 <u>2008</u>	3 Months July 31 <u>2007</u>	9 Months July 31 <u>2008</u>	9 Months July 31 <u>2007</u>
<b>Cash Flow from (used in) the following</b>				
Operations				
Net income (loss) for the year	\$ 60,479	\$ (267,320)	\$ (201,995)	\$ (291,002)
Items not involving cash				
Stock based compensation	58,802	180,300	160,365	287,158
Amortization	6,723	2,500	17,561	5,720
Future Income Tax Recovery	(290,000)		(290,000)	(228,000)
	(163,996)	(84,520)	(314,069)	(226,124)
Cash provided by (invested in) non-cash working capital				
Decrease (increase) in accounts receivable and prepaids	(226,532)	(18,735)	(94,248)	58,069
Increase (decrease) in accounts payable and accrued liabilities	282,930	127,865	237,660	19,362
	(107,598)	24,610	(170,657)	(148,693)
<b>Cash Flow from (used in) financing activities</b>				
Issuance of share capital	960,521	929,813	1,176,421	3,747,593
Share Issuance Cost	(90,455)		(91,205)	
Repayment of long term debt	(6,150)	(6,189)	(18,687)	(27,516)
Deferred finance charges				
	863,916	923,624	1,066,529	3,720,077
<b>Cash flows from (used in) investing activities</b>				
Acquisition of mineral properties for cash	(554,918)	(500,000)	(569,828)	(500,000)
Acquisition of capital assets	(17,397)	(20,951)	(17,397)	(20,951)
Deferred exploration expenses	(687,356)	(375,190)	(752,782)	(364,817)
Restricted cash for contingency			(10,000)	
	(1,259,671)	(896,141)	(1,350,007)	(885,768)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>\$ (503,353)</b>	<b>\$ 52,093</b>	<b>\$ (454,135)</b>	<b>\$ 2,685,616</b>
Cash and cash equivalents, beginning of period	2,169,221	2,787,461	2,120,003	153,938
Cash and cash equivalents, end of period	\$ 1,665,868	\$ 2,839,554	\$ 1,665,868	\$ 2,839,554
<b>Supplementary information</b>				
Shares issued for property	\$ 522,000	\$ 940,000	\$ 522,000	\$ 940,000

**TORCH RIVER RESOURCES LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**July 31, 2008**

**1. Basis of presentation**

The interim period financial statements have been prepared by the Company (without audit) in accordance with Canadian generally accepted accounting principles. The preparation of these financials follow the same accounting policies and methods of their application as the most recent audited annual financial statements.

Certain information and footnotes disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. The interim period financial statements should be read together with the audited financial statements and the accompanying notes included in the Company's latest annual report. In the opinion of the Company, its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the results of the interim period presented.

**2. Nature of Operations**

Torch River Resources Ltd. is incorporated in Alberta and extra provincially in Saskatchewan, Manitoba and British Columbia. Its shares are listed on the TSX Venture Exchange.

On July 8, 2005, the Company entered into an agreement with Red Bird Resources Ltd, whereby the Company has an Option to acquire a 100% interest in a molybdenum/copper property consisting of 840 hectares located in the Skeena Mining division of the Central Coastal region of British Columbia. The complete July 8, 2005 Option Agreement is published on [www.sedar.com](http://www.sedar.com)

The Company also obtained Grouse Mountain consisting of six silver claims near Houston, B.C. in July 2007 and maintains the High Rock and the Climpy gold prospect properties in northeast Manitoba located approximately 8 kilometers apart and cover approximately 1,544 hectares (Aug 7, 2007 Sedar)

An option agreement was signed on the Mount Copeland February 12, 2008, whereby the Company can acquire a 100% interest in a former producing molybdenum property near Revelstoke, British Columbia. The Company paid \$10,000 to move the acceptance date to June 30, 2008 and on June 23, 2008 made the \$25,000 first payment and issued 200,000 shares. For additional details, review [www.sedar.com](http://www.sedar.com) for details on this agreement.

**3. Capital Disclosure**

The majority of the capital controlled by Torch is funds currently retained in Canadian banking institutions which were sourced through private placements for Company operations and exploration activity. The Company has maintained a low risk approach on all investments with all investments in cashable GIC's at a chartered bank. The objectives when managing this capital are to safeguard the entity's ability to continue as a going concern so that it can provide returns for shareholders.

### 3. Share Capital

The authorized share capital of the Company is:

An unlimited number of voting common share without par value

An unlimited number of non-voting first preferred shares

An unlimited number of non-voting second preferred shares

As at July 31, 2008 the Company's issued common shares were as follows:

	2008		2007	
	Number of Shares	\$ Amount	Number of Shares	\$ Amount
<b>Balance Beginning of Year</b>	44,046,177	\$ 8,493,761	25,477,166	\$ 3,950,374
Private Placement	1,578,900	299,991	1,666,667	300,000
Private Placement	952,380	200,000	2,500,000	1,250,000
Private Placement	2,193,000	460,530	4,666,667	700,000
Private Placement			500,000	300,000
Warrants Exercised	580,000	145,000	5,925,681	1,214,295
Options Exercised	500,000	70,900	1,310,000	190,400
Red Bird Option Agreement	2,000,000	480,000 *	2,000,000	
Mount Copeland Option	200,000	420,000		
Share Issue Cost	—	(91,205)		(207,103)
Contributed Surplus		(290,000)		(228,000)
<b>End of Period</b>	<b>52,050,457</b>	<b>\$ 9,810,977</b>	<b>44,046,180</b>	<b>\$ 7,469,967</b>

\* \$ 940,000 booked in Qtr 4/07

### 4. Share Capital Options and Warrants

<u>Number of Shares Under Option</u>	<u>Exercise Price \$</u>	<u>Expiry Date</u>
300,000	\$ 0.17	August 25, 2008
20,000	0.15	August. 25, 2008
210,000	0.14	September 29, 2008
250,000	0.17	February 12, 2009
80,000	0.40	March 7, 2009
100,000	0.55	April 20, 2009
200,000	0.32	June 06, 2009
124,000	0.42	September 16, 2009
50,000	0.17	December 27, 2009
100,000	.135	January 17, 2012
500,000	0.16	March 7, 2012
1,230,000	0.38	May 15, 2012
670,000	0.32	June 6, 2012
120,000	0.18	August 25, 2012
180,000	0.15	November 29, 2012
320,000	0.18	February 17, 2013
370,000	0.16	May 29, 2013
<u>380,000</u>	0.12	July 29, 2013
<b>5,204,000</b>		

Number of Warrants	Purchase Price	Expiry Date
4,330,000	\$0.25	September 28, 2008
1,250,000	0.37	September 28, 2008
	0.50	September 28, 2009
125,000	0.37	September 28, 2008
	0.50	September 28, 2009
936,666	0.25	December 29, 2008
	0.35	December 29, 2009
1,466,667	0.18	February 28, 2009
233,333	0.18	February 28, 2009
2,500,000	0.65	April 5, 2009
250,000	.050	April 5, 2009
499,997	0.75	April 5, 2008
	0.90	April 5, 2009
50,000	0.75	April 5, 2008
	0.95	April 5, 2009
789,450	0.30	May 21, 2010
533,333	0.30	June 20, 2010
<u>1,228,880</u>	0.30	June 27, 2010
<b>14,192,526</b>		

## 5. Related Party Transactions

During the period the Company incurred charges from directors or companies sharing common directors as follows:

	2008	2007
Management Fees	\$ 9,000	\$ 3,000
Office expense	172	0
Travel and promotion	544	2,561
Stock Compensation	47,297	96,590
Meeting expense	<u>2,790</u>	<u>0</u>
<b>Total</b>	<b>\$ 59,803</b>	<b>\$102,151</b>

These transactions occurred during the normal course of operation and were measured at the exchange amount that is the amount established and accepted by the parties.

## **6. Financial Instruments**

The Company's financial instruments consist of cash and cash equivalents, accounts payable and accrued liabilities. The fair value of these financial instruments approximate their carrying values, unless otherwise noted. The Company is not exposed to significant risk, currency or credit risk arising from these financial instruments.

## **7. Contractual Obligations**

The Company has the final financial obligations under the Option Agreement with Red Bird Resources Ltd. signed July 8, 2005. This obligation is:

- Red Bird option agreement payment due Dec. 31, 2008    \$ 4,000,000