

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)

Financial Statements
June 30, 2009 and December 31, 2008
(Unaudited)

<u>Index</u>	<u>Page</u>
Financial Statements	
Balance Sheets	3
Statements of Operations and Deficit	4
Statements of Cash Flows	5
Notes to Financial Statements	6-22
Schedule of Resource Property Interests	23

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August 19, 2009

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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 statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Balance Sheets

	June 30, 2009 <i>(Unaudited)</i>	December 31, 2008 <i>(Audited)</i>
Assets		
Current		
Cash	\$ 3,214	\$ 19,954
Short-term investments	54,999	195,000
Amounts receivable	116,068	161,072
Prepaid expenses	806	16,904
	175,087	392,930
Reclamation Bonds	35,000	23,500
Resource Property Interests (note 6) (schedule)	983,910	946,841
	\$ 1,193,997	\$ 1,363,271
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 34,120	\$ 48,166
Shareholders' Equity		
Capital Stock (note 7)	5,442,886	5,442,886
Contributed Surplus (note 7(d))	387,163	333,192
Deficit	(4,670,172)	(4,460,973)
	1,159,877	1,315,105
	\$ 1,193,997	\$ 1,363,271

Going-Concern (note 2)
Subsequent Events (note 10)

Approved on behalf of the Board:

"Robert McLaughlin"

..... Director
Robert McLaughlin

"Edward Drummond"

..... Director
Edward Drummond

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Statements of Operations and Deficit
Six months ended June 30
(Unaudited)

	3 Months to June 30, 2009	3 Months to June 30, 2008	6 Months to June 30, 2009	6 Months to June 30, 2008
Expenses				
Stock-option compensation	53,971	70,300	53,971	70,300
Accounting and legal	9,000	15,360	21,650	24,410
Management fees	7,500	7,500	15,000	15,000
Transfer agent and filing fees	5,816	5,649	12,105	12,130
Office	6,422	1,592	11,087	3,171
Investor communications	26,054	1,788	38,826	13,407
Property investigation	-	2,491	-	2,491
Salaries and consulting fees	29,518	-	49,736	-
Travel	6,821	5,716	8,334	7,079
Interest and bank charges	(930)	(6,796)	(1,510)	(15,051)
	144,172	103,600	209,199	132,937
Other Expense (Income) Items				
Resource property writeoffs	-	-	-	-
Net Loss for Period	144,172	103,600	209,199	132,937
Deficit, Beginning of Period	4,526,000	4,203,651	4,460,973	4,174,314
Deficit, End of Period	4,670,172	4,307,251	4,670,172	4,307,251
Loss per Share	(0.007)	(0.005)	(0.010)	(0.007)
Weighted Average Shares Outstanding	21,252,046	19,379,361	21,252,046	19,379,361

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Statements of Cash Flows
Six months ended June 30
(Unaudited)

	3 Months to June 30, 2009	3 Months to June 30, 2008	6 Months to June 30, 2009	6 Months to June 30, 2008
Operating Activities				
Net loss	(144,172)	(103,600)	(209,199)	(132,937)
Item not involving cash				
Stock-option compensation	53,971	70,300	53,971	70,300
Operating Cash Flow	(90,201)	(33,300)	(155,228)	(62,637)
Changes in Non-Cash Working				
Accounts receivable	4,350	19,494	45,004	(1,996)
Prepays	12,237	-	16,098	-
Due to related parties	4,055	-	4,055	-
Accounts payable	(317)	15,984	(18,101)	(12,696)
Cash Used in Operating Activities	(69,876)	2,178	(108,172)	(77,329)
Investing Activity				
Short-term investments	70,000	72,007	140,001	(102,447)
Reclamation deposit	(11,500)	-	(11,500)	-
Resource property costs	(20,892)	(91,488)	(37,069)	(124,496)
Cash Used in Investing Activities	37,608	(19,481)	91,432	(226,943)
Financing Activity				
Issuance of common shares	-	-	-	62,400
Inflow/Outflow of Cash	(32,268)	(17,303)	(16,740)	(241,872)
Cash, Beginning of Period	35,482	31,078	19,984	255,647
Cash, End of Period	3,214	13,775	3,214	13,775
Supplemental Non-Cash Flow				
Interest paid	0	0	0	0
Taxes paid	0	0	0	0
Supplemental Cash Flow				
Shares issued for property	-	4,400	-	4,400

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

1. OPERATIONS

Kingsman Resources Inc. (the "Company") was incorporated under the *Company Act* of British Columbia on October 14, 1993, and is involved in the acquisition, exploration and development of resource properties. The Company is currently evaluating opportunities both in the mineral sector and otherwise. To date, the Company has not earned significant revenue and is considered to be in the exploration stage.

2. GOING-CONCERN

The Company's ability to continue as a going-concern is dependent on the Company being able to satisfy its liabilities as they become due and to obtain the necessary financing to complete the exploration for and development of its resource property interests, the attainment of profitable mining operations, or the receipt of proceeds from the disposition of its resource property interests. These financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going-concern.

The Company reported a net loss of \$209,199 (2008 - \$132,937) for the six months ended June 30, 2009 and has an accumulated deficit of \$4,670,172 as at June 30, 2009 (2008 - \$4,460,973). As at June 30, 2009, the Company had \$58,213 (2008 - 214,954) in cash and short-term investments available to meet its liabilities as they become due and continue exploring its resource property interests in the next year. The Company relies on financing through the issuance of additional shares of its common stock until such time as it achieves sustained profitability through profitable mining operations, or the receipt of proceeds from the disposition of its resource property interests. There are no assurances that the Company will be able to raise sufficient funds to continue exploration of its resource property interests.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and are stated in Canadian dollars, which is the Company's functional currency.

(b) Adoption of new accounting standards

Effective January 1, 2008, the Company adopted the following standards of the Canadian Institute of Chartered Accountants' ("CICA") Handbook:

(i) Capital Disclosures

Section 1535 specifies the disclosure of: (i) an entity's objectives, policies and procedures 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 non-compliance.

As a result of the adoption of this standard, additional disclosure on the Company's capital management strategy have been included in note 5.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Adoption of new accounting standards (Continued)

(ii) Financial Instruments – Disclosures and Financial Instruments – Presentation

Sections 3862 and 3863 replace Section 3861, “Financial Instruments – Disclosures and Presentation”, revising its disclosure requirements and carrying forward its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Section 3862 specifies disclosures that enable users to evaluate: (i) the significance of financial instruments for the entity’s financial position and performance; and (ii) the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.

As a result of the adoption of these standards, additional disclosures on the risks of certain financial instruments have been included in note 4.

(c) Cash and cash equivalents

Cash and cash equivalents is comprised of cash and highly liquid short-term investments maturing within one year from the original dates of acquisition and can be converted to known amounts of cash at anytime.

(d) Interest income

Interest income is recorded as earned on the accruals basis at the stated rate of interest on the short-term investments and certain reclamation bonds.

(e) Stock-based compensation

The Company accounts for stock-based compensation using a fair value based method with respect to all stock-based payments measured and recognized, to directors, employees and non-employees. For directors and employees, the fair value of the options is measured at the date of grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is completed or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. The fair value of the options is accrued and charged either to operations or resource property interests, with the offset credit to contributed surplus. For directors and employees the options are recognized over the vesting period, and for non-employees the options are recognized over the related service period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to capital stock.

When warrants are issued in conjunction of private placements, the warrants are valued using the intrinsic value method. The resulting value is a reduction of capital stock.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this 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, and losses carried forward. Future tax assets and liabilities are measured using 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 operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets is limited to the amount of the benefit that is more likely than not to be realized.

(g) Resource property interests

The Company defers all costs related to investments in resource property interests on a property-by-property basis. Such costs include resource property acquisition costs and exploration expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and resource property interests are either developed, the property is sold or the Company's mineral rights are allowed to lapse.

All deferred costs are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount (as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments) or when, in the Company's assessment, it will be unable to sell the property for an amount greater than the deferred costs, the property is written down for the impairment in value.

From time to time, the Company may acquire or dispose of a resource property interest pursuant to the terms of an option agreement. As such, options are exercisable entirely at the discretion of the optionee; the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as property costs or recoveries when the payments are made or received.

The amounts shown for deferred costs represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful life of the property upon commencement of commercial production or written off if the property is abandoned or the claims allowed to lapse.

(h) Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated using the treasury stock method, which gives effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Loss per share (Continued)

Shares held in escrow are excluded from the computation of loss per share until the conditions for their release are satisfied or if their release is subject to other than the passage of time.

(i) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of estimates include accrued liabilities, the recoverability of resource properties expenditures, provincial mining tax credits, determination of valuation allowance for future income tax assets and the assumptions used in the calculation of stock-based compensation. Management believes the estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

(j) Asset retirement obligations ("ARO")

The Company recognizes an estimate of the liability associated with an ARO in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a unit-of-production basis over the life of the proved reserves. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. The Company has determined that it has no material AROs.

(j) Reclamation bonds

Reclamation bonds represent cash held in term deposits intended to cover any environmental or reclamation obligations arising from the Company's resource property interests. Management believes funds in place are adequate to meet any future potential liability. These bonds are a prerequisite to drilling on the properties.

(k) Flow-through shares

Flow-through shares entitle a company that incurs certain resource expenditures in Canada to renounce them for tax purposes, allowing the expenditures to be deducted for income tax purposes by the investors who purchased the shares. A future income tax liability arises from the renunciation of mineral exploration costs to investors of flow-through shares.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial instruments and comprehensive income

All financial instruments are classified as one of the following: held-to-maturity, loans and receivables, held-for-trading, available-for-sale or other financial liabilities. Financial assets and liabilities held-for-trading are measured at fair value with gains and losses recognized in net income. Financial assets held-to-maturity, loans and receivables, and other financial liabilities are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) and reported in shareholders' equity. Any financial instrument may be designated as held-for-trading upon initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial instruments that are classified as other than held-for-trading, which are expensed as incurred, are included in the initial carrying value of such instruments and amortized using the effective interest method.

Comprehensive income or loss is defined as the change in equity from transactions and other events from sources other than the Company's shareholders. Other comprehensive income or loss refers to items recognized in comprehensive income or loss that are excluded from operations calculated in accordance with Canadian GAAP.

The Company has no items of other comprehensive income or loss in any period presented. Therefore, net loss as presented in the Company's statements of operations equals comprehensive loss.

(m) Future accounting change

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 GAAP 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 GAAP. The effective date for the Company is for interim and annual financial statements relating to the Company's fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require 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.

(n) Comparative Figures

Certain comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Company classifies its cash as held-for-trading; short-term investments and reclamation bonds as loans and receivables; and accounts payable and accrued liabilities as other financial liabilities.

(a) Fair value

The carrying values of cash, short-term investments, reclamation bonds, and accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these financial instruments.

(b) Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash, short-term investments and reclamation bonds, which are placed with major Canadian financial institutions.

Concentration of credit risk exists with respect to the Company's cash, short-term investments and certain reclamation bonds as all amounts are held at a single major Canadian financial institution. The maximum exposure is as follows:

	June 30, 2009	December 31, 2008
Cash	\$ 3,214	\$ 19,954
Short-term investments	54,999	195,000
Reclamation bonds	8,500	8,500
	\$ 66,713	\$ 223,454

(c) Interest rate risk

The Company is not exposed to significant interest rate risk as its short-term investments are due within 12 months and the interest rate on certain reclamation bonds resets in the short term.

(d) Short-term investments

Short-term investments consist of GICs of \$54,999, due to mature on October 28, 2009, which have average effective yields of approximately 1.8%.

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in obtaining funds to meet commitments. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. The Company's cash and highly liquid short-term investments at June 30, 2009 totalled \$58,213 (2008 - \$214,954). At June 30, 2009 the Company had accounts payable and accrued liabilities of \$34,120 (2008 - \$48,166).

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(e) Liquidity risk (Continued)

In 2008, the required expenditures for the Company were \$216,359, excluding stock-based compensation.

In fiscal 2009, the Company's expenditure requirements to keep the resource property interests in good standing will include \$30,000 for the Luxor Moly Property, \$5,000 for the Pathfinder Property and \$30,000 for the International Basin Property.

(f) Sensitivity analysis

The sensitivity analysis of the Company's exposure to interest rate risk at the reporting date has been determined based upon hypothetical changes taking place at June 30, 2009, which includes a hypothetical change in the interest rate on the Company's short-term investments and certain reclamation bonds of 1% and the effect on net loss and comprehensive loss.

	Reasonably Possible Changes	
	1%	
Net loss and comprehensive loss	\$	5,145

5. CAPITAL MANAGEMENT

The Company is an exploration stage company and this involves a high degree of risk. The Company has not determined whether its properties contain economically recoverable reserves of ore and currently has not earned any revenues from its mineral properties and, therefore, does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of capital stock. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations and is not subject to any externally imposed capital requirements.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's exploration activities on its mineral properties. To effectively manage the Company's capital requirements, the Company has a planning and budgeting process in place to ensure that adequate funds are available to meet its strategic goals. The Company monitors actual expenses to budget on all exploration projects and overhead to manage costs, commitments and exploration activities.

The Company has in the past invested its capital in liquid investments to obtain adequate returns. The investment decision is based on cash management to ensure working capital is available to meet the Company's short term obligations while maximizing liquidity and returns of unused capital.

Although the Company has been successful at raising funds in the past through the issuance of capital stock, it is uncertain whether it will continue this financing due to uncertain economic conditions. The Company believes that it has sufficient funds and additional receivables to fund its working capital for the coming year.

There have been no changes to the Company's approach to capital management.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

6. RESOURCE PROPERTY INTERESTS

(a) International Basin Property

In 2007, the Company was granted an option to acquire a 100% interest in the International Basin Property located 35 kilometres south of Golden, British Columbia, in the Slocan and Golden Mining Divisions. The original property of 15 mineral tenures totalling 5,979 hectares has since been expanded through staking to 23 tenures totalling 9,354 hectares.

To maintain the option in good standing, the Company is required to make payments to the vendors and to perform exploration work on the International Basin Property according to the following schedule:

Date	Payment	Shares	Exploration Work
2007 - on approval	⁽¹⁾ \$ 20,000	⁽²⁾ 90,000	\$ 0
2008 - by September 30	⁽¹⁾ 20,000	⁽²⁾ 90,000	⁽³⁾ 150,000
2009 - by September 30	30,000	90,000	150,000
2010 - by September 30	40,000	90,000	300,000
2011 - by September 30	40,000	90,000	400,000
	\$ 150,000	450,000	\$ 1,000,000
	⁽¹⁾ Paid	⁽²⁾ Issued	⁽³⁾ Completed

Upon completion of a bankable feasibility study, the Company is obligated to issue an additional 200,000 common shares to the vendors of the property.

The vendors of the property retain a 2% NSR. The Company has the option to purchase 1% of the royalty for \$1,500,000.

(b) Luxor Moly Property

In 2007, the Company was granted an option to acquire a 100% interest in the Luxor Moly Property. The original property of seven mineral tenures totalled 2,260 hectares and in 2008 was expanded through staking to 31 tenures totalling 13,727 hectares. Luxor Moly mineral claims are located 28 kilometres northeast of Barriere, British Columbia, in the Kamloops Mining Division.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

6. RESOURCE PROPERTY INTERESTS (Continued)

(b) Luxor Moly Property (Continued)

To maintain the option in good standing, the Company is required to make payments to the vendors and to perform exploration work on the Luxor Moly Property according to the following schedule:

Date	Payment	Shares	Exploration Work
2007 - on approval	⁽¹⁾ \$ 10,000	⁽²⁾ 50,000	\$ 0
2007 - by December 31	⁽¹⁾ 10,000	⁽²⁾ 50,000	⁽³⁾ 100,000
2008 - by December 31	⁽¹⁾ 20,000	⁽²⁾ 75,000	⁽³⁾ 100,000
2009 - by December 31	30,000	100,000	⁽³⁾ 100,000
2010 - by December 31	30,000	125,000	100,000
2011 - by December 31	0	0	100,000
	\$ 100,000	400,000	\$ 500,000
	⁽¹⁾ Paid	⁽²⁾ Issued	⁽³⁾ Completed

Completion of a bankable feasibility study obligates the Company to issue an additional 200,000 common shares to the vendors of the property. The vendors of the property retain a 2% NSR. The Company has the option to purchase 1% of the royalty for \$1,500,000.

(c) Pathfinder Property

In 2007, the Company was granted an option to acquire a 100% interest in the Pathfinder Property located 20 kilometres north of Grand Forks, British Columbia, in the Boundary Mining Division. The original property of four mineral tenures totalling 1,056 hectares has since been expanded through staking to ten tenures totalling 4,159 hectares.

To maintain the option in good standing, the Company is required to make payments to the vendors and to perform exploration work on the Pathfinder Property according to the following schedule:

Date	Payment	Shares	Exploration Work
2007 - on approval	⁽¹⁾ \$ 5,000	⁽²⁾ 40,000	\$ 0
2008 - by July 1	⁽¹⁾ 5,000	⁽²⁾ 40,000	⁽³⁾ 50,000
2009 - by July 1	5,000	40,000	⁽³⁾ 50,000
2010 - by July 1	10,000	40,000	⁽³⁾ 50,000
2011 - by July 1	10,000	40,000	⁽³⁾ 50,000
	\$ 35,000	200,000	\$ 200,000
	⁽¹⁾ Paid	⁽²⁾ Issued	⁽³⁾ Completed

Completion of a bankable feasibility study obligates the Company to issue an additional 200,000 common shares to the vendors of the property. The vendors of the property retain a 2% NSR. The Company has the option to purchase 1% of the royalty for \$1,500,000.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

6. RESOURCE PROPERTY INTERESTS (Continued)

Realization of assets

The investment in and expenditures on resource properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

Title to resource property interests

Although the Company has taken steps to verify the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the properties may be diminished or negated.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

7. CAPITAL STOCK

(a) Authorized

Unlimited number without par value

(b) Issued

	Shares	Amount
Balance, December 31, 2006	14,743,630	\$ 4,340,657
For cash		
Private placements, net of issue costs	4,405,000	913,387
Exercise of options	320,000	64,000
Exercise of warrants	912,800	225,000
For resource property interests	230,000	48,000
Income tax effect on flow-through share renunciations	0	(307,933)
Reallocation from contributed surplus	0	40,648
Balance, December 31, 2007	20,611,430	5,323,759
Exercise of options	480,000	62,400
For resource property interests	205,000	26,150
Reallocation from contributed surplus	0	30,577
Balance, December 31, 2008	21,296,430	\$ 5,442,886
Transfer agent rounding adjustment	5	0
Balance, June 30, 2009	21,296,435	\$ 5,442,886

During the year ended December 31, 2008:

- (i) 480,000 options at \$0.13 were exercised for proceeds of \$62,400.
- (ii) Pursuant to the three resource property option agreements, 40,000 shares were issued at a fair value of \$0.11 per share, 90,000 shares were issued at a fair value of \$0.175 per share and 75,000 shares were issued at a fair value of \$0.08 per share.

Share issuance costs totalling \$36,000 in cash and 150,000 agent's options, exercisable at \$0.24 per unit, expiring September 27, 2009, to acquire units having the same terms as the non-flow-through units of the private placement were paid in relation to the private placements. The agent's options were fair valued at \$11,614 using the Black-Scholes option pricing model.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

7. CAPITAL STOCK (Continued)

(c) Income tax effect on flow-through share renunciation

In 2007, the Company renounced \$902,500 of exploration expenditures under its flow-through share program, resulting in a future tax liability of \$307,933, which is deducted from capital stock. The Company subsequently reduced the future income tax liability. This results in a future income tax recovery of \$307,933 by offsetting future income tax assets previously valued at nil.

Funds raised through the issuance of flow-through shares are required to be expended on qualified Canadian mineral exploration expenditures, as defined pursuant to Canadian income tax legislation. The flow-through gross proceeds less the qualified expenditures made to date represent the funds received from flow-through share issuances that have not been spent and are held by the Company for such expenditures. As at March 31, 2009, the flow-through proceeds amount remaining to be expended is \$Nil (2008 - \$Nil).

(d) Contributed surplus

	2009	2008
Balance, beginning of year	\$ 333,192	\$ 289,769
Fair value of agent's options	0	0
Stock-based compensation	53,971	74,000
Reallocation to capital stock on exercise of options	0	(30,577)
Balance, end of period	\$ 387,163	\$ 333,192

(e) Stock options

The Company has a stock option plan in place, which follows the TSX Venture Exchange policy under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. Under the policy, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options are for a maximum term of five years.

Options granted to consultants are granted for past services and have no vesting terms. Therefore, they are fully expensed at the date of grant.

On May 22, 2009, 600,000 stock options were granted at a price of ten cents per share for a period of five years. Of these, 200,000 were granted to directors.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

7. CAPITAL STOCK (Continued)

(e) Stock options (Continued)

Stock option transactions and the number of stock options outstanding are summarized as follows:

	June 30, 2009		December 31, 2008	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,520,000	\$ 0.16	1,810,000	\$ 0.22
Granted	600,000	\$ 0.10	800,000	\$ 0.13
Expired	0	-	(610,000)	\$ 0.32
Exercised	0	-	(480,000)	\$ 0.13
Outstanding, end of period	2,120,000	\$ 0.14	1,520,000	\$ 0.16

The following stock options were outstanding and exercisable:

Expiry Date	Exercise Price	June 30, 2009	December 31, 2008
		Number of Options	Number of Options
October 29, 2009	\$ 0.20	720,000	720,000
June 11, 2013	\$ 0.13	800,000	800,000
May 22, 2014	\$ 0.10	600,000	-
		2,120,000	1,520,000
Weighted average outstanding life of options		3.1 years	2.7 years

The Company applies the fair value method in accounting for its stock options. Stock options granted during the six months ended June 30, 2009 resulted in stock-based compensation of \$53,971 (2008 - \$74,000) of which \$Nil (2008 - \$3,700) was capitalized to a resource property interest. Of the \$53,971 in stock-based compensation, \$17,990 (2008 - \$54,113) relates to options granted to directors and \$35,981 (2008 - \$19,887) relates to options granted to consultants.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

7. CAPITAL STOCK (Continued)

(e) Stock options (Continued)

The fair value of each option granted is calculated using the following weighted average assumptions:

	2009	2008
Risk-free interest rate	2.27%	3.49%
Expected life of options	5 years	5 years
Annualized volatility	309.74%	89.72%
Dividends	0.00%	0.00%

All options granted by the Company vest on the grant date. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

(f) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	June 30, 2009		December 31, 2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	8,341,000	\$ 0.28	8,341,000	\$ 0.28
Issued	0	\$ 0.00	0	\$ 0.00
Exercised	0	\$ 0.00	0	\$ 0.00
Expired	0	\$ 0.00	0	\$ 0.00
Outstanding, end of period	8,341,000	\$ 0.28	8,341,000	\$ 0.28

The following warrants were outstanding and exercisable:

Expiry Date	Exercise Price	June 30, 2009	December 31, 2008
		Number of Warrants	
December 1, 2009 ⁽¹⁾	\$ 0.25	3,936,000	3,936,000
September 27, 2009	\$ 0.30	2,000,000	2,000,000
November 16, 2009	\$ 0.30	2,405,000	2,405,000
		8,341,000	8,341,000
Weighted average outstanding life of warrants		0.6 year	0.9 years

⁽¹⁾ During 2008, the 3,936,000 warrants exercisable for \$0.25 per share had their expiry date extended from December 1, 2008 to December 1, 2009.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

7. CAPITAL STOCK (Continued)

(g) Agent's options

The following agent's options were outstanding and exercisable:

		June 30, 2009	December 31, 2008
Expiry Date	Exercise Price	Number of Options	Number of Options
September 27, 2009	\$ 0.24	150,000	150,000
		150,000	150,000

Agent's option transactions and the number of agent's options outstanding are summarized as follows:

	June 30, 2009		December 31, 2008	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of year	150,000	\$ 0.24	326,470	\$ 0.20
Issued	0	\$ 0.00	0	\$ 0.00
Expired	0	\$ 0.00	(176,470)	\$ 0.17
Outstanding, end of period	150,000	\$ 0.24	150,000	\$ 0.24

Agent's options, if exercised, would result in a further 150,000 warrants to acquire shares at \$0.25 to September 27, 2009.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

8. INCOME TAXES

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

	June 30, 2009	December 31, 2008
Income tax liability computed at Canadian statutory rates		
Loss before future income tax	\$ (65,898)	\$ (90,298)
Stock-based compensation	17,001	22,145
Write-off of resource property expenditures	0	0
Share issue costs expensed for tax purposes	(4,158)	(4,158)
Change in timing differences	0	59,742
Effect of change in tax rate	0	19,145
Increase (decrease) in valuation allowance	53,055	(6,576)
Income tax expense (recovery)	\$ 0	\$ 0

The Company has non-capital losses carried forward of approximately \$1,529,000 available to reduce future years' income for income tax purposes. These losses expire as follows:

2009	\$ 137,000
2010	204,000
2014	90,000
2015	107,000
2026	167,000
2027	385,000
2028	230,000
2029	209,000
	\$ 1,529,000

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Notes to Financial Statements
Six months ended June 30, 2009 and Year Ended December 31, 2008
(Unaudited)

8. INCOME TAXES (Continued)

The components of the future income tax assets are as follows:

	June 30, 2009	December 31,2008
Future income tax assets		
Non-capital loss carry-forwards for Canadian purposes	\$ 1,529,000	\$ 1,320,000
Share issue costs	33,600	33,600
Tax value over book value of expenditures on resource Properties	1,117,500	1,117,500
	<u>2,536,100</u>	<u>2,471,100</u>
Tax rate	26.00%	26.00%
	696,826	642,486
Investment tax credit	31,800	31,800
Valuation allowance	(728,626)	(674,286)
	<u>\$ 0</u>	<u>\$ 0</u>

The valuation allowance reflects the Company's estimate that the tax assets more likely than not will not be realized.

9. RELATED PARTY TRANSACTIONS

Balances due to related parties are as follows:

- (a) Included in prepaid expenses at June 30, 2009 is \$Nil (2008 - \$10,988) advanced for travel expense to a director of the Company;
- (b) Included in accounts payable and accrued liabilities at June 30, 2009 is \$4,055 (2008 - \$Nil) due to directors of the Company.

The aggregate amount of expenditures made to related parties not at arm's length to the Company include:

- (c) Compensation of \$42,000 (2008 - \$41,250) in salaries and management fees paid to directors of the Company.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

10. SUBSEQUENT EVENTS

None.

KINGSMAN RESOURCES INC.
(An Exploration Stage Company)
Schedule of Resource Property Interests

	International Basin Property	Luxor Moly Property	Pathfinder Property	Total
Balance, December 31, 2008	\$ 236,434	\$ 442,709	\$ 267,698	\$ 946,841
Property acquisition costs				
Cash and shares	0	0	0	0
Staking and recording	5,400	3,439	0	8,839
Property exploration costs				
Drilling and trenching	0	0	0	0
Mapping and compilation	10,796	3,120	14,314	28,230
Engineering	0	0	0	0
Stock-based compensation	0	0	0	0
Assays and sampling	0	0	0	0
Provincial mining tax credits	0	0	0	0
Total costs for period	16,196	6,559	14,314	37,069
Balance, June 30, 2009	\$ 252,630	\$ 449,268	\$ 282,012	\$ 983,910
Balance, December 31, 2007	\$ 66,249	\$ 197,316	\$ 17,057	\$ 280,622
Property acquisition costs				
Cash and shares	35,750	30,798	9,400	75,948
Staking and recording	6,728	10,334	2,048	19,110
Property exploration costs				
Drilling and trenching	525	186	235,636	236,347
Mapping and compilation	7,607	0	13,366	20,973
Engineering	0	204,840	0	204,840
Stock-based compensation	0	0	3,700	3,700
Assays and sampling	167,020	29,364	26,810	223,194
Provincial mining tax credits	(47,445)	(30,129)	(40,319)	(117,893)
Total costs for year	170,185	245,393	250,641	666,219
Balance, December 31, 2008	\$ 236,434	\$ 442,709	\$ 267,698	\$ 946,841