



**MIDWAY GOLD CORP.**

**(an exploration stage company)**

CONSOLIDATED FINANCIAL STATEMENTS  
(Expressed in Canadian dollars)

Years ended December 31, 2008, 2007 and 2006



**KPMG LLP**  
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## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of  
Midway Gold Corp.

We have audited the accompanying consolidated balance sheets of Midway Gold Corp. as of December 31, 2008 and 2007, and the related consolidated statements of operations, cashflows, comprehensive loss and stockholders' equity for each of the years in the three-year period ended December 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe the our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Midway Gold Corp. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in note 1 to the consolidated financial statements, the Company has suffered recurring losses from operations and has insufficient funds to meet planned expenditures over the next twelve months that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Midway Gold Corp.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 17, 2009 expressed an adverse opinion on the Company's internal control over financial reporting.

**KPMG LLP (signed)**

Chartered Accountants

Vancouver, Canada  
February 17, 2009



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## **Report of Independent Registered Public Accounting Firm**

The Board of Directors and Stockholders of  
Midway Gold Corp. (the "Company")

We have audited Midway Gold Corp.'s internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Midway Gold Corp.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying (*title of management's report*). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



*The Board of Directors and Stockholders of  
Midway Gold Corp.*

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment: (1) accounting personnel have limited expertise in US generally accepted accounting principles; and (2) lack of segregation of duties over the initiation and recording of journal entries.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Midway Gold Corp. as of December 31, 2008 and 2007, and the related consolidated statements of operations, cashflows, comprehensive loss and stockholders' equity for each of the years in the three-year period ended December 31, 2008. These material weaknesses were considered in determining the nature, timing, and extent of audit tests applied in our audit of the consolidated financial statements, and this report does not affect our report dated February 17, 2009, which expressed an unqualified opinion on those consolidated financial statements.

In our opinion, because of the effect of the aforementioned material weaknesses on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2008 based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We do not express an opinion or any other form of assurance on management's statements referring to corrective actions taken after December 31, 2008, relative to the aforementioned material weakness in internal control over financial reporting.

**KPMG LLP (signed)**

Chartered Accountants

Vancouver, Canada

February 17, 2009

**MIDWAY GOLD CORP.**  
(an exploration stage company)  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in Canadian dollars)

	<b>December 31, 2008</b>	December 31, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,416,438	\$ 8,325,280
Amounts receivable	86,451	108,364
Prepaid expenses	30,577	89,462
	<b>2,533,466</b>	8,523,106
Investments (note 3)	346,675	850,000
Reclamation deposit	517,711	349,239
Equipment (note 4)	218,325	237,326
Mineral properties (note 5)	46,971,127	47,452,905
	<b>\$ 50,587,304</b>	\$ 57,412,576
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 369,012	\$ 518,424
Accrued interest payable (note 7)	7,918	-
Promissory note (note 7)	1,000,000	-
	<b>1,376,930</b>	518,424
Future income tax liability (note 12)	8,093,661	8,201,067
Stockholders' equity (note 6)		
Common stock authorized - unlimited, no par value		
Issued - 64,821,664 (2007 - 49,682,664)	88,181,641	80,507,539
Additional paid in capital	6,170,544	5,375,624
Accumulated other comprehensive loss	-	(120,000)
Deficit accumulated during the exploration stage	(53,235,472)	(37,070,078)
	<b>41,116,713</b>	48,693,085
	<b>\$ 50,587,304</b>	\$ 57,412,576

Nature of operations and going concern (note 1)  
Commitments (note 5)  
Contingency (note 8)  
Subsequent events (notes 5(b), 5(c) and 14)

Approved on behalf of the Board:

“George Hawes” Director

“Alan Branham” Director

The accompanying notes are an integral part of these consolidated financial statements.

**MIDWAY GOLD CORP.**

(an exploration stage company)

**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Expressed in Canadian dollars)

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006	Cumulative period from inception (Mar 14, 1996) to December 31, 2008 (unaudited)
<b>Expenses</b>				
Consulting	\$ 223,518	\$ 121,133	\$ 37,625	\$ 523,433
Depreciation	126,399	67,650	19,282	490,368
Gain on sale of subsidiary	-	-	-	(2,806,312)
Interest and bank charges	40,256	5,131	12,242	857,583
Investor relations	123,027	243,989	282,034	1,025,584
Legal, audit and accounting	610,497	374,777	148,945	1,850,787
Management fees	-	-	-	265,000
Mineral exploration expenditures (schedule)	9,085,990	10,038,930	6,432,052	42,860,796
Mineral property interests written off (note 5)	4,246,565	-	-	4,271,754
Office and administration (note 9)	184,189	169,790	147,396	1,099,379
Salaries and benefits	1,076,408	1,613,624	862,719	5,952,823
Transfer agent and filing fees	129,524	72,006	26,121	393,273
Travel	136,431	124,092	67,024	668,542
<b>Operating loss</b>	<b>15,982,804</b>	<b>12,831,122</b>	<b>8,035,440</b>	<b>57,453,010</b>
<b>Other income (expenses):</b>				
Foreign exchange gain (loss)	(1,473,709)	1,108,258	(22,983)	(167,413)
Interest income	117,886	330,873	196,195	827,612
Loss on sale of equipment	(1,769)	(1,115)	-	(2,884)
Loss on sale of investments (note 3)	(9,773)	-	-	(9,773)
Investment write down (note 3)	(592,225)	(30,000)	-	(622,225)
Other income	-	-	-	87,221
	<b>(1,959,590)</b>	<b>1,408,016</b>	<b>173,212</b>	<b>112,538</b>
Net loss before income tax	17,942,394	11,423,106	7,862,228	57,340,472
Income tax recovery (note 12)	1,777,000	757,000	621,000	4,105,000
<b>Net loss</b>	<b>\$ 16,165,394</b>	<b>\$ 10,666,106</b>	<b>\$ 7,241,228</b>	<b>\$ 53,235,472</b>
<b>Basic and diluted loss per share</b>	<b>\$ 0.31</b>	<b>\$ 0.24</b>	<b>\$ 0.23</b>	
<b>Weighted average number of shares</b>	<b>52,791,751</b>	<b>43,992,302</b>	<b>32,000,213</b>	

The accompanying notes are an integral part of these consolidated financial statements.

## MIDWAY GOLD CORP.

(An exploration stage company)

### CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian dollars)

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006	Cumulative period from inception (Mar 14, 1996) to December 31, 2008
Cash provided by (used in):				
Operating activities:				
Net loss	\$ (16,165,394)	\$ (10,666,106)	\$ (7,241,228)	\$ (53,235,472)
Items not involving cash:				
Depreciation	126,399	67,650	19,282	490,368
Stock-based compensation	501,028	1,502,912	992,400	4,983,893
Unrealized foreign exchange loss (gain)	1,669,594	(1,211,933)	(5,287)	163,374
Unrealized loss on investment	592,225	30,000	-	622,225
Non-cash interest expense	-	-	-	234,765
Income tax recovery	(1,777,000)	(757,000)	(621,000)	(4,105,000)
Gain on sale of subsidiary	-	-	-	(2,806,312)
Loss on sale of equipment	1,769	1,115	-	2,884
Loss on sale of investments	9,773	-	-	9,773
Write off of mineral property interests	4,246,565	-	-	4,271,754
Change in non-cash working capital items:				
Amounts receivable	21,913	(6,067)	(31,709)	(69,947)
Prepaid expenses	58,885	(8,975)	(45,424)	(50,619)
Accounts payable and accrued liabilities	(149,412)	(112,226)	254,305	464,017
Accrued interest payable	7,918	-	-	7,918
	<b>(10,855,737)</b>	<b>(11,160,630)</b>	<b>(6,678,661)</b>	<b>(49,016,379)</b>
Investment activities:				
Proceeds on sale of subsidiary	-	-	-	254,366
Proceeds on sale of equipment	919	694	-	1,613
Proceeds on sale of mineral property	-	233,459	-	233,459
Proceeds on sale of investments	21,327	-	-	21,327
Mineral property acquisitions	(3,676,287)	(3,832,280)	(989,701)	(19,910,811)
Deferred acquisition costs	-	-	(23,316)	(23,316)
Purchase of equipment	(110,086)	(240,163)	(78,763)	(1,696,693)
Reclamation deposit	(168,472)	(104,061)	(26,890)	(933,094)
	<b>(3,932,599)</b>	<b>(3,942,351)</b>	<b>(1,118,670)</b>	<b>(22,053,149)</b>
Financing activities:				
Advance from Red Emerald Ltd.	-	-	-	12,010,075
Common stock issued, net of issue costs	7,879,494	14,859,422	15,085,188	54,151,286
Promissory note	2,000,000	-	-	2,000,000
Repayment of promissory note	(1,000,000)	-	-	(1,000,000)
Convertible debenture	-	-	-	6,324,605
	<b>8,879,494</b>	<b>14,859,422</b>	<b>15,085,188</b>	<b>73,485,966</b>
(Decrease) increase in cash and cash equivalents	<b>(5,908,842)</b>	<b>(243,559)</b>	<b>7,287,857</b>	<b>2,416,438</b>
Cash and cash equivalents, beginning of year	<b>8,325,280</b>	<b>8,568,839</b>	<b>1,280,982</b>	<b>-</b>
Cash and cash equivalents, end of year	<b>\$ 2,416,438</b>	<b>\$ 8,325,280</b>	<b>\$ 8,568,839</b>	<b>\$ 2,416,438</b>

Supplementary information - note 11

The accompanying notes are an integral part of these consolidated financial statements.

## MIDWAY GOLD CORP.

(An exploration stage company)

### CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

(Expressed in Canadian dollars)

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006
Net loss for the period before other comprehensive loss	16,165,394	10,666,106	\$ 7,241,228
Unrealized loss on investment	502,225	120,000	-
Investment write-down	(622,225)	-	-
<b>Comprehensive loss</b>	<b>\$ 16,045,394</b>	<b>\$ 10,786,106</b>	<b>\$ 7,241,228</b>

## MIDWAY GOLD CORP.

(An exploration stage company)

### CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Expressed in Canadian dollars)

	Number of shares	Common stock	Additional paid- in capital	Accumulated other comprehensive income	Accumulated deficit during the exploration stage	Total stockholders' equity
<b>Balance, May 14, 1996 (date of inception)</b>	-	\$ -	\$ -	\$ -	\$ -	\$ -
Shares issued:						
Private placements	700,000	168,722	-	-	-	168,722
Net loss	-	-	-	-	(114,800)	(114,800)
<b>Balance, December 31, 1996</b>	700,000	168,722	-	-	(114,800)	53,922
Shares issued:						
Initial public offering	2,025,000	590,570	-	-	-	590,570
Principal shares	750,000	7,500	-	-	-	7,500
Private placement	1,000,000	1,932,554	321,239	-	-	2,253,793
Exercise of share purchase warrants	1,000,000	2,803,205	-	-	-	2,803,205
Acquisition of mineral property interest	1,000,000	2,065,500	-	-	-	2,065,500
Finders fee	150,000	309,825	-	-	-	309,825
Net loss	-	-	-	-	(2,027,672)	(2,027,672)
<b>Balance, December 31, 1997</b>	6,625,000	7,877,876	321,239	-	(2,142,472)	6,056,643
Shares issued:						
Exercise of share purchase warrants	100,000	332,124	(32,124)	-	-	300,000
Acquisition of mineral property interest	200,000	246,000	-	-	-	246,000
Finders fee	150,000	224,250	-	-	-	224,250
Net loss	-	-	-	-	(1,943,674)	(1,943,674)
<b>Balance, December 31, 1998</b>	7,075,000	8,680,250	289,115	-	(4,086,146)	4,883,219
Consolidation of shares on a two for one new basis	(3,537,500)	-	-	-	-	-
Net loss	-	-	-	-	(2,378,063)	(2,378,063)
<b>Balance, December 31, 1999</b>	3,537,500	8,680,250	289,115	-	(6,464,209)	2,505,156
Net loss	-	-	-	-	(4,718,044)	(4,718,044)
<b>Balance, December 31, 2000</b>	3,537,500	8,680,250	289,115	-	(11,182,253)	(2,212,888)
Net earnings	-	-	-	-	2,427,256	2,427,256
<b>Balance, December 31, 2001</b>	3,537,500	8,680,250	289,115	-	(8,754,997)	214,368
Shares issued:						
Private placement	4,824,500	2,133,786	246,839	-	-	2,380,625
Exercise of share purchase warrants	4,028,000	1,007,000	-	-	-	1,007,000
Exercise of stock options	32,000	12,800	-	-	-	12,800
Financing shares issued	31,250	35,000	-	-	-	35,000
Acquisition of mineral property interest	4,500,000	3,600,000	-	-	-	3,600,000
Share issue costs	-	(544,260)	-	-	-	(544,260)
Stock based compensation	-	-	27,000	-	-	27,000
Net loss	-	-	-	-	(1,657,651)	(1,657,651)
<b>Balance, December 31, 2002, carried forward</b>	16,953,250	14,924,576	562,954	-	(10,412,648)	5,074,882

The accompanying notes are an integral part of these consolidated financial statements.

# MIDWAY GOLD CORP.

(An exploration stage company)

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY - CONTINUED

(Expressed in Canadian dollars)

	Number of shares	Common stock	Additional paid- in capital	Accumulated other comprehensive loss	Accumulated deficit during the exploration stage	Total stockholders' equity
<b>Balance, December 31, 2002 brought forward</b>	16,953,250	14,924,576	562,954	-	(10,412,648)	5,074,882
Shares issued:						
Private placement	700,000	638,838	201,162	-	-	840,000
Exercise of share purchase warrants	294,500	73,625	-	-	-	73,625
Share issue costs	-	(19,932)	-	-	-	(19,932)
Stock based compensation	-	-	531,000	-	-	531,000
Net loss	-	-	-	-	(1,352,679)	(1,352,679)
<b>Balance, December 31, 2003</b>	17,947,750	15,617,107	1,295,116	-	(11,765,327)	5,146,896
Shares issued:						
Private placement	2,234,400	2,122,269	175,407	-	-	2,297,676
Exercise of share purchase warrants	213,500	300,892	(46,267)	-	-	254,625
Exercise of stock options	250,000	157,000	(27,000)	-	-	130,000
Share issue costs	-	(183,512)	-	-	-	(183,512)
Stock based compensation	-	-	941,478	-	-	941,478
Net loss	-	-	-	-	(2,994,702)	(2,994,702)
<b>Balance, December 31, 2004</b>	20,645,650	18,013,756	2,338,734	-	(14,760,029)	5,592,461
Private placement	4,075,800	3,266,095	773,335	-	-	4,039,430
Exercise of stock options	165,500	124,364	(31,964)	-	-	92,400
Exercise of share purchase warrants	1,743,000	1,543,844	(4,844)	-	-	1,539,000
Share issue costs	-	-	-	-	-	-
Stock based compensation	-	(184,660)	488,075	-	-	303,415
Net loss	-	-	-	-	(4,402,715)	(4,402,715)
<b>Balance, December 31, 2005</b>	26,629,950	22,763,399	3,563,336	-	(19,162,744)	7,163,991
Shares issued:						
Private placements	5,725,000	10,760,355	944,645	-	-	11,705,000
Exercise of stock options	306,000	325,530	(111,330)	-	-	214,200
Exercise of share purchase warrants	3,227,000	4,182,991	(768,491)	-	-	3,414,500
Acquisition of mineral property interest	40,000	88,000	-	-	-	88,000
Share issue costs	-	(248,512)	-	-	-	(248,512)
Stock based compensation	-	-	992,400	-	-	992,400
Net loss	-	-	-	-	(7,241,228)	(7,241,228)
<b>Balance, December 31, 2006</b>	35,927,950	37,871,763	4,620,560	-	(26,403,972)	16,088,351
Shares issued:						
Private placement	2,000,000	5,400,000	-	-	-	5,400,000
Pan-Nevada acquisition	7,764,109	25,000,431	2,028,074	-	-	27,028,505
Exercise of stock options	595,000	1,485,415	(694,515)	-	-	790,900
Exercise of share purchase warrants	3,395,605	10,777,930	(2,081,407)	-	-	8,696,523
Share issue costs	-	(28,000)	-	-	-	(28,000)
Stock based compensation	-	-	1,502,912	-	-	1,502,912
Unrealized loss on investments	-	-	-	(120,000)	-	(120,000)
Net loss	-	-	-	-	(10,666,106)	(10,666,106)
<b>Balance, December 31, 2007</b>	49,682,664	80,507,539	5,375,624	(120,000)	(37,070,078)	48,693,085
Shares issued:						
Private placement	14,521,500	6,174,441	956,509	-	-	7,130,950
Acquisition of mineral property interest	30,000	88,500	-	-	-	88,500
Exercise of stock options	479,000	1,186,462	(453,212)	-	-	733,250
Exercise of share purchase warrants	108,500	364,404	(209,405)	-	-	154,999
Share issue costs	-	(139,705)	-	-	-	(139,705)
Stock based compensation	-	-	501,028	-	-	501,028
Unrealized loss on investments	-	-	-	(502,225)	-	(502,225)
Investment write-down	-	-	-	622,225	-	622,225
Net loss	-	-	-	-	(16,165,394)	(16,165,394)
<b>Balance, December 31, 2008</b>	64,821,664	\$ 88,181,641	\$ 6,170,544	\$ -	\$ (53,235,472)	\$ 41,116,713

The accompanying notes are an integral part of these consolidated financial statements.

# MIDWAY GOLD CORP.

(An exploration stage company)

## SCHEDULE OF MINERAL EXPLORATION EXPENDITURES

(Expressed in Canadian dollars)

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006	Cumulative period from inception (May 14, 1996) to December 31, 2008 (unaudited)
Exploration costs incurred are summarized as follows:				
<b>Midway project</b>				
Assays and analysis	\$ 57,592	\$ 50,745	\$ 159,184	\$ 307,069
Communication	-	-	2,995	9,513
Drilling	477,456	375,239	933,246	2,042,150
Engineering and consulting	557,951	788,543	639,829	3,965,342
Environmental	76,182	51,425	36,973	220,157
Field office and supplies	58,281	54,645	45,381	200,645
Legal	34,142	28,326	-	72,887
Property maintenance and taxes	34,448	41,848	57,357	367,349
Reclamation costs	422	5,700	16,231	27,766
Reproduction and drafting	-	-	7,091	20,803
Salaries and labour	276,938	212,890	-	489,325
Travel, transportation and accommodation	59,041	110,806	92,771	372,426
	<u>1,632,453</u>	<u>1,720,167</u>	<u>1,991,058</u>	<u>8,095,432</u>
<b>Spring Valley project</b>				
Assays and analysis	817,314	1,185,019	777,730	3,329,900
Communication	-	-	3,816	10,307
Drilling	2,765,189	3,365,985	1,935,887	10,261,511
Engineering and consulting	301,294	324,761	1,041,001	2,376,269
Environmental	14,705	139,044	108,923	300,445
Equipment rental	-	-	-	64,651
Field office and supplies	125,574	156,898	109,102	545,819
Legal	142,415	166,634	-	309,049
Operator fee	-	-	-	108,339
Property maintenance and taxes	96,414	92,126	120,240	451,097
Reclamation costs	16,064	38,810	21,338	83,689
Reproduction and drafting	-	791	22,738	29,724
Salaries and labour	530,581	596,749	-	1,127,330
Travel, transportation and accommodation	202,601	247,102	221,551	843,661
	<u>5,012,151</u>	<u>6,313,919</u>	<u>4,362,326</u>	<u>19,841,791</u>
<b>Pan-Nevada projects</b>				
Assays and analysis	240,665	344,131	-	574,367
Drilling	597,247	719,399	-	1,250,540
Engineering and consulting	284,894	128,547	-	377,229
Environmental	9,241	5,816	-	14,860
Field office and supplies	30,372	45,929	-	70,508
Legal	985	21,836	-	9,318
Property maintenance and taxes	79,229	191,283	-	203,307
Reclamation costs	21,260	46,840	-	67,563
Reproduction and drafting	-	6,077	-	5,738
Salaries and labour	375,955	307,238	-	672,819
Travel, transportation and accommodation	46,033	99,594	-	136,463
	<u>1,685,881</u>	<u>1,916,690</u>	<u>-</u>	<u>3,382,712</u>
<b>Burnt Canyon project</b>				
Assays and analysis	21,921	-	-	21,921
Engineering and consulting	23,765	-	-	23,765
Field office and supplies	81	324	-	405
Legal	2,214	-	-	2,214
Property maintenance and taxes	20,786	-	-	20,786
Salaries and labour	2,923	-	-	2,923
Travel, transportation and accommodation	1,728	1,317	-	3,045
	<u>73,418</u>	<u>1,641</u>	<u>-</u>	<u>75,059</u>
Sub-total balance carried forward	8,403,903	9,952,417	6,353,384	31,394,994

The accompanying notes are an integral part of these consolidated financial statements.

**MIDWAY GOLD CORP.**

(An exploration stage company)

**SCHEDULE OF MINERAL EXPLORATION EXPENDITURES - CONTINUED**

(Expressed in Canadian dollars)

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006	Cumulative period from inception (May 14, 1996) to December 31, 2008 (unaudited)
Sub-total balance brought forward	8,403,903	9,952,417	6,353,384	31,394,994
<b>Thunder Mountain project</b>				
Assays and analysis	5,959	-	-	14,568
Drilling	35,396	-	-	77,956
Engineering and consulting	-	-	-	705
Environmental	108	-	-	1,717
Property maintenance and taxes	19	-	-	12,472
Reclamation costs	-	-	-	2,377
Salaries and labour	1,544	-	-	2,047
Travel, transportation and accommodation	55	-	-	55
	<u>43,081</u>	<u>-</u>	<u>-</u>	<u>111,897</u>
<b>Maggie Creek project</b>				
Environmental	-	-	-	197
Field office and supplies	4,412	-	-	4,630
Legal	461	-	-	461
Property maintenance and taxes	8	-	-	14,275
	<u>4,881</u>	<u>-</u>	<u>-</u>	<u>19,563</u>
<b>Afgan project</b>				
Assays and analysis	13,422	-	-	20,255
Communication	10,034	-	-	10,034
Drilling	3,025	-	-	69,131
Engineering and consulting	19,303	-	-	30,136
Environmental	4,665	-	-	4,665
Field office and supplies	1,989	-	-	3,893
Legal	-	-	-	3,351
Property maintenance and taxes	25,489	-	-	54,648
Reclamation costs	3,795	-	-	4,332
Salaries and labour	8,829	-	-	19,203
Travel, transportation and accommodation	2,747	-	-	8,599
	<u>93,298</u>	<u>-</u>	<u>-</u>	<u>228,247</u>
<b>Gold Rock project</b>				
Assays and analysis	22,085	-	-	22,085
Drilling	96,168	-	-	99,764
Engineering and consulting	83,958	-	-	109,337
Environmental	534	-	-	534
Field office and supplies	12,460	-	-	16,131
Legal	1,547	-	-	11,699
Property maintenance and taxes	130,159	-	-	153,938
Reproduction and drafting	-	-	-	339
Salaries and labour	36,817	-	-	36,817
Travel, transportation and accommodation	15,894	-	-	19,206
	<u>399,622</u>	<u>-</u>	<u>-</u>	<u>469,850</u>
<b>Golden Eagle project</b>				
Engineering and consulting	26,635	-	-	26,635
Field office and supplies	260	-	-	260
Legal	10,083	-	-	10,083
Travel, transportation and accommodation	6,044	-	-	6,044
	<u>43,022</u>	<u>-</u>	<u>-</u>	<u>43,022</u>
Sub-total balance carried forward	8,987,807	9,952,417	6,353,384	32,267,573

The accompanying notes are an integral part of these consolidated financial statements.

**MIDWAY GOLD CORP.**

(An exploration stage company)

**SCHEDULE OF MINERAL EXPLORATION EXPENDITURES - CONTINUED**

(Expressed in Canadian dollars)

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006	Cumulative period from inception (May 14, 1996) to December 31, 2008 (unaudited)
Sub-total balance brought forward	8,987,807	9,952,417	6,353,384	32,267,573
<b>Pioche/Mineral Mountain project</b>				
Acquisition costs and option payments	-	-	-	40,340
Assays and analysis	-	-	-	13,037
Drilling	-	-	-	232,205
Engineering and consulting	-	-	-	38,212
Field office and supplies	-	-	-	16,236
Property maintenance and taxes	-	-	-	49,750
Reclamation costs	-	-	-	32,683
Travel, transportation and accommodation	-	-	-	21,124
	-	-	-	443,587
<b>Black Prince project</b>				
Communication	-	-	-	938
Drilling	-	-	-	77,167
Engineering and consulting	-	-	-	78,698
Equipment rental	-	-	-	10,800
Field office and supplies	-	-	-	3,397
Geological and geophysical	-	-	-	63,481
Legal and accounting	-	-	-	1,163
Property maintenance and taxes	-	-	-	13,249
Reproduction and drafting	-	-	-	1,179
Travel, transportation and accommodation	-	-	-	7,255
Recoveries	-	-	-	(40,000)
	-	-	-	217,327
<b>Ruby Violet project</b>				
Assays and analysis	-	-	-	20,499
Communication	-	-	-	108,762
Drilling	-	-	-	467,372
Engineering and consulting	-	-	-	3,120,317
Equipment rental	-	-	-	337,577
Field office and supplies	-	-	-	277,119
Foreign exchange gain	-	-	-	(38,134)
Freight	-	-	-	234,956
Interest on convertible loans	-	-	-	1,288,897
Legal and accounting	-	-	-	453,269
Marketing	-	-	-	91,917
Mining costs	-	-	-	693,985
Processing and laboratory supplies	-	-	-	941,335
Property maintenance and taxes	-	-	-	298,752
Security	-	-	-	350,584
Travel, transportation and accommodation	-	-	-	392,031
Utilities and water	-	-	-	59,425
	-	-	-	9,098,663
Sub-total balance carried forward	8,987,807	9,952,417	6,353,384	42,027,150

The accompanying notes are an integral part of these consolidated financial statements.

**MIDWAY GOLD CORP.**

(An exploration stage company)

**SCHEDULE OF MINERAL EXPLORATION EXPENDITURES - CONTINUED**

(Expressed in Canadian dollars)

	<b>Year ended December 31, 2008</b>	Year ended December 31, 2007	Year ended December 31, 2006	Cumulative period from inception (May 14, 1996) to December 31, 2008 (unaudited)
Sub-total balance brought forward	8,987,807	9,952,417	6,353,384	42,027,150
<b>Property investigations</b>				
Assays and analysis	19,736	11,990	22,057	160,769
Drilling	-	-	-	169,129
Engineering and consulting	15,503	37,598	21,359	210,183
Environmental	5,132	8,486	2,145	22,761
Field office and supplies	1,773	2,520	-	17,472
Legal	10,660	292	-	10,952
Property maintenance and taxes	14,130	5,646	30,923	123,230
Reclamation costs	1,471	90	(5,828)	2,639
Reproduction and drafting	-	1,172	2,085	4,942
Salaries and labour	-	3,674	-	3,674
Travel, transportation and accommodation	29,778	15,045	5,927	107,895
	<u>98,183</u>	<u>86,513</u>	<u>78,668</u>	<u>833,646</u>
	<u>\$ 9,085,990</u>	<u>\$ 10,038,930</u>	<u>\$ 6,432,052</u>	<u>\$ 42,860,796</u>

The accompanying notes are an integral part of these consolidated financial statements.

**1. Nature of operations and going concern:**

Midway Gold Corp. (the “Company” or “Midway”) was incorporated on May 14, 1996 under the laws of the Province of British Columbia and its principal business activities are the acquisition, exploration and development of mineral properties.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete development, confirmation of the Company’s interest in the underlying mineral claims and upon future profitable production from or proceeds from the disposition of its mineral properties.

**Going concern uncertainty**

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The ability of the Company to continue as a going concern is uncertain and dependent upon obtaining the financing necessary to meet its financial commitments and to complete the development of its properties and/or realizing proceeds from the sale of one or more of the properties. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders, the ability of the Company to obtain necessary equity financing to continue operations, confirmation of the Company’s interests in the underlying properties, and the attainment of profitable operations. As at December 31, 2008, the Company had cash of \$2,416,438, working capital of \$1,156,536, and has accumulated losses of \$53,235,472 since inception.

Management anticipates that the minimum cash requirements to fund its proposed exploration program and continued operations will exceed the amount of cash on hand at December 31, 2008. Accordingly, the Company does not have sufficient funds to meet planned expenditures over the next twelve months, and will need to seek additional debt or equity financing to meet its planned expenditures. There is no assurance that the Company will be able to raise sufficient cash to fund its future exploration programs and operational expenditures. The Company has 12,500,000 share purchase warrants outstanding with an exercise price of \$0.28 that expire on May 12, 2009. The market price at December 31, 2008 was \$0.59 and there is a reasonable expectation that these warrants will be exercised to raise \$3,500,000 of which \$1,000,000 will be dedicated to repay the balance of the promissory note. By the first week of May the Company will assess the situation and should the share purchase warrants not be exercised the Company will further reduce its staffing and curtail its budget to the available remaining cash until additional funds can be raised through the sale of equity. These factors raise substantial doubt regarding the Company’s ability to continue as a going concern. 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.

**2. Significant accounting policies:**

(a) Basis of presentation:

These consolidated financial statements have been prepared under accounting principles generally accepted in the United States of America (“US GAAP”). Previously, the Company prepared its financial statements under Canadian GAAP. There are no major differences between Canadian and US GAAP, which affect the Company. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

**2. Significant accounting policies (continued):**

The Company meets the definition of a development stage enterprise under Statement of Financial Accounting Standards ("SFAS") No. 7, "Accounting and Reporting by Development Stage Enterprises" (SFAS 7). Pursuant to the rules and regulations of the Securities and Exchange Commission, a mining company in the exploration stage should not refer to itself as a development stage company in its financial statements, even though such company should comply with SFAS 7. Under SFAS 7, the Company is required to provide additional disclosures from its date of inception, or the date the Company was reactivated to undertake development stage activities. To comply with the requirements of SFAS 7, the statement of operations, stockholder equity and comprehensive loss and cash flows include cumulative amounts from May 14, 1996 to December 31, 2008.

(b) Cash and cash equivalents:

Cash and cash equivalents include highly liquid investments with original maturities of three months or less. To limit its credit risk exposure for amounts in excess of federally insured limits, the Company places its deposits with financial institutions of high credit standing.

(c) Equipment:

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over three to five years, which represents the estimated useful lives of the assets.

(d) Mineral properties:

Costs of exploring, carrying and retaining unproven properties are expensed as incurred. The Company also considers the provisions of EITF 04-02 "Whether Mineral Rights are Tangible or Intangible Assets" which concluded that mineral rights are tangible assets. Accordingly, the Company capitalizes certain costs related to the acquisition of mineral rights.

(e) Asset retirement obligations:

The Company records the fair value of the liability for closure and removal costs associated with the legal obligations upon retirement or removal of any tangible long-lived assets in accordance with SFAS No. 143, "Accounting for Asset Retirement Obligations". The initial recognition of any liability will be capitalized as part of the asset cost and depreciated over its estimated useful life. The Company accrues its ongoing surface disturbance asset retirement obligations within accounts payable and accrued liabilities (December 31, 2008 \$98,514).

(f) Impairment of long-lived assets:

Following the guidance in SFAS 144, the Company reviews and evaluates its long-lived assets for impairment at each balance sheet date and documents such impairment testing. The tests include an evaluation of the assets and events or changes in circumstances that would indicate that the related carrying amounts may not be recoverable. Mineral properties in the exploration stage are monitored for impairment based on factors such as the Company's continued right to explore the area, exploration reports, assays, technical reports, drill results and the Company's continued plans to fund exploration programs on the property, whether sufficient work has been performed to indicate that the carrying amount of the mineral property cost carried forward as an asset will not be fully recovered, even though a viable mine has been discovered.

**2. Significant accounting policies (continued):**

The tests for long-lived assets in the exploration, development or producing stage that would have a value beyond proven and probable reserves would be monitored for impairment based on factors such as current market value of the mineral property and results of exploration, future asset utilization, business climate, mineral prices and future undiscounted cash flows expected to result from the use of the related assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated future net undiscounted cash flows expected to be generated by the asset, including evaluating its reserves beyond proven and probable amounts.

The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable either by impairment or by abandonment of the property. The impairment loss is calculated as the amount by which the carrying amount of the assets exceeds its fair value. While the Company incurred losses from operations, these losses have not been in excess of planned expenditures on the specific mineral properties in order to ultimately realize their value.

(g) Stock-based compensation:

The Company has a stock option plan that is described in note 7(c).

Following the guidance in SFAS No. 123R (revised), "Share-Based Payment" the Company measures and records to the financial statements the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, recognized over the period during which an employee is required to provide services in exchange for such award. SFAS 123R requires estimates of forfeitures of unvested instruments at the grant date in determining the total compensation to be recognized. Stock based payments to non-employees are measured at the fair value of consideration received or equity instruments issued, whichever is more reliable and are periodically re-measured until counter party performance is complete.

The offset to the recorded stock based compensation cost is to additional paid-in capital. Consideration received on the exercise of stock options is recorded as share capital and the related additional paid-in capital is transferred to share capital.

(h) Income taxes:

The Company uses the asset and liability method of accounting for income taxes in accordance with Statements of Financial Accounting Standards No. 109, "Accounting for Income Taxes". Under this method future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Future income tax assets and liabilities are measured using the enacted tax rates which will be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

Effective January 1, 2007, the Company has adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes-an Interpretation of FASB Statement No. 109" ("FIN 48"). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB No. 109, "Accounting for Income Taxes." This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This Interpretation also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company has determined that the adoption of FIN 48 does not have an impact on its results of operations or financial position.

**2. Significant accounting policies (continued):**

(i) Net loss per share:

Basic net loss per share is computed by dividing the net loss for the period attributable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share takes into consideration shares of common stock outstanding (computed under basic loss per share) and potentially dilutive shares of common stock. Diluted net loss per share is not presented separately from basic net loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive. At December 31, 2008, the total number of potentially dilutive shares of common stock excluded from basic net loss per share was 15,244,167 (December 31, 2007 – 3,331,668, December 31, 2006 – 5,421,000).

(j) Foreign currency translation:

Transactions and account balances originally stated in currencies other than the Canadian dollar have been translated into Canadian dollars as follows:

- Revenue and expense items at the rate of exchange in effect on the dates they occur.
- Non-monetary assets and liabilities at the rate of exchange in effect on the dates the assets were acquired or the liabilities were incurred.
- Monetary assets and liabilities at the exchange rate at the balance sheet date.

Exchange gains and losses are recorded in operations in the period in which they occur, except for exchange gains and losses related to translation of monetary assets and liabilities associated with mineral properties, which are deferred and included in mineral properties.

(k) Share capital:

The Company records proceeds from share issuances, net of issue costs. Shares issued for consideration other than cash are valued at the quoted market price on the date the agreement to issue the shares was reached and announced for business combinations and at the date of issuance for other non-monetary transactions.

(l) Warrants:

The Company accounts for warrants using the fair value method. Under this method, the value of warrants issued is measured at fair value at the grant date using the Black-Scholes valuation model and recorded as share capital if and when the warrants are exercised.

(m) Estimates:

The preparation of consolidated financial statements 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 revenue and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of impairment of mineral properties and equipment, useful lives for amortization, valuation allowances for future income tax assets, the assumptions used in determining fair value of non-cash stock-based compensation and determination of reclamation and environmental obligations. Financial results, as determined by actual events, may differ from these estimates.

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**2. Significant accounting policies (continued):**

**Recently adopted accounting policies**

**Statement of Financial Accounting Standards No. 157, Fair Value Measurements**

Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"), clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements. We have adopted SFAS 157 and FASB Staff Position FAS 157-2: *Effective Date of FASB Statement No. 157* effective January 1, 2008. The adoption of SFAS 157 for financial instruments as required at January 1, 2008 did not have a material effect on our consolidated financial statements; however, we are required to provide additional disclosure as part of our consolidated financial statements. We will adopt SFAS 157 for non-financial assets and non-financial liabilities on January 1, 2009 as required and do not expect the provisions to have a material effect on our consolidated financial statements.

SFAS 157 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The valuation of investments in marketable securities include available for sale securities. The Company's Level 1 assets include the valuation of the common shares available for sale with no trading restrictions as determined using a market approach based upon unadjusted quoted prices for identical assets in an active market. Level 1 assets also include the valuation of warrants that are considered derivatives and are marked to market each reporting period based upon unadjusted quoted prices for identical assets in active markets. The Company's Level 2 assets include the valuation of common shares with trading restrictions that will be removed within one year of the financial period reporting date as determined using a market approach and based upon quoted prices for identical assets in an active market adjusted by a discount to market comparable to the discount allowed by the TSX Venture Stock Exchange for private placements.

The determination of fair value for financial reporting purposes as at December 31, 2008 and utilizing the applicable framework is as follows:

Financial Instrument	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	Total
	Level 1	Level 2	Level 3	
Available-for-sale securities	\$156,675	\$90,000	\$-	\$246,675
Derivatives	100,000	-	-	100,000
Total	\$256,675	\$90,000	\$-	\$346,675

**2. Significant accounting policies (continued):**

In February 2007, the FASB issued FAS No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities” including an amendment of FASB Statement No. 115. This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement applies to all entities, including not-for-profit organizations. Most of the provisions of this Statement apply only to entities that elect the fair value option. FAS No. 159 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, and is applicable beginning in the Company’s first quarter beginning January 1, 2008 and it had no material impact on the consolidated financial statements as the Company has not made any elections under FAS No. 159 for any assets.

(n) Recent United States Accounting Pronouncements:

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“FAS 141R”), which replaces FAS 141 and SFAS No. 160, “Non-controlling Interest in Consolidated Financial Statements”, an amendment of ARB No. 51 (“FAS 160”). FAS 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any controlling interest; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. FAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. FAS 141R and FAS 160 shall be applied prospectively on or after an entity’s fiscal year that begins on or after December 15, 2008. The Company is currently assessing the impact that FAS 141R and FAS 160 will have on its consolidated financial statements but does not expect that it will have a material impact on the consolidated financial statements.

(o) Comparative figures:

Certain of the comparative figures have been reclassified to conform to the presentation in the current year.

**3. Investments**

As consideration for the Company’s sale of the Jessup project to Rye Patch Gold Corp. (“Rye Patch”) the Company was issued 2,000,000 common shares of Rye Patch and 1,000,000 common share purchase warrants (the “Warrants”) on September 28, 2007. The Warrants entitle the Company to purchase one common share of Rye Patch at an exercise price of \$1.00 until September 28, 2009. The Company sold 155,500 common shares of Rye Patch during the year. At December 31, 2008 the Company had 1,044,500 common shares of Rye Patch with no trading restrictions, 400,000 will become available to sell by March 28, 2009 and the final 400,000 will become available to sell by September 28, 2009.

	December 31, 2008			
	Number of shares or warrants	Cost	Accumulated unrealized gains (losses)	Fair value
		(\$)	(\$)	(\$)
Available for sale - common shares (a)	1,844,500	830,025	(583,350)	246,675
Warrants (b)	1,000,000	100,000	-	100,000
<b>Total investments</b>		<b>930,025</b>	<b>(583,350)</b>	<b>346,675</b>

(a) As at December 31, 2008, all of the Rye Patch common shares are marked to market.

(b) Warrants are considered derivatives thus are marked to market each reporting period with gains or losses recorded in the Statement of Operations.

MIDWAY GOLD CORP.  
(an exploration stage company)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2008, 2007 and 2006  
(expressed in Canadian dollars)

**3. Investments (continued)**

December 31, 2007				
	Number of shares or warrants	Cost	Accumulated unrealized gains (losses)	Fair value
		(\$)	(\$)	(\$)
Restricted common shares (a)	800,000	360,000	-	360,000
Available for sale - common shares	1,200,000	540,000	(120,000)	420,000
Warrants (b)	1,000,000	100,000	(30,000)	70,000
<b>Total investments</b>		<b>1,000,000</b>	<b>(150,000)</b>	<b>850,000</b>

During the year ended December 31, 2008, the Company realized a loss of \$9,773 on the sale of 155,500 common shares of Rye Patch. The Company recognized an unrealized loss on the common shares of \$502,225 and an unrealized gain of \$30,000 on the warrants of Rye Patch for the difference in the fair value at December 31, 2008 and December 31, 2007. The Company considers that the decline in market value of this investment meets the characteristics of an "other than temporary impairment" and adjustments to fair value were recorded in earnings as investment write-down and re-classed from accumulated other comprehensive loss.

**4. Equipment:**

	December 31, 2008			December 31, 2007		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Computer equipment	\$ 234,071	\$ 130,741	\$ 103,330	\$ 185,177	\$ 55,696	\$ 129,481
Office equipment	62,717	26,398	36,319	47,219	17,155	30,064
Field equipment	66,569	22,073	44,496	46,506	9,458	37,048
Trucks	89,389	55,209	34,180	67,629	26,896	40,733
	<b>\$ 452,746</b>	<b>\$ 234,421</b>	<b>\$ 218,325</b>	<b>\$ 346,531</b>	<b>\$ 109,205</b>	<b>\$ 237,326</b>

**5. Mineral properties:**

The continuity of expenditures on mineral properties is as follows:

Mineral property	December 31, 2007	Additions	Written off	December 31, 2008
Midway	\$ 6,394,704	\$ 317,082	\$ -	\$ 6,711,786
Spring Valley	4,879,825	784,692	-	5,664,517
Pan	31,961,798	127,645	-	32,089,443
Afgan	4,168,784	105,263	(4,181,111)	92,936
Gold Rock	23,248	240,497	-	263,745
Maggie Creek	-	9,902	(9,902)	-
Burnt Canyon	24,546	45,934	-	70,480
Maiden Gold	-	55,552	(55,552)	-
Golden Eagle	-	2,078,220	-	2,078,220
	<b>\$ 47,452,905</b>	<b>\$ 3,764,787</b>	<b>\$ (4,246,565)</b>	<b>\$ 46,971,127</b>

**5. Mineral properties (continued):**

(a) Midway property, Nye County, Nevada:

Through a series of agreements, amendments and payments the Company has the option to acquire a 100% interest in the Midway property subject only to a sliding scale royalty on Net Smelter Return (“NSR”) royalty from any commercial production of between 2% to 7%, based on changes in gold prices. To maintain the option the Company must pay an advance minimum royalty, recoverable from commercial production, of US\$300,000 per year (\$312,539) on each August 15.

During the year ended December 31, 2008 the Company staked additional claims at a cost of US\$4,525 (\$4,543).

(b) Spring Valley property, Nevada:

On March 9, 2009 the Company signed an exploration and option to joint venture agreement with Barrick Gold Exploration Inc., a wholly owned subsidiary of Barrick Gold Corporation, on the Spring Valley gold project that superseded a term sheet executed on October 17, 2008. Barrick is granted the exclusive right to earn a 60% interest in the project by spending US\$30,000,000 on the property (US\$4,000,000 guaranteed in the first year) over five years. Barrick may increase its interest by 10% (70% total) by spending an additional US\$8,000,000 in the year immediately after vesting at 60%. At the Company’s election, Barrick may also earn an additional 5% (75% total) by carrying the Company to a production decision and arranging financing for the Company’s share of mine construction expenses with the carrying and financing costs plus interest to be recouped by Barrick once production has been established. The Company will coordinate geologic and administrative activities under the direction of Barrick, billing monthly at cost plus an administrative fee of 5%.

Through a series of agreements, amendments and payments the Company has the option to acquire a 100% interest in the property package comprising the Spring Valley project subject to NSR royalties ranging from 1% to 7% on different claim groups within the property package.

The Company owns the original core package of 44 unpatented claims (the “Spring Valley Claims”). The vendor retained a NSR royalty from commercial production over 500,000 ounces on a sliding scale increasing from 2% to 7% based on changes in gold prices. In addition, the vendor is entitled to a 1% overriding royalty on NSR from commercial production on all lands owned by the Company or an affiliate and located outside, but within a one half (1/2) mile perimeter of the Spring Valley Claims.

The Company has had an option to purchase 28 claims contiguous to the Spring Valley Claims since September 1, 2003 subject to the vendor’s 2% NSR royalty. The Company paid an option payment of US\$100,000 (\$104,179) on September 1, 2008 with a final option payment of US\$100,000 due by September 1, 2009.

On April 25, 2006, the Company entered into a mineral lease agreement and option to purchase 12 unpatented lode mining claims for US\$600,000. The Company paid US\$12,000 on signing, US\$24,000 on April 25, 2007 and US\$36,000 on April 25, 2008 (\$36,362) and each year thereafter to maintain the option. The option payments can be credited against the purchase price. The owner retained a 3% NSR royalty.

On July 18, 2008 Midway paid its annual payment of US\$20,000 to Dave Rowe and Randall Stoeber (\$20,836) to maintain its option to purchase 97 unpatented mining claims. Alternatively Midway can purchase these claims for \$600,000 with any payments already paid credited against the total. Mr. Rowe and Mr. Stoeber retained a 3% NSR royalty from commercial production on these claims.

**5. Mineral properties (continued):**

(b) Spring Valley property, Nevada (continued):

On October 30, 2006, the Company entered into a mineral lease agreement and option to purchase 2 unpatented lode mining claims for a series of annual payments as advances upon a 3% NSR royalties payable. The Company paid US\$2,000 on execution, US\$4,000 on October 30, 2007, US\$5,000 on October 30, 2008 (\$6,062) and must pay US\$6,000 on each October 30 annually thereafter. The Company has the option to purchase each claim for a price of US\$100,000. Any advance royalties paid will be credited against the purchase price.

On June 1, 2007 the Company entered into a mineral lease agreement and option to purchase 2 unpatented lode mining claims for US\$500,000. To maintain the option the Company must make monthly payments of US\$1,000 (paid through to December 2008) (\$6,060) and one-time payments of US\$25,000 by June 1, 2009, US\$150,000 by June 1, 2012, US\$150,000 by June 1, 2014 and US\$55,000 by June 1, 2017. All payments shall be credited towards the purchase price.

On May 5, 2006, the Company purchased land and mineral rights of 920 gross acres, 320 acres net surface, 770 acres net mineral, (the "Seymork Parcel") from Seymork Investments Ltd. ("Seymork") for US\$200,000, subject to a 3% NSR royalty on any production and sale of metals from the claims. On June 11, 2008 the Court settled a long standing title dispute to this ground validating the Company's claim to the Seymork Parcel. The settlement allowed the Company to purchase two promissory notes secured against the property for approximately US\$598,000 (\$609,788 in July 2008). In the future, the Company may elect to sell up to 27.6 square miles of interests in lands included in the purchase (9.1 square miles of net surface, 19 square miles net minerals) but not needed for development of the Spring Valley project to recover a portion of the cost.

During the year ended December 31, 2008 the Company staked additional claims at a cost of US\$1,392 (\$1,405).

(c) Pan Property, Nevada:

The Company assumed the January 7, 2003 mineral lease agreement with Gold Standard Royalty Corporation ("GSRC") (formerly the Lyle Campbell Trust) for a 100% interest in the Pan property. On or before January 5 of each year the Company must pay an advance minimum royalty of the greater of US\$60,000 or the US dollar equivalent of 174 ounces of gold valued by the average of the London afternoon fixing for the third calendar quarter preceding January 1 of the year in which the payment is due. The minimum advance royalties will be creditable against a sliding scale NSR production royalty of between 2.5% and 4%. The Company must incur a minimum of US\$65,000 year work expenditures, including claim maintenance fees, during the term of the mining lease. On January 1, 2008 the Company paid US\$118,343 (\$118,826). Subsequent to the year end the Company paid US\$151,658 on January 1, 2009.

During the year ended December 31, 2008 the Company staked additional claims at a cost of US\$8,783 (\$8,819) some of which fall within the one mile area of interest of GSRC mining lease and will be subject to the NSR royalty to GSRC.

**5. Mineral properties (continued):**

(d) Afgan Property, Nevada:

Pursuant to the acquisition of Pan-Nevada described in Note 3, the Company assumed the January 7, 2003 mineral lease agreement with GSRC for a 100% interest in the Afgan property. On or before January 5 of each year the Company must pay an advance minimum royalty of the greater of US\$40,000 or the US dollar equivalent of 116 ounces of gold valued by the average of the London afternoon fixing for the third calendar quarter preceding January 1 of the year in which the payment is due. The minimum advance royalties will be creditable against a sliding scale NSR production royalty of between 2.5% and 4%. The Company must incur a minimum of US\$60,000 year work expenditures, including claim maintenance fees, during the term of the mining lease. The Company paid US\$78,896 on January 1, 2008 (\$79,218) and subsequently terminated this lease and wrote off this portion of the property costs in the year. The Company wrote off the \$4,101,893 fair value assigned to this project on the April 16, 2007 acquisition of Pan-Nevada Gold Corporation for a total write down of \$4,181,111.

In August 2007, Midway acquired 104 unpatented claims from WFW Resources, LLC of Elko, Nevada, for a US\$52,000 property payment and annual advance royalty payments of US\$25,000 per year (\$26,045) for years 2 to 5 and US\$50,000 per year for years 6 to 10 with a NSR royalty of 4%. The royalty can be bought down to 1% NSR depending upon the price of gold.

(e) Gold Rock (formerly the Monte) Property, Nevada:

The Company assumed the March 20, 2006 mineral lease agreement with GSRC for a 100% interest in the Gold Rock property. The Company must pay an advance minimum royalty of US\$30,000 in 2008 (\$30,123) and US\$45,000 by January 5, 2009. By January 5, 2010 and annually thereafter US\$60,000 thereafter or the US dollar equivalent of 108.05 ounces of gold valued by the average of the London afternoon fixing for the third calendar quarter preceding January 1 of the year in which the payment is due. The minimum advance royalties will be creditable against a sliding scale NSR production royalty of between 2.5% and 4%. The Company must incur a minimum of US\$75,000 year work expenditures, including claim maintenance fees, during the term of the mining lease.

On January 15, 2007 the Company entered into a mineral lease agreement with Anchor Mineral, Inc. of Kansas, for unpatented mining claims adjoining the Gold Rock project. To maintain the option the Company must pay advance minimum royalty payments creditable against a 3.5% NSR production royalty of US\$6,000 paid June 1, 2008 (\$6,060), US\$10,000 by January 15, 2009, US\$20,000 by January 15, 2010, US\$30,000 by January 15, 2011 and thereafter the greater of US\$30,000 or the gold equivalent price which is determined by multiplying US\$30,000 by a factor of the closing price of gold on the last business day in December 2010 over the closing price of gold on January 15, 2007.

On January 24, 2008 the Company entered into a mineral lease agreement with Messrs. Pert and Moyle of Nevada for 13 unpatented mining claims over the Easy Junior deposit area. The Company paid a first annual minimum royalty of US\$50,000 (\$50,205) and will be required to make annual minimum royalty payments of US\$50,000 for years 2 to 6; US\$60,000 for years 7 to 11 and US\$75,000 for year 12 and thereafter for the remainder of the fifteen year lease. The minimum advance royalty payments may be creditable against a production NSR sliding scale royalty ranging from 2% to 6% based on the gold price. The Company has an option to outright purchase the claims for US\$5,000,000 with any minimum advance royalty payments creditable against the purchase price.

**5. Mineral properties (continued):**

(e) Gold Rock (formerly the Monte) Property, Nevada (continued):

On February 13, 2008 the Company entered into a mineral lease agreement with Mr. Pankow of Nevada for two unpatented mining claims adjacent to the Gold Rock project. The Company paid a first annual minimum royalty of US\$7,750 (\$7,782) and will be required make annual minimum royalty payments of US\$7,750 for years 2 to 6; US\$9,250 for years 7 to 11 and US\$11,500 for year 12 and thereafter for the remainder of the fifteen year lease. The minimum advance royalty payments may be creditable against a production NSR sliding scale royalty ranging from 2% to 5% based on the gold price. The Company has an option to outright purchase the claims for US\$775,000 with any minimum advance royalty payments creditable against the purchase price.

On February 13, 2008 the Company was assigned an existing lease on 10 unpatented claims adjoining the Gold Rock property by William Sheriff, a director of the Company at the time, in consideration of 30,000 common shares at a value of US\$86,215 (\$88,500) issued on March 31, 2008. The Company assumed the obligations of the February 15, 2004 underlying lease with Ronny Jordan and paid Mr. Jordan the first annual lease payment of US\$10,000 (\$10,041). During the term of the lease annual minimum royalty payments of US\$15,000 will be required each February 15 thereafter. The Company may elect at any time during the life of the agreement to purchase half of the property for US\$1,000,000 and the remaining half may be purchased for another US\$1,500,000 with all royalty payments paid prior to the purchase creditable against the purchase price. A 2.5% NSR royalty was retained by Ronny Jordan and a 0.5% NSR royalty was retained by William Sheriff.

During the year ended December 31, 2008 the Company staked additional claims at a cost of US\$47,594 (\$47,786) some of which fall within the one mile area of interest of the GSRC mining lease or the Anchor Minerals Lease and will be subject to the NSR royalty to either GSRC or Anchor Minerals.

(f) Maggie Creek Property, Nevada:

The Company assumed the January 7, 2003 mineral lease agreement with GSRC for a 100% interest in the Maggie Creek property. On or before January 5 of each year the Company must pay an advance minimum royalty of the greater of US\$5,000 or the US dollar equivalent of 14.5 ounces of gold valued by the average of the London afternoon fixing for the third calendar quarter preceding January 1 of the year in which the payment is due. The minimum advance royalties will be creditable against a sliding scale NSR production royalty of between 2.5% and 4%. The Company paid US\$9,862 (\$9,902) on January 1, 2008 and subsequently wrote this property off during the year.

(h) Burnt Canyon Property, Nevada:

On November 19, 2007, the Company entered into a mineral lease agreement and option to purchase unpatented lode mining claims for a series of annual payments as advances upon a 3% NSR royalty payable. The Company paid US\$25,000 on execution, US\$25,000 by November 19, 2008 (\$30,312), US\$30,000 by November 19, 2009, US\$40,000 by November 19, 2010 and US\$50,000 by November 19, 2011 and year thereafter. The Company has the option to purchase the claims for a price of US\$1,000,000. Any advance royalties paid will be credited against the purchase price.

On May 1, 2008, the Company entered into a mineral lease agreement and option to purchase 20 unpatented lode mining claims for a series of annual payments as advances upon the 2% NSR royalty payable. The Company paid US\$10,000 (\$10,100) on execution, US\$10,000 by each of May 1, 2009 and May 1, 2010, US\$15,000 by May 1, 2011 and US\$20,000 by May 1, 2012 and each year thereafter. The Company has the option to purchase these claims for a total purchase of US\$2,500,000. Any advance royalties paid will be credited against the purchase price.

During the year ended December 31, 2008 the Company staked additional claims at a cost of US\$5,500 (\$5,522).

**5. Mineral properties (continued):**

(h) Maiden Gold, Montana:

On April 4, 2008 the Company entered into a mineral lease agreement with Patrick D. Henry and Daniel Bauer for patented mining claims and unpatented mining claims located in Fergus County, Montana. The Company paid a first annual minimum royalty of US\$45,000 and a US\$10,000 signing bonus and would have been required to make annual minimum royalty payments. The Company was not able to secure the rest of the necessary property package and abandoned this effort and wrote off the \$55,552 in acquisition costs.

(j) Golden Eagle, Washington:

On August 1, 2008 the Company issued 600,000 common shares at US\$2.50 per common share for proceeds of US\$1,500,000 by way of a private placement to Kinross Gold USA Inc.; purchased a 75% interest in the Golden Eagle, Washington, project from Kinross Gold USA Inc. at a cost of US\$1,500,000 (\$1,537,950) and purchased a 25% interest in the Golden Eagle project from Hecla Limited at a cost of US\$483,333 (\$500,200). Kinross retained a 2% net smelter returns royalty and was granted a first right of refusal to toll mill ore from the Golden Eagle property at their Kettle River Mill.

Midway completed the acquisition of the Golden Eagle property through a wholly-owned subsidiary created to hold the property. Title transfer costs were US\$32,843 (\$40,070).

**6. Share capital:**

(a) The Company's authorized to issue an unlimited number of common shares.

(b) Share issuances:

- (i) During 1996, the Company issued 420,000 common shares at \$0.25 per share by way of a non-brokered private placement for proceeds of \$98,722 net of issue costs. In addition the Company issued 280,000 flow-through common shares at \$0.25 per share by way of a non-brokered private placement for proceeds of \$70,000.
- (ii) During 1997, the Company completed an initial public offering of 2,000,000 common shares at \$0.35 per share for proceeds of \$590,570, net of issue costs. In connection with this offering, the Company's agent received a selling commission of 10% or \$0.035 per share and was issued 25,000 shares as a corporate finance fee.
- (iii) During 1997, the Company issued 1,000,000 units at \$2.50 per unit by way of a private placement for proceeds of \$2,253,793 net of issue costs. Each unit consisted of one common share and one non-transferable share purchase to purchase one additional common share at \$3.00 per share until February 14, 1998. The proceeds of the financing of \$2,500,000 were allocated \$2,178,761 as to the common shares and \$321,239 as to the warrants. During 1998 100,000 of the warrants were exercised and 900,000 expired. In connection with this private placement, the Company's agent received a selling commission of 7.5% of the proceeds of the units sold or \$0.1875 per unit and a corporate finance fee of \$15,000.
- (iv) During 1997, the Company issued 750,000 common shares as performance shares for proceeds of \$7,500 that were held in escrow in accordance with the rules of the regulatory authorities of British Columbia. The shares were released 25% in each of 1998, 1999, 2000 and 2001.

**6. Share capital (continued):**

- (v) During 1997, pursuant to an equity participation agreement to acquire an interest in Gemstone Mining Inc. ("Gemstone"), a Utah Corporation that by agreement the creditors of Gemstone were issued 1,000,000 units of the Company on conversion of a debt of \$2,065,500 (US\$1,500,000). Each unit consisted of one common share and one non-transferable share purchase to purchase one additional common share at US\$2.00 per share that was immediately exercised for proceeds of \$2,803,205 (US\$2,000,000). The first one-third tranche of a conditional finders' fee was satisfied by the issue of 150,000 common shares in connection with the acquisition of Gemstone.
- (vi) During 1998, the Company issued 100,000 common shares pursuant to the exercise of share purchase warrants for proceeds of \$300,000.
- (vii) During 1998, the Company issued 200,000 common shares in connection with the acquisition of Gemstone as well as the second tranche of finder's fee in connection with that acquisition. The Company's option to acquire Gemstone expired on January 31, 1998 and the remaining one-third tranche were not issued.
- (viii) During 1999, the Company consolidated its issued share capital on a two old for one new basis and changed its name from Neary Resources Corporation to Red Emerald Resource Corp.
- (ix) During 2002, the Company issued 3,500,000 units at \$0.25 per unit for proceeds of \$875,000 by way of a short form offering document under the policies of the TSX Venture Exchange. Each unit consists of one common share and one common share purchase warrant that entitled the holder to purchase one additional common share at \$0.25 per share until October 19, 2002. The Company also issued 150,000 common shares as a finance fee in connection with this offering, and issued the agent 875,000 share purchase warrants exercisable at \$0.25 per share until April 19, 2004. During 2002 the Company issued 1,134,500 special warrants at \$1.25 per special warrant for proceeds of \$1,418,125. Each Special Warrant automatically converted to a unit comprising one common share and one share purchase warrant that entitled the holder to purchase one additional common share at \$1.55 per share until November 6, 2003. The proceeds of the financing of \$1,418,125 were allocated on a relative fair value basis as \$1,171,286 to common shares and \$246,839 as to the warrants. During 2003 all of the warrants expired unexercised. In connection with the offering the Company paid the agent a 10% commission totaling \$113,450, issued the agent 40,000 common shares as a finance fee in connection with this offering, and issued the agent 170,175 share purchase warrant exercisable at \$1.55 per share until July 5, 2003.
- (x) During 2002, the Company issued 4,028,000 common shares pursuant to the exercise of share purchase warrants for proceeds of \$1,007,000.
- (xi) During 2002, the Company issued 32,000 common shares pursuant to the exercise of stock options for proceeds of \$12,800.
- (xii) During 2002, the Company issued 31,250 common shares as additional consideration to a director who loaned the Company \$780,000 bearing interest at 12% per annum. The loan and interest was repaid prior to December 31, 2002.
- (xiii) During 2002, the Company acquired Rex Exploration Corp. ("Rex") in exchange for 4,500,000 common shares of the Company.
- (xiv) During 2003, the Company issued 700,000 units at \$1.20 per unit for proceeds of \$840,000 by way of a non-brokered private placement. Each unit consists of one common share and one share purchase warrant that entitled the holder to purchase one additional common share at \$1.50 until May 25, 2004. The proceeds of the financing of \$840,000 were allocated \$638,838 as to common shares and \$201,162 as to the warrants. During 2004 161,000 of the warrants were exercised and 539,000 expired. Share issue expenses were \$19,932.

**6. Share capital (continued):**

- (xv) During 2003, the Company issued 294,500 common shares pursuant to the exercise of share purchase warrants for proceeds of \$73,625.
- (xvi) In January 2004, the Company issued 400,000 units at \$2.00 per unit for proceeds of \$800,000 by way of a private placement. Each unit consisted of one common share and one non-transferable share purchase warrant that entitled the holder to purchase one additional common share at \$2.35 per share for a six month period. The proceeds of the financing of \$800,000 were allocated on a relative fair value basis as \$624,593 to common shares and \$175,407 as to the warrants. All of the warrants expired unexercised in 2004. The Company issued 40,000 common shares as a finder's fee for this private placement.
- (xvii) In August 2004, the Company issued 1,020,000 units at \$0.75 per unit for proceeds of \$765,000 by way of a private placement. Each unit consisted of one common share and one non-transferable share purchase warrant that entitled the holder to purchase one additional common share at \$0.80 per share until August 25, 2005. All of the warrants were subsequently exercised. The Company issued 55,650 common shares as a finder's fee for this private placement.
- (xviii) In December 2004, the Company issued 700,000 units at \$0.85 per unit for proceeds of \$595,000 by way of a private placement. Each unit consisted of one common share and one non-transferable share purchase warrant that entitled the holder to purchase one additional common share at \$1.00 per share until December 20, 2005. All of the warrants were subsequently exercised. The Company issued 18,750 common shares as a finder's fee for this private placement.
- (xix) In February 2005, the Company issued 2,500,000 units at \$0.85 per unit for proceeds of \$2,125,000 by way of a private placement. Each unit consisted of one common share and one non-transferable share purchase warrant that entitled the holder to purchase one additional common share at \$1.00 per share until February 16, 2006. The proceeds of the financing of \$2,125,000 were allocated on a relative fair value basis as \$1,598,457 to common shares and \$526,543 as to warrants. There were 23,000 warrants exercised in fiscal year 2005 and the balance exercised in fiscal year 2006. The Company issued 75,800 common shares for \$64,430 and paid \$69,700 in cash as a finder's fee and incurred \$26,709 in additional issue costs for this private placement.
- (xx) In July 2005, the Company issued 1,000,000 units at \$1.15 per unit for proceeds of \$1,150,000 by way of a private placement. Each unit consisted of one common share and one-half non-transferable share purchase warrant that entitled the holder to purchase one additional common share at \$1.15 per share until July 27, 2006. The proceeds of the financing of \$1,150,000 were allocated on a relative fair value basis as \$995,193 to common shares and \$154,807 as to warrants. All of the warrants were exercised in fiscal year 2006. The Company incurred \$15,560 in issue costs.
- (xxi) In August 2005, the Company issued 500,000 units at \$1.40 per unit for proceeds of \$700,000 by way of a private placement. Each unit consisted of one common share and one-half nontransferable share purchase warrant that entitled the holder to purchase one additional common share at \$1.45 per share until August 22, 2006. The proceeds of the financing of \$700,000 were allocated on a relative fair value basis as \$608,015 to common shares and \$91,985 as to warrants. All of the warrants were exercised in fiscal year 2006. The Company incurred \$8,261 in issue costs.
- (xxii) In January 2006, the Company issued 40,000 common shares at a value of \$88,000 pursuant to a purchase and sale agreement to purchase mining claims for the Spring Valley project.

**6. Share capital (continued):**

- (xxiii) In May 2006, the Company issued 3,725,000 units at \$1.80 per unit for proceeds of \$6,705,000 by way of a private placement. Each unit consisted of one common share and one-half nontransferable share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share at \$2.70 per share until May 16, 2007. The proceeds of the financing of \$6,705,000 were allocated on a relative fair value basis as \$5,998,846 to common shares and \$706,154 as to warrants. The Company incurred \$65,216 in issue costs. By May 16, 2007 1,725,000 of the warrants were exercised and 137,500 expired unexercised.
- (xxiv) In November 2006, the Company issued 2,000,000 units at \$2.50 per unit for proceeds of \$5,000,000 by way of a private placement. Each unit consisted of one common share and one-half nontransferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at \$3.00 per share until November 10, 2007. The proceeds of the financing of \$2,000,000 were allocated on a relative fair value basis as \$1,761,509 to common shares and \$238,491 as to warrants. The Company paid \$88,750 in finders' fees and incurred \$94,546 in issue costs for this private placement. By November 10, 2007 908,782 of the warrants were exercised and 91,218 expired unexercised.
- (xxv) On April 16, 2007, the Company issued 7,764,109 common shares at a value of \$25,000,431, 308,000 stock options at a value of \$608,020 and 870,323 share purchase warrants at a value of \$1,420,054 in connection with the acquisition of Pan-Nevada Gold Corporation. By December 31, 2007, 154,000 of the stock options had been exercised and 761,823 share purchase warrants had been exercised. By December 31, 2008 the remaining 108,500 share purchase warrants were exercised and 84,000 stock options had been exercised. On October 11, 2008 the final 70,000 stock options expired not exercised.
- (xxvi) On August 24, 2007, the Company issued 2,000,000 common shares at \$2.70 per common share for proceeds of \$5,400,000 by way of a private placement. The Company incurred \$28,000 in share issue costs.
- (xxvii) On March 31, 2008, the Company issued 30,000 common shares at a value of \$88,500 pursuant to a lease assignment of mining claims for the Gold Rock project. The Company incurred \$1,489 in share issue costs.
- (xxviii) On June 12, 2008, the Company issued 1,421,500 common shares at \$2.00 per common share for proceeds of \$2,843,000 by way of a private placement. The Company incurred \$75,371 in share issue costs.
- (xxix) On August 1, 2008 the Company issued 600,000 common shares at US\$2.50 per common share for proceeds of \$1,537,950 (US\$1,500,000) by way of a private placement with Kinross Gold USA Inc. (see note 5 (j)). The Company incurred \$39,450 in share issue costs.
- (xxx) On November 12, 2008 the Company issued 12,500,000 units at \$0.22 per unit for proceeds of \$2,750,000 by way of a private placement. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one additional common share at \$0.28 per share until May 12, 2009. The proceeds of the financing of \$2,750,000 were allocated on a relative fair value basis as \$1,793,491 to common shares and \$956,509 as to warrants. The Company incurred \$23,395 in issue costs for this private placement. The Company agreed with Golden Predator that 50% of the proceeds of any warrants exercised pursuant to this private placement will be applied to the remaining \$1,000,000 owed on the promissory note until it is paid (see note 8).
- (xxxi) In addition to the stock options reported in paragraph xxv, during 2008, the Company issued 395,000 common shares pursuant to the exercise of stock options for proceeds of \$613,250.

**6. Share capital (continued):**

(c) Stock options:

The Company has an incentive share option plan (the “Plan”) that allows it to grant incentive stock options to its officers, directors, employees and consultants. The Plan was amended on May 12, 2008 to add an appendix called the 2008 Stock Incentive Plan for United States Resident Employees (the “U.S. Plan”) to supplement and be a part of the Plan. The purpose of the U.S. Plan is to enable the Company to grant Incentive Stock Options, as that term is used in Section 422 of the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder to qualifying employees who are citizens or residents of the United States of America. This does not change the aggregate number of options that can be granted pursuant to the Plan. The purpose of the Plan permits the Company’s directors to grant incentive stock options for the purchase of shares of the Company to persons in consideration for services. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual (maximum of 2% to any consultant). The exercise price of stock options is determined by the board of directors of the Company at the time of grant and may not be less than the closing price of the Company’s shares on the trading day immediately preceding the date on which the option is granted and publicly announced, less an applicable discount, and may not otherwise be less than \$0.10 per share. Options have a maximum term of ten years and terminate 90 days following the termination of the optionee’s employment, except in the case of death or disability, in which case they terminate one year after the event.

Expiry date	Exercise price per share	Balance December 31, 2007	Granted	Exercised	Cancelled or expired	Balance December 31, 2008
February 11, 2008	\$1.43	84,000	-	(84,000)	-	-
September 5, 2008	\$1.24	100,000	-	-	(100,000)	-
October 11, 2008	\$1.07	70,000	-	-	(70,000)	-
September 14, 2009	\$0.80	242,500	-	(20,000)	-	222,500
February 4, 2010	\$0.85	80,000	-	-	-	80,000
June 24, 2010	\$1.30	500,000	-	(275,000)	-	225,000
March 9, 2011	\$2.00	100,000	-	(25,000)	-	75,000
March 22, 2011	\$2.00	100,000	-	-	-	100,000
May 4, 2011	\$2.00	30,000	-	-	-	30,000
June 11, 2011	\$2.53	385,000	-	(75,000)	-	310,000
August 30, 2011	\$2.63	40,000	-	-	-	40,000
November 30, 2011	\$2.70	140,000	-	-	-	140,000
January 23, 2012	\$3.00	25,000	-	-	-	25,000
March 7, 2012	\$2.93	100,000	-	-	-	100,000
April 26, 2012	\$3.20	200,000	-	-	(100,000)	100,000
July 31, 2012	\$2.71	975,000	-	-	(158,333)	816,667
October 30, 2012	\$3.36	100,000	-	-	-	100,000
November 16, 2012	\$3.25	40,000	-	-	(13,333)	26,667
December 6, 2012	\$3.32	15,000	-	-	-	15,000
April 13, 2014	\$2.04	400,000	-	-	-	400,000
May 12, 2013	\$2.00	-	50,000	-	-	50,000
May 23, 2013	\$2.00	-	75,000	-	-	75,000
July 16, 2013	\$2.00	-	215,000	-	(51,667)	163,333
		3,726,500	340,000	(479,000)	(493,333)	3,094,167
Weighted average exercise price		\$2.18	\$2.00	\$1.53	\$2.22	\$2.26

At December 31, 2008, all but 350,000 of the 3,094,167 stock options were exercisable and the intrinsic value of the vested stock options was \$nil as the quoted price of our common stock was below their exercise price.

MIDWAY GOLD CORP.  
(an exploration stage company)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2008, 2007 and 2006  
(expressed in Canadian dollars)

**6. Share capital (continued):**

(c) Stock options (continued):

Expiry date	Exercise price per share	Balance December 31, 2006	Granted	Exercised	Balance December 31, 2007
March 7, 2007	\$1.40	150,000	-	(150,000)	-
July 12, 2007	\$1.43	-	21,000	(21,000)	-
July 12, 2007	\$1.07	-	42,000	(42,000)	-
August 11, 2007	\$1.43	-	91,000	(91,000)	-
February 11, 2008	\$1.43	-	84,000	-	84,000
September 5, 2008	\$1.24	200,000	-	(100,000)	100,000
October 11, 2008	\$1.07	-	70,000	-	70,000
September 14, 2009	\$0.80	308,500	-	(66,000)	242,500
February 4, 2010	\$0.85	80,000	-	-	80,000
June 24, 2010	\$1.30	575,000	-	(75,000)	500,000
October 4, 2010	\$1.70	30,000	-	(30,000)	-
March 9, 2011	\$2.00	100,000	-	-	100,000
March 22, 2011	\$2.00	100,000	-	-	100,000
May 4, 2011	\$2.00	30,000	-	-	30,000
June 11, 2011	\$2.53	405,000	-	(20,000)	385,000
August 30, 2011	\$2.63	40,000	-	-	40,000
November 30, 2011	\$2.70	140,000	-	-	140,000
January 23, 2012	\$3.00	-	25,000	-	25,000
March 7, 2012	\$2.93	-	100,000	-	100,000
April 26, 2012	\$3.20	-	200,000	-	200,000
July 31, 2012	\$2.71	-	975,000	-	975,000
October 30, 2012	\$3.36	-	100,000	-	100,000
November 16, 2012	\$3.25	-	40,000	-	40,000
December 6, 2012	\$3.32	-	15,000	-	15,000
April 13, 2014	\$2.04	400,000	-	-	400,000
		2,558,500	1,763,000	(595,000)	3,726,500
Weighted average exercise price		\$1.62	\$2.59	\$1.33	\$2.18

At December 31, 2007, all but 503,332 of the 3,726,500 stock options were exercisable.

MIDWAY GOLD CORP.  
(an exploration stage company)

Notes to Consolidated Financial Statements  
For the years ended December 31, 2008, 2007 and 2006  
(expressed in Canadian dollars)

**6. Share capital (continued):**

(c) Stock options (continued):

Expiry date	Exercise price per share	Balance December 31, 2005	Granted	Exercised	Cancelled	Balance December 31, 2006
August 14, 2006	\$0.40	113,000	-	(113,000)	-	-
March 7, 2007	\$1.40	150,000	-	-	-	150,000
February 27, 2008	\$1.36	50,000	-	-	(50,000)	-
September 5, 2008	\$1.24	200,000	-	-	-	200,000
April 13, 2014	\$2.04	400,000	-	-	-	400,000
September 14, 2009	\$0.80	384,500	-	(76,000)	-	308,500
November 26, 2006	\$0.80	50,000	-	(50,000)	-	-
February 4, 2010	\$0.85	122,000	-	(42,000)	-	80,000
June 24, 2010	\$1.30	600,000	-	(25,000)	-	575,000
October 4, 2010	\$1.70	30,000	-	-	-	30,000
March 9, 2011	\$2.00	-	100,000	-	-	100,000
March 22, 2011	\$2.00	-	100,000	-	-	100,000
May 4, 2011	\$2.00	-	30,000	-	-	30,000
June 11, 2011	\$2.53	-	405,000	-	-	405,000
August 30, 2011	\$2.63	-	40,000	-	-	40,000
November 30, 2011	\$2.70	-	140,000	-	-	140,000
		2,099,500	815,000	(306,000)	(50,000)	2,558,500
Weighted average exercise price		\$1.27	\$2.41	\$0.70	\$1.36	\$1.62

At December 31, 2006, all 2,558,500 stock options were exercisable.

The Company uses the simplified method to estimate the expected life of stock options because there is not enough historical share option exercise experience upon which to estimate expected terms with any greater degree of certainty. The simplified method is the average of the vesting term and the contract life.

The Company recorded stock-based compensation expense of \$501,028 in the year ended December 31, 2008 for options vesting in that period of which \$242,870 was included in salaries and benefits in the statement of operations and \$258,158 was included in salaries and labour in the schedule of mineral exploration expenditures. There is a balance of \$79,239 that will be recognized over the next two fiscal years as the options vest. The fair value of each stock option grant was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 3.25 years; volatility ranging from 64% to 67%; no dividend yield; and a risk free interest rate ranging from 2.71% to 3.24%.

During 2007, the Company granted 1,455,000 options with an estimated fair value of \$2,054,048 and recorded stock-based compensation expense for the vested portions of those stock options of \$1,502,912 in the statement of operations of which \$1,210,802 is included in salaries and benefits and \$292,110 has been included in engineering and consulting exploration costs. The remaining fair value of \$551,136 will be recorded as the options vest over the next two fiscal years. The fair value of each stock option grant was calculated using the Black-Scholes option pricing model with the following assumptions: expected life from 2.5 to 3.25 years; volatility ranging from 68% to 78%; no dividend yield; and a risk free interest rate ranging from 3.85% to 4.61%.

**6. Share capital (continued):**

(c) Stock options (continued):

Pan-Nevada in April 2007 the Company issued 308,000 stock options to Pan-Nevada option holders. The Company recorded the \$608,020 fair value of these options as a part of the cost to acquire Pan-Nevada. The fair value of each option grant was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 4 to 10 months; volatility of 68%; no dividend yield; and a risk free interest rate of 4.13%.

During 2006, the Company granted 815,000 options and based on their estimated fair value at their grant dates, recorded stock-based compensation expense of \$992,400 in the statement of operations of which \$628,312 is included in salaries and benefits and \$364,088 has been included in engineering and consulting exploration costs. The fair value of each option grant was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 2.5 years; volatility ranging from 81% to 82%; no dividend yield; and a risk free interest rate ranging from 3.88% to 4.27%.

The weighted average grant date fair value of options for the year ended December 31, 2008 was \$0.93 (2007 - \$1.41; 2006 - \$1.22).

The intrinsic value of vested stock options outstanding at December 31, 2008 is calculated on the difference between the exercise prices of the underlying options and the quoted price of our common stock as of the reporting date.

(d) Share purchase warrants:

The continuity of share purchase warrants is as follows:

Expiry date	Exercise price per share	Balance December 31, 2007	Issued	Exercised	Expired	Balance December 31, 2008
May 23, 2008	\$1.43	108,500	-	(108,500)	-	-
May 12, 2009	\$0.28	-	12,500,000	-	-	12,500,000
		108,500	12,500,000	(108,500)	-	12,500,000

  

Expiry date	Exercise price per share	Balance December 31, 2006	Issued	Exercised	Expired	Balance December 31, 2007
May 16, 2007	\$2.70	1,862,500	-	(1,725,000)	(137,500)	-
July 19, 2007	\$1.96	-	418,822	(418,822)	-	-
November 10, 2007	\$3.00	1,000,000	-	(908,782)	(91,218)	-
May 23, 2008	\$1.43	-	451,501	(343,001)	-	108,500
		2,862,500	870,323	(3,395,605)	(228,718)	108,500

**6. Share capital (continued):**

(d) Share purchase warrants:

Expiry date	Exercise price per share	Balance December 31, 2005	Issued	Exercised	Expired	Balance December 31, 2006
February 16, 2006	\$1.00	2,477,000	-	(2,477,000)	-	-
July 27, 2006	\$1.15	500,000	-	(500,000)	-	-
August 22, 2006	\$1.45	250,000	-	(250,000)	-	-
May 16, 2007	\$2.70	-	1,862,500	-	-	1,862,500
November 10, 2007	\$3.00	-	1,000,000	-	-	1,000,000
		3,227,000	2,862,500	(3,227,000)	-	2,862,500

On November 12, 2008 the Company issued 12,500,000 warrants as part of a unit by way of a private placement. Each warrant entitles the holder to purchase one additional common share at \$0.28 per share until May 12, 2009. The Company recorded a relative fair value of \$956,509 as to warrants. The fair value of each warrant issued was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 6 months; volatility of 168%; no dividend yield; and a risk free interest rate of 1.84%.

On April 16, 2007, with the acquisition of Pan-Nevada, the Company issued 870,323 share purchase warrants to Pan-Nevada warrant holders. The Company recorded the \$1,420,054 fair value of these warrants as a part of the cost to acquire Pan-Nevada. The fair value of each warrant issued was calculated using the Black-Scholes option pricing model with the following assumptions: expected life of 3 to 18 months; volatility of 68%; no dividend yield; and a risk free interest rate of 4.13%.

**7. Promissory note:**

On July 17, 2008, the Company and Golden Predator Mines Inc. ("Golden Predator") entered into a term sheet (the "Term Sheet") describing the principal terms of a business combination between the two companies. Completion of the transaction was subject to receipt of a favourable fairness opinion, completion of due diligence investigations, the parties entering into a definitive agreement, securities law compliance and obtaining all necessary court, regulatory, stock exchange, board and shareholder approvals. On September 15, 2008 the Term Sheet expired and the business combination was not completed.

Pursuant the Term Sheet, Golden Predator agreed to provide a loan facility of \$5 million to the Company, which the Company could draw upon in instalments of \$1 million. On August 28, 2008 the Company drew \$2 million of the facility and issued a promissory note that will mature with interest at the Canadian prime rate plus 2% on July 16, 2009. On November 12, 2008 the Company and Golden Predator mutually agreed to release each other from all matters related to the Term Sheet, remove all restrictions and reporting obligations for the use of proceeds of the Promissory Note and the Company agreed to early pay Golden Predator \$1,000,000 of the Promissory Note together with \$27,274 interest accrued to that date. Finally the Company agreed that 50% of the proceeds of any warrants exercised pursuant to the private placement closed on November 12, 2008 will be applied to the Promissory Note until it is paid. Otherwise the Promissory Note will be paid when it matures on July 16, 2009.

## 8. Contingency:

In May 2006, the Company's wholly-owned Nevada subsidiary MGC Resources Inc. ("MGC") purchased additional property (the "Seymork Parcel") from Seymork Investments Ltd. ("Seymork") for US\$200,000 to expand the Spring Valley project in Nevada. The Seymork Parcel represented about 4% of the surface area of the Spring Valley project at that time. In 1998, the transfer of Emma Wagner's ("Wagner") interest in the Seymork Parcel to Seymork, as well as a transfer of the interest held by Wagner's deceased husband's estate to Seymork, was formally approved by a Nevada court. As part of the consideration for the court-approved transaction, Seymork executed two promissory notes, one in favor of Wagner and one in favor of the estate of Wagner's deceased husband. Two deeds of trust relating to the Seymork Parcel were also executed and recorded to secure payment of the promissory notes. Both notes were later assigned to a group represented by Wallace D. Stephens (collectively "Stephens"). The promissory notes were not repaid and, in March 2006, Stephens sought to foreclose its interest against Seymork. In June 2006, Wagner brought a cross claim in the lawsuit against Seymork alleging that Wagner was the rightful owner of the Disputed Property, and claiming that the conveyance to Seymork was not a sale but that Seymork had agreed to hold the Seymork Parcel in trust for Wagner. MGC joined the lawsuit in order to protect its interests in the Seymork Parcel. On June 11, 2008 a Nevada court settled the long standing title dispute to this ground validating the Company's claim to the Seymork Parcel. The settlement allowed the Company to purchase the two promissory notes secured against the property for approximately US\$598,000 in July 2008 (note 5(b)).

## 9. Related party transactions:

- (a) During the year ended December 31, 2008 \$90,000 (2007 - \$110,000; 2006 - \$122,500) was paid for office facilities and administrative services to a company with an officer in common.
- (b) Recovery of office costs from a company managed by common directors and officers \$22,348 (2007 - \$25,784; 2006 - \$nil).
- (c) During the year ended December 31, 2008 the Company issued a director, at the time, 30,000 common shares pursuant to a mineral property agreement described in note 5(e).

Included in accounts payable and accrued liabilities at December 31, 2008 is \$16,204 (December 31, 2007 - \$24,056; December 31, 2006 - \$587) payable to the companies referred to in this note and other directors and officers and a total of \$11,909 is included in accounts receivable at December 31, 2007 (2006 - \$1,589) is due from these related parties.

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

## 10. Financial instruments:

In all material respects, the carrying amounts for the Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, accrued interest payable and promissory note approximate their fair values due to the short term nature of these instruments. Investments as at December 31, 2008 are recorded at fair value (note 3).

## 11. Supplemental disclosure with respect to cash flows:

The significant non-cash transactions for the year ended December 31, 2008 consisted of the issue of 30,000 common shares for an option payment for a mineral property in the amount of \$88,500 (note 5), the transfer of \$453,212 for the fair value of stock options exercised and the transfer of \$209,405 for the fair value of share purchase warrants exercised from paid in additional capital to share capital.

**12. Supplemental disclosure with respect to cash flows (continued):**

The significant non-cash transaction for the year ended December 31, 2007 consisted of the issue of 7,764,109 common shares, 308,000 stock options and 870,323 share purchase warrants for the acquisition of Pan-Nevada (note 3), the transfer of \$694,515 for the fair value of stock options exercised and the transfer of \$2,081,407 for the fair value of share purchase warrants exercised from paid in additional capital to share capital.

The significant non-cash transaction for the year ended December 31, 2006 consisted of the issue of 40,000 common shares for an option payment for a mineral property in the amount of \$88,000 (note 6) and the transfer of \$111,330 for the fair value of stock options exercised and the transfer of \$768,491 for the fair value of share purchase warrants exercised from paid in additional capital to share capital.

**13. Income taxes:**

The majority of the difference between the actual tax recovery and the expected B.C. statutory corporate income tax recovery follows:

	2008	2007	2006
Canadian statutory income tax rate	31.00%	34.12%	34.12%
Income tax benefit at statutory rate	(5,571,429)	(3,897,564)	(2,682,592)
Permanent differences	704,349	(608,436)	722,592
Tax recovery on write-down of mineral properties	(1,158,000)	-	-
Unrecognized tax losses and other	4,248,080	3,749,000	1,339,000
Income tax recovery	\$ (1,777,000)	\$ (757,000)	(621,000)

The significant components of the Company's future income tax assets and liabilities at December 31 are as follows:

	2008	2007
Future income tax assets:		
Canada:		
Equipment, mineral properties and other	\$ 146,503	\$ (346,000)
Non-capital losses carried forward	1,458,188	1,303,000
Capital losses carried forward	823,767	852,000
United States:		
Mineral properties	10,016,928	5,757,000
Losses carried forward	882,841	716,000
Total future income tax assets	13,328,227	8,282,000
Valuation allowance	(13,328,227)	(8,282,000)
Future income tax assets, net	-	-
Future income tax liabilities:		
United States:		
Mineral properties	(8,093,661)	(8,201,067)
Future income tax liabilities	(8,093,661)	(8,201,067)
Net future income tax assets (liabilities)	\$ (8,093,661)	\$ (8,201,067)

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**13. Income taxes (continued):**

At December 31, 2008, the Company has available losses for tax purposes in Canada and the United States of approximately \$5,608,414 (2007 - \$4,827,000) and \$2,596,592 (2007 - \$2,106,000), respectively, which can be applied to reduce taxable income until 2028. The Company also has Canadian capital losses of approximately \$6,336,668 which are without expiry.

**14. Segment disclosures:**

The Company considers itself to operate in a single segment, being mineral exploration and development. Geographic information is as follows:

	Canada	United States	Total
December 31, 2008:			
Long-lived assets	346,800	47,707,038	48,053,838
December 31, 2007:			
Long-lived assets	850,000	48,039,470	48,889,470
December 31, 2006:			
Long-lived assets	23,354	7,938,349	7,961,703

**15. Subsequent events:**

Subsequent to December 31, 2008 the board of directors granted 1,415,000 stock options pursuant to the Plan at an exercise price of \$0.56 and a five year term expiring on January 7, 2004. In addition 491,667 stock options expired unexercised.