

CHAPLEAU RESOURCES LTD.

(An Exploration Stage Company)

Interim Consolidated Financial Statements

For the nine month period ended

August 15, 2008

Unaudited (prepared by management)

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CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notice from Management

To the Shareholders of Chapleau Resources Ltd.

In accordance with National Instrument 52-102, Part 4, subsection 4.3(3) (a), we report that the accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the entity's auditor.

"Jim Stypula"

Chief Executive Officer

Cranbrook, BC
October 14, 2008

"Ian Gendall"

President

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Interim Consolidated Balance Sheets
(Unaudited – prepared by management)

	August 15, 2008	November 15, 2007
Assets		
Current assets		
Cash	\$ 744,756	\$ 962,966
Accounts receivable	37,054	32,084
Prepaid expenses and deposits	40,996	67,622
	822,806	1,062,672
Reclamation bond	25,000	25,000
Investments (Note 5)	7,322,450	13,208,325
Mineral properties and deferred exploration costs (Note 6)	12,362,430	8,203,689
Equipment (Note 7)	100,906	120,681
	\$ 20,633,592	\$ 22,620,367
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	103,708	335,556
	103,708	335,556
Shareholders' equity		
Capital stock (Note 8)	38,726,749	34,665,867
Contributed surplus	7,095,248	6,307,202
Deficit accumulated in the exploration stage	(31,316,767)	(30,465,060)
Accumulated other comprehensive income -unrealized gains on available-for-sale securities	6,024,654	11,776,802
	20,529,884	22,284,811
	\$ 20,663,592	\$ 22,620,367

Approved by the Board:

“Jim Stypula”

Jim Stypula, Director

“Ian Gendall”

Ian Gendall, Director

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

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Interim Consolidated Statements of Operations and Deficit
(Unaudited – prepared by management)

	For the Three Months Ended August 15, 2008		For the Nine Months Ended August 15, 2008	
	2008	2007	2008	2007
Administration expenses				
Accounting and auditing	\$ 21,152	\$ 19,412	\$ 91,395	\$ 83,868
Amortization	9,585	8,279	28,373	23,495
Consulting (Note 11)	(4,966)	26,250	434,094	103,818
Insurance	14,282	13,830	43,065	44,172
Legal	27,621	47,332	84,622	100,806
Management fees	37,500	40,000	112,500	85,000
Office and miscellaneous	26,501	36,981	118,892	141,439
Rent	8,852	5,583	23,110	20,992
Transfer agent and filing fees	21,551	5,937	60,723	32,948
Vehicle and travel	17,896	13,352	64,572	45,365
Wages and employee benefits (Note 11)	135,705	372,731	368,397	488,023
	315,679	589,687	1,429,743	1,169,926
Exploration expenses				
Exploration	–	–	174,771	5,710
Mineral properties and deferred exploration costs written off	–	14,016	–	1,655,053
	–	14,016	174,771	1,660,763
Loss from operations	(315,679)	(603,703)	(1,604,514)	(2,830,689)
Other income (expenses)				
Interest income	–	21,093	1,216	22,906
Foreign exchange loss	(20,738)	(49,538)	(69,862)	(45,304)
Realized gain on sale of investment (Note 5)	14,171	84,258	821,453	3,743,170
	(6,567)	55,813	752,807	3,720,772
Net income (loss) for the period	(322,246)	(547,890)	(851,707)	890,083
Deficit , accumulated in the exploration stage, beginning of the period	(30,994,521)	(28,360,818)	(30,465,060)	(29,798,791)
Deficit , accumulated in the exploration stage, end of the period	\$ (31,316,767)	\$ 28,908,708	\$ (31,316,767)	\$ (28,908,708)
Basic and diluted income per share	\$ (0.004)	\$ (0.007)	\$ (0.010)	\$ 0.011
Weighted average shares outstanding	87,446,193	82,690,147	87,046,253	82,690,147

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CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Interim Consolidated Statements of Cash Flows
(Unaudited – prepared by management)

	For the Three Months Ended August 15,		For the Nine Months Ended August 15,	
	2008	2007	2008	2007
Cash Used in Operating				
Net income (loss) for the period	\$ (322,246)	\$ (547,890)	\$ (851,707)	\$ 890,083
Amortization	9,585	8,279	28,373	23,495
Stock-based compensation (Note 11)	88,527	330,144	788,046	330,144
Realized gain on sale of investment	(14,171)	(84,696)	(821,453)	(3,743,170)
Mineral properties and deferred exploration costs written off	–	14,016	–	1,655,053
Change in non-cash operating working capital:				
Accounts receivable	(10,844)	2,648	(4,970)	(60,331)
Prepaid expenses and deposits	(14,371)	(12,648)	26,626	(13,699)
Deposit on exploration contract	–	19,324	–	130,412
Accounts payable and accrued liabilities				
	(78,935)	(88,667)	(231,848)	(252,315)
	(342,455)	(359,490)	(1,066,933)	(1,040,328)
Financing				
Capital stock issued	3,400,000	–	3,823,000	1,120,000
Deposits on subscriptions	–	–	–	(342,450)
	3,400,000	–	3,823,000	777,550
Investing				
Purchase of equipment	(1,389)	(5,319)	(8,598)	(89,539)
Purchase of investment	–	–	–	(30,000)
Proceeds from sale of investment	16,694	96,610	955,180	4,345,482
Mineral properties and deferred exploration costs	(1,701,245)	(1,415,066)	(3,920,859)	(3,810,318)
	(1,685,940)	(1,323,775)	(2,974,277)	415,625
Increase (decrease) in Cash	1,371,605	(1,683,265)	(218,210)	152,847
Cash (deficiency), beginning of the period	(626,849)	2,710,838	962,966	874,726
Cash, end of the period	\$ 744,756	\$ 1,027,573	\$ 744,756	\$ 1,027,573
Supplementary Cash Flow Information				
Non-cash Investing and Financing Activities:				
Issuance of common shares for mineral property payments	\$ 206,999	\$ 286,500	\$ 237,882	\$ 310,948
Stock-based compensation	\$ 88,527	\$ 330,144	\$ 788,046	\$ 330,144

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CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited – prepared by management)

	Common stock		Contributed Surplus \$	Accumulated Other Comprehensive Income \$	Accumulated Deficit \$	Total \$
	Shares #	Amount \$				
Balance – November 15, 2006	80,695,564	32,837,422	5,957,588	—	(29,798,791)	8,996,219
Effect of adoption of financial instrument standards	—	—	—	13,612,101	—	13,612,101
Unrealized gains on available-for-sale investment	—	—	—	2,702,961	—	2,702,961
Reclassification of realized gains on sale of investment	—	—	—	(4,538,260)	—	(4,538,260)
Private placement	1,538,461	1,000,000	—	—	—	1,000,000
Exercise of warrants	1,500,000	360,000	—	—	—	360,000
Issuance in exchange for properties	1,005,556	436,945	—	—	—	436,945
Issuance of property finders' fees	75,000	31,500	—	—	—	31,500
Stock based compensation	—	—	349,614	—	—	349,614
Net loss for the year	—	—	—	—	(666,269)	(666,269)
Balance – November 15, 2007	84,814,581	34,665,867	6,307,202	11,776,802	(30,465,060)	22,284,811
Unrealized loss on available-for-sale investment	—	—	—	(4,930,695)	—	(4,930,695)
Reclassification of realized gains on sale of investment	—	—	—	(821,453)	—	(821,453)
Private Placement	7,940,000	3,823,000	—	—	—	3,823,000
Issuance in exchange for properties	588,236	210,882	—	—	—	210,882
Issuance of property finders' fees	75,000	27,000	—	—	—	27,000
Stock based compensation (Note 11)	—	—	788,046	—	—	788,046
Net loss for the period	—	—	—	—	(851,707)	(851,707)
Balance – August 15, 2008	93,417,817	38,726,749	7,095,248	6,024,654	(31,316,767)	20,529,884

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

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Interim Consolidated Statements of Comprehensive Loss
(Unaudited – prepared by management)

	For the Three Months Ended August 15, 2008		For the Nine Months Ended August 15, 2008	
		2007		2007
Net loss for the period	\$ (322,246)	\$ (547,890)	\$ (851,707)	\$ 890,083
Unrealized gain (loss) on investment	(696,371)	639,564	(4,930,695)	672,364
Reclassification of realized gain on investment	(14,171)	(84,258)	(821,453)	(3,743,170)
Total comprehensive loss	\$ (1,032,788)	\$ 7,416	\$ (6,603,855)	\$ (2,180,723)

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CHAPLEAU RESOURCES LTD.

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Notes to Interim Consolidated Financial Statements
Nine Month Period Ended August 15, 2008
(Unaudited – prepared by management)

1. Nature of business and ability to continue as a going concern

Chapleau Resources Ltd. is engaged in the mining industry at the exploration stage. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown as mineral properties and deferred exploration costs and the Company's continued viability are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, future profitable production, or proceeds from disposition of its mineral properties.

These consolidated financial statements have been prepared using accounting principles generally accepted in Canada applicable to a "going concern".

For the nine month period ended August 15, 2008, the Company had a net loss of \$851,707 and an accumulated deficit of \$31,316,767. In addition, due to the nature of the mining business, the acquisition, exploration and development of mineral properties require significant expenditures prior to the commencement of production. To date, the Company has financed its activities through the sale of equity instruments and sale of investments. The Company expects to use similar financing techniques in the future and is actively pursuing such additional sources of financing.

Although there is no assurance we will be successful in these actions, management believes they will be able to secure the necessary financing to enable the Company to continue as a going concern. Accordingly, these financial statements do not reflect adjustments to the carrying value of assets and liabilities, and the reported revenues and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2. Summary of significant accounting policies

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with GAAP. The preparation of the unaudited interim consolidated financial statements is based on accounting policies and practices consistent with those used in the preparation of the audited annual consolidated financial statements except as noted below. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended November 15, 2007, since they do not contain all disclosures required by GAAP for annual financial statements. These unaudited interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the respective unaudited interim periods presented.

CHAPLEAU RESOURCES LTD.

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Notes to Interim Consolidated Financial Statements
Nine Month Period Ended August 15, 2008
(Unaudited – prepared by management)

2. Summary of significant accounting policies (continued)

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on November 16, 2007.

Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital, (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 3 to these unaudited interim consolidated financial statements.

Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook section in Note 4 to these unaudited interim consolidated financial statements.

3. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company has historically relied on the equity markets to fund its activities. In addition, the Company holds shares in Far West Mining Ltd, which will also assist the Company to carry out significant exploration programs and fund administrative costs. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

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

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Notes to Interim Consolidated Financial Statements
Nine Month Period Ended August 15, 2008
(Unaudited – prepared by management)

3. Capital Management (continued)

There were no changes in the Company's approach to capital management during the nine months ended August 15, 2008. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

4. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to accounts receivable. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at August 15, 2008, the Company had a cash balance of \$744,756 (November 15, 2007 - \$962,966) and current liabilities of \$103,708 (November 15, 2007 - \$335,556). All of the Company's accounts payable and accrued liabilities have contractual maturities of less than 60 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair market value of the short-term investments included in cash is limited because these investments are generally held to maturity.

(b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in Argentine Pesos (ARS), Brazilian Reals (R), Peruvian New Sols (S) and US Dollars (US).

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Notes to Interim Consolidated Financial Statements
Nine Month Period Ended August 15, 2008
(Unaudited – prepared by management)

4. Financial Risk Factors (continued)

Market Risk (continued)

(c) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of gold and copper and other metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

The Company's investment in Far West Mining Ltd., a company listed on the Toronto Stock Exchange, is classified as "available-for-sale" and measured at fair value. Changes in fair value are recognized in other comprehensive income until their disposition, at which time they are transferred to net income. Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange and for which no sales restrictions apply, are recorded at values based on the current bid prices. Changes in the bid prices in these securities have an impact on the Company's income. (Note 5)

The Company's investment in Aztec Metals Corp. that does not have a quoted market price in an active market is not readily determinable and is measured at cost. (Note 5)

The carrying amount of cash, receivables, reclamation bond, and accounts payable and accrued liabilities, approximate their fair value due to their short term nature.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

The Company's investment in Far West Mining Ltd., is denominated in Canadian dollars. Sensitivity to a +/- 10% movement in Far West prices would affect comprehensive income (loss) by \$724,245.

A +/- 10% fluctuation in foreign currency rates would affect income (loss) by (\$14,689).

Commodity price risk is remote since the Company is not a producing entity.

CHAPLEAU RESOURCES LTD.

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Notes to Interim Consolidated Financial Statements

Nine Month Period Ended August 15, 2008

(Unaudited – prepared by management)

5. Available-for-sale investments

	August 15, 2008		November 15, 2007	
	Market	Cost	Market	Cost
Far West Mining Ltd. (a)	\$7,242,450	\$1,217,796	\$13,128,325	\$1,350,342
Aztec Metals Corp. (b)	80,000	80,000	80,000	80,000
	\$7,322,450	\$1,297,796	\$13,208,325	\$1,430,342

- (a) At August 15, 2008, the Company owned 2,414,150 (November 15, 2007 – 2,679,250) shares of Far West Mining Ltd. The Company shares a common director with Far West, a company listed on the Toronto Stock Exchange.

The quoted market prices of the shares of Far West Mining Ltd. at August 15, 2008 and November 15, 2007 were \$3.00 and \$4.90 respectively.

During the nine month period ended August 15, 2008, the Company sold 265,100 Far West shares for net proceeds of \$955,180 which resulted in a recognition of a gain on sale of \$821,453 in the Consolidated Statements of Operations.

- (b) At August 15, 2008, the Company held 850,000 common shares of Aztec Metals Corp. In 2002, the Company wrote off the carrying value (\$200,000) relating to 100,000 shares it holds. On August 8, 2005, the Company purchased 500,000 units of Aztec Metals Corp. (formerly Minera Aztec Silver Corp.), a private corporation, for \$50,000. Each unit consisted of one common share and one-half of one warrant. On May 9, 2007, all warrants were exercised to purchase 250,000 common shares at \$0.12, for a total cost of \$30,000.

The fair value for this investment is not readily determinable, therefore the investment continues to be carried at cost.

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Notes to Interim Consolidated Financial Statements
 Nine Month Period Ended August 15, 2008
 (Unaudited – prepared by management)

6. Mineral properties and deferred exploration costs

Properties

	Nine Month Period Ended August 15, 2008				
	Balance November 15, 2007	Option payments during the period	Expenditures during the period	Written-off during the period	Balance August 15, 2008
Patty, NV USA	\$ 3,203,261	\$ -	\$ 400	\$ -	\$ 3,203,661
Mato Velho, Brazil	2,013,100	540,000	501,493	-	3,054,593
Los Suenos, Brazil	278,271	-	24,366	-	302,637
Coringa, Brazil	2,268,486	476,468	1,971,153	-	4,716,107
La Yegua, Peru	227,670	30,883	460,319	-	718,872
Cabeca Sul, Brazil	212,901	-	153,659	-	366,560
	\$ 8,203,689	\$ 1,047,351	\$3,111,390	\$ -	\$ 12,362,430

Option Payments

On March 28, 2008, the Company issued 88,236 shares with a value of \$30,883 for an option payment on the La Yegua property.

On May 16, 2008, the Company issued 500,000 shares with a value of \$180,000 for an option payment on the Mato Velho property.

On May 19, 2008, the Company made cash payments totaling \$360,000 for an option payment on the Mato Velho property.

On August 14, 2008, the Company made cash payments totaling \$476,468 (US\$450,000) for an option payment on the Coringa property.

Detail of expenditures during the three month period ended August 15, 2008

	Patty NV, USA	Mato Velho, Brazil	Los Suenos, Brazil	Coringa, Brazil	La Yegua, Peru	Cabeca Sul, Brazil	August 15, 2008
Drilling	-	112	-	51,576	47,076	-	98,764
Geology	400	116,692	1,967	466,422	51,044	325	636,850
Geophysics	-	92	-	116,167	-	-	116,259
Environmental	-	-	-	-	-	-	-
Tenure Payments	-	133	-	9,732	-	3,039	12,904
Finders' Fees	-	27,000	-	-	-	-	27,000
	400	144,029	1,967	643,897	98,120	3,364	891,777

CHAPLEAU RESOURCES LTD.

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Notes to Interim Consolidated Financial Statements
Nine Month Period Ended August 15, 2008
(Unaudited – prepared by management)

6. Mineral properties and deferred exploration costs (continued)

Detail of expenditures during the nine month period ended August 15, 2008

	Patty NV, USA	Mato Velho, Brazil	Los Suenos, Brazil	Coringa, Brazil	La Yegua, Peru	Cabeça Sul, Brazil	August 15, 2008
Drilling	-	112	-	743,694	218,477	27	962,310
Geology	400	453,129	24,366	1,063,072	228,814	124,746	1,894,527
Geophysics	-	3,701	-	126,796	-	-	130,497
Environmental	-	-	-	-	-	-	-
Tenure Payments	-	17,551	-	37,591	13,028	28,886	97,056
Finders' Fees	-	27,000	-	-	-	-	27,000
	400	501,493	24,366	1,971,153	460,319	153,659	3,111,390

SUMMARY OF PROPERTY AGREEMENTS:

Patty (formerly Indian Ranch), Nevada

On March 26, 2003, the Company and US Gold Corporation (formerly White Knight Resources Ltd.), holding 25% and 75% undivided interests in the property, respectively, entered into an agreement with Barrick Gold Corp. (formerly Placer Dome U.S. Inc.) ("Barrick"). Under the terms of the agreement, Barrick can earn a 60% undivided interest in the property by expending a total of US\$2,000,000 over a four year period as follows:

- US\$100,000 during the period of March 26, 2003 through March 25, 2004;
- US\$300,000 during the period of March 26, 2004 through March 25, 2005;
- US\$600,000 during the period of March 26, 2005 through March 25, 2006; and
- US\$1,000,000 during the period of March 26, 2006 through March 25, 2007.

During fiscal 2006, Barrick earned the right to the 60% undivided interest in property by meeting the above terms of the agreement; reducing the Company's holding to 10%.

Upon vesting its 60% ownership, Barrick can elect to earn an additional 15% by financing a feasibility study on the property.

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Notes to Interim Consolidated Financial Statements
Nine Month Period Ended August 15, 2008
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6. Mineral properties and deferred exploration costs (continued)

Mato Velho, Brazil

On March 14, 2006, the Company entered into an agreement with Tamin Mineracao Ltda., an arms-length party, regarding an option to acquire up to a 100% interest in the Mato Velho properties located in Brazil.

To exercise the option, the Company must:

- a) make the following cash payments:
 - i) US\$60,000 on the commencement date (*expended*)
 - ii) US\$180,000 on or before May 19, 2007 (*expended*)
 - iii) US\$360,000 on or before May 19, 2008 (*expended*)
 - iv) US\$600,000 on or before May 19, 2009;
- b) issue the following shares in the capital stock of the Company:
 - i) 200,000 shares on the commencement date (*issued*)
 - ii) 350,000 shares on or before May 19, 2007 (*issued*)
 - iii) 500,000 shares on or before May 19, 2008 (*issued*)
 - iv) 600,000 shares on or before May 19, 2009;
- c) complete a Firm Commitment of US\$150,000 in exploration expenditures (*expended*), including 1,000 metres of drilling (*completed*), within 12 months from commencement date;
- d) failure to complete both the Firm Commitment and the drilling requirement will terminate the letter of intent and the Company will be required to repay Tamin Mineracao Ltda. any unspent portion of the Firm Commitment exploration expenditures;
- e) spend US\$150,000 (*expended*) and US\$200,000 (*expended*) respectively in years 2 and 3 of the agreement; and
- f) issue the following shares in the capital stock of the company to the finders of the property
 - i) 75,000 shares on or before May 19, 2006 (*issued*)
 - ii) 75,000 shares on or before May 19, 2007 (*issued*)
 - iii) 75,000 shares on or before May 19, 2008 (*issued*)
 - iv) 75,000 shares on or before May 19, 2009.

The vendor will retain a 2.25% net smelter return (“NSR”) royalty.

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Notes to Interim Consolidated Financial Statements
Nine Month Period Ended August 15, 2008
(Unaudited – prepared by management)

6. Mineral properties and deferred exploration costs (continued)

Los Suenos, Brazil

On March 14, 2006, the Company entered into an agreement with Elvio Luiz Schelle, an arms-length party, regarding an option to acquire up to a 100% interest in the Los Suenos property located in Brazil.

To exercise the option, the Company must make the following payments:

- a) US\$10,000 cash (*expended*) and issue 50,000 shares on the commencement date (*issued*);
- b) issue 150,000 shares on or before May 31, 2007 (*issued*); and
- c) issue 200,000 shares on or before May 31, 2008.

The vendor will retain a 2% NSR.

During the nine month period ended August 15, 2008, the Company terminated the option agreement.

Coringa, Brazil

On August 8, 2006, the Company entered into an agreement with Tamin Mineracao Ltda. regarding an option to acquire up to a 100% interest in the Coringa property in Brazil.

To exercise the option, the Company must:

- a) make the following cash payments:
 - i) US\$200,000 on the commencement date (*expended*)
 - ii) US\$230,000 on or before August 14, 2007 (*expended*)
 - iii) US\$450,000 on or before August 14, 2008 (*expended*)
 - iv) US\$760,000 on or before August 14, 2009; and
- b) issue the following shares in the capital stock of the Company:
 - i) 250,000 shares on the commencement date (*issued*)
 - ii) 450,000 shares on or before August 14, 2007 (*issued*)
 - iii) 650,000 shares on or before August 14, 2008 (*Note 15*)
 - iv) 780,000 shares on or before August 14, 2009.

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6. Mineral properties and deferred exploration costs (continued)

La Yegua, Peru

On January 31, 2007, the Company entered into an agreement with Bear Creek Mining Corporation to acquire up to a 51% interest in the La Yegua Properties located in Peru.

To exercise the option the Company must:

- a) issue the following shares in the capital stock of the Company:
 - i) the equivalent of US\$20,000 in shares on the commencement date (*issued*)
 - ii) the equivalent of US\$30,000 in shares on or before March 30, 2008 (*issued*)
 - iii) the equivalent of US\$80,000 in shares on or before March 30, 2009
 - iv) the equivalent of US\$100,000 in shares on or before March 30, 2010
 - v) the equivalent of US\$120,000 in shares on or before March 30, 2011;
- b) complete a Firm Commitment of US\$150,000 (*expended*) in exploration expenditures, including 1,000 metres of drilling (*completed*) within 12 months from commencement date; and
- c) spend an additional US\$2,625,000 in exploration expenditures over a three-year period as follows:
 - i) US\$625,000 during the period of April 1, 2008 through March 30, 2009
 - ii) US\$875,000 during the period of April 1, 2009 through March 30, 2010
 - iii) US\$1,125,000 during the period of April 1, 2010 through March 30, 2011.

The Company can increase the interest from 51% to 75% with the issuance of 1,250,000 shares, on or before March 30, 2011.

Cabeca Sul, Brazil

The Company has registered sole ownership of the Cabeca Sul property in Brazil. The Company has no financial or other commitments with respect to this property.

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7. Equipment

	August 15, 2008	November 15, 2007
Cost	\$ 209,528	\$ 200,930
Accumulated amortization	(108,622)	(80,249)
Net book value	\$ 100,906	\$ 120,681

8. Capital stock

	August 15, 2008		November 15, 2007	
	Shares	\$	Shares	\$
Issued and outstanding ⁽¹⁾	93,417,817	\$ 38,726,749	84,814,581	\$ 34,665,867

⁽¹⁾ See Interim Consolidated Statements of Changes in Shareholders' Equity.

9. Stock options

A summary of the stock options issued in connection with the Company's fixed stock option plan as of August 15, 2008 and November 15, 2007, and changes during the periods ending on those dates is presented below:

	Nine months ended August 15, 2008		Year ended November 15, 2007	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of period	14,785,000	\$ 0.32	13,460,000	\$ 0.32
Granted	1,938,000	\$ 0.43	1,325,000	\$ 0.46
Exercised	-	-	-	\$ -
Cancelled	(4,527,000)	\$ 0.32	-	\$ -
Outstanding at end of period	12,196,000	\$ 0.35	14,785,000	\$ 0.33
Exercisable at end of period	12,196,000	\$ 0.35	14,285,000	\$ 0.33

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9. Stock options (continued)

Incentive stock options for employees, directors, officers and service providers outstanding and exercisable at August 15, 2008, are as follows:

Number of Options	Exercise Price	Expiry Date
7,460,000	\$ 0.30	April 2015
1,000,000	\$ 0.35	August 2015
350,000	\$ 0.35	March 2016
300,000	\$ 0.37	August 2015
40,000	\$ 0.38	April 2018
1,000,000	\$ 0.42	December 2017
660,000	\$ 0.42	May 2017
700,000	\$ 0.45	February 2018
198,000	\$ 0.46	June 2018
138,000	\$ 0.52	June 2017
300,000	\$ 0.62	April 2016
20,000	\$ 0.66	October 2016
30,000	\$ 0.72	October 2016
12,196,000	\$ 0.35	

On December 18, 2007, the Company granted an officer incentive options to purchase 1,000,000 shares at a price of \$0.42 per share, exercisable until December 18, 2017. The incentive options have been issued in accordance with the Company's option plan.

On February 1, 2008, the Company granted officers and consultants incentive options to purchase 700,000 shares at a price of \$0.45 per share, exercisable until February 1, 2018. The incentive options have been issued in accordance with the Company's option plan.

Also on February 1, 2008, two directors agreed to reduce their outstanding stock options by a combined total of 2.5 million shares in order to provide room under the Company's option plan for future grants.

On March 15, 2008, a contract with a third party consultant was terminated and 500,000 options, of which 375,000 options had not yet vested, were cancelled.

On April 10, 2008, the Company granted a staff member incentive options to purchase 40,000 shares at a price of \$0.38 per share, exercisable until April 10, 2018. The incentive options have been issued in accordance with the Company's option plan.

On May 16, 2008, two directors agreed to reduce their outstanding stock options by a combined total of 1.5 million shares in order to provide room under the Company's option plan for future grants.

On June 1, 2008, the Company granted staff member's incentive options to purchase 158,000 shares at a price of \$0.46 per share, exercisable until June 1, 2018. The incentive options have been issued in accordance with the Company's option plan.

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9. Stock options (continued)

On June 2, 2008, the Company granted a staff member incentive options to purchase 40,000 shares at a price of \$0.46 per share, exercisable until June 2, 2018. The incentive options have been issued in accordance with the Company's option plan.

During the nine month period ended August 15, 2008, the Company cancelled 27,000 employee stock options.

10. Share purchase warrants

	Nine months ended August 15, 2008		Year ended	
	Warrants	Weighted- Average Exercise Price	Warrants	Weighted- Average Exercise Price
Outstanding at beginning of period	9,038,461	\$ 0.60	9,440,000	\$ 0.39
Granted	7,940,000	0.86	1,538,461	1.50
Exercised	-	-	(1,500,000)	0.24
Expired	(5,000,000)	0.50	(440,000)	0.40
Outstanding at end of period	11,978,461	\$ 0.81	9,038,461	\$ 0.60

Share purchase warrants outstanding and exercisable at August 15, 2008, are as follows:

Number of Warrants Outstanding	Exercise Price	Expiry Date
1,538,461	\$ 1.50	November, 2008
2,500,000	\$ 0.24	August, 2010
940,000	\$ 0.60/1.00	February 2010
2,000,000	\$ 0.60/1.00	June 2010
5,000,000	\$ 0.70/1.10	June 2010
11,978,461		

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11. Stock-based compensation plan

At August 15, 2008, the Company has one stock-based compensation plan, which is described below.

In accordance with the policies of the TSX Venture Exchange regarding stock option plans, the Board of Directors of the Company adopted a new stock option plan effective March 23, 2003. The Company, as a Tier 1 company, is able to grant options without vesting provisions and hold periods, provided that the grant is made at market price.

The purpose of the plan is to allow the Company to grant options to directors, officers, employees and consultants, as additional compensation. Options will be exercisable over periods of up to ten years as determined by the Board of Directors and are required to have an exercise price no less than the discounted market price prevailing on the day that the option is granted.

The plan provides that the number of common shares together with all of the Company's other previously established or proposed share compensation arrangements, may not exceed 20% of the total number of issued and outstanding common shares. In addition, the number of shares that may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis.

On March 15, 2008 the Stock Option Plan was amended to increase the number of common shares reserved for allotment and issuance of stock options from 16,646,805 to 17,150,916 shares.

The following stock options were granted during the nine month period ended August 15, 2008, to consultants or employees:

	Number of Options Granted	Exercise Price
December 18, 2007	1,000,000	\$ 0.42
February 1, 2008	700,000	\$ 0.45
April 10, 2008	40,000	\$ 0.38
June 1, 2008	158,000	\$ 0.46
June 2, 2008	40,000	\$ 0.46
	1,938,000	

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11. Stock-based compensation plan (continued)

Compensation expense is determined using the Black-Scholes option-pricing model. Weighted average assumptions used in calculating compensation expense in respect of options granted during the period are as follows:

	<u>2008</u>	<u>2007</u>
Risk-free rates	4.0%	4.0%
Dividend yield	Nil%	Nil%
Volatility factor of the expected market price of the Company's shares	104%	101%
Weighted average expected life of the options	10.0 years	7.4 years
Weighted average estimated fair value	\$0.41	\$0.26

On October 15, 2007, the Company granted 500,000 options to a third party consultant. The options were to vest in equal quarterly amounts and stages for the period from October 16, 2007 to October 15, 2008. On March 15, 2008, the parties mutually agreed to terminate the contract. Accordingly, 125,000 options vested during the three month period ended February 15, 2008. These options were not exercised and were cancelled. The remaining 375,000 options were also cancelled.

The application of the Black-Scholes option-pricing model resulted in stock option compensation of \$88,527 (included in wages and employee benefits) and \$330,144 during the three month periods ended August 15, 2008 and 2007, respectively.

The application of the Black-Scholes option-pricing model resulted in stock option compensation of \$788,046 (\$231,893 is included in wages and employee benefits, \$381,322 in consulting and \$174,831 in exploration expenses) and \$330,144 during the nine month periods ended August 15, 2008 and 2007, respectively.

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12. Related party transactions

Related party transactions for the nine month period ended August 15, 2008 not disclosed elsewhere in these interim consolidated financial statements are as follows:

- a) Management fees of \$112,500 were paid to a director (2007 - \$85,000 paid to two directors) for expertise in obtaining resource properties, obtaining financing and managing the affairs of the Company.
- b) Consulting fees of \$18,798 (2007 - \$36,385) were paid to a law firm, one of the partners of which is a director.

The above transactions were conducted in the normal course of operations and were recorded at the exchange amount, which is the amount of consideration agreed upon between the Company and the related parties.

13. Commitments

The Company is committed to pay lease payments for office space of \$1,469 per month, as well as property taxes and certain building operating costs. The lease expires December 31, 2010.

14. Shareholder Rights Plans

On April 14, 2008, the Board of Directors of the Company elected to adopt a shareholder rights plan. The shareholder rights plan has been adopted to ensure the fair treatment of all shareholders with respect to any takeover bid for the common shares of the Company. It is designed to provide shareholders with sufficient time to properly consider a takeover bid without undue time constraints. In addition, it will provide the Board with additional time for review and consideration of an unsolicited takeover bid and, if necessary, for the consideration of alternatives.

This rights plan is not being adopted in response to any proposal to acquire control of the Company.

15. Subsequent Event

On October 6, 2008, the Company issued 650,000 shares as an option payment on the Coringa property.