

**HIGH RIDGE RESOURCES INC.**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**JUNE 30, 2009**

(Unaudited)

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited interim 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 financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**HIGH RIDGE RESOURCES INC.**  
CONSOLIDATED INTERIM BALANCE SHEET  
AS AT JUNE 30 2009  
Unaudited

	June 30 2009	December 31 2008
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 22,257	\$ -
Receivables	10,435	6,936
Prepaid expenses	-	9,250
	<u>32,692</u>	<u>16,186</u>
<b>Mineral property interests</b> (Note 5)	-	1
	<u>\$ 32,692</u>	<u>\$ 16,187</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY(DEFICIENCY)**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 312,993	\$ 1,048,349
<b>Shareholders' equity (Deficiency)</b>		
Share capital (Note 6)	8,283,071	8,051,821
Contributed surplus (Note 6)	775,854	775,854
Deficit	(9,339,226)	(9,859,837)
	<u>(280,301)</u>	<u>(1,032,162)</u>
	<u>\$ 32,692</u>	<u>\$ 16,187</u>

**Contingency** (Note 9)

**On behalf of the Board:**

“Gary Anderson” \_\_\_\_\_ Director “David R. McElhanney” \_\_\_\_\_ Director

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

**HIGH RIDGE RESOURCES INC.**

## CONSOLIDATED STATEMENT OF OPERATIONS COMPREHENSIVE LOSS AND DEFICIT

SIX MONTHS ENDED JUNE 30 2009

Unaudited

	Three Months June 30 2009	Three Months June 30 2008	Six Months June 30 2009	Six Months June 30 2008
<b>ADMINISTRATIVE EXPENSES</b>				
Amortization	\$ -	\$ 5,379	\$ -	\$ 12,007
Consulting and management	6,000	30,738	6,000	100,462
Foreign exchange	(14)	(72,955)	8,776	(30,636)
Insurance	4,625	4,971	9,250	9,877
Investor relations	120	29,297	240	78,023
Office and sundry	3,143	(28,616)	6,424	49,389
Professional fees	88,459	58,687	93,141	123,819
Property investigations	-	55,813	-	56,062
Regulatory and transfer agent fees	9,745	14,115	11,271	35,157
Rent	4,681	33,795	15,369	46,037
Salaries and benefits	-	139,667	1,853	181,894
Shareholder information	-	23,826	-	67,146
Stock-based compensation	-	110,000	-	121,986
Telephone	4,555	10,682	9,016	18,593
Travel and business development	5,085	57,151	9,174	80,238
	126,399	472,550	170,514	950,054
<b>OTHER ITEMS</b>				
Interest income	-	(496)	-	(2,956)
Gain on disposition of subsidiary (Note 10)	(726,075)	-	(726,075)	-
Mineral property interest expenses	34,950	-	34,950	-
	(691,125)	(496)	(691,125)	(2,956)
<b>Net Income (Loss) for the period</b>	564,726	(472,054)	520,611	(947,098)
<b>Deficit, beginning of period</b>	(9,903,952)	(2,889,294)	(9,859,837)	(2,414,250)
<b>Deficit, end of period</b>	(9,339,226)	(3,361,348)	(9,339,226)	\$ (3,361,348)
<b>Basic and diluted Income (loss) per common share</b>	\$ 0.02	\$ (0.02)	\$ 0.01	\$ (0.04)
<b>Weighted average number of common shares issued and outstanding - basic and diluted</b>	34,415,532	27,548,225	36,136,739	23,871,621

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

**HIGH RIDGE RESOURCES INC.**  
CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
SIX MONTHS ENDED JUNE 30  
Unaudited

	Three Months June 30 2009	Three Months June 30 2008	Six Months June 30 2009	Six Months June 30 2008
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net Income (Loss) for the period	\$ 564,726	\$ (472,054)	\$ 520,611	\$ (947,098)
Items not affecting cash:				
Amortization	-	5,379	-	12,007
Stock-based compensation	-	110,000	-	121,986
Gain on disposal of subsidiary (Note 10)	(726,075)		(726,075)	-
Changes in non-cash working capital items:				
(Increase) decrease in receivables	(2,800)	69,160	(3,499)	(136,897)
Increase in mining tax credit receivable	-		-	102,374
Decrease in prepaid expenses	4,625	(1,054)	9,250	17,109
Increase (decrease) in accounts payable and accrued liabilities	(49,316)	(17,856)	(9,127)	36,215
Net cash used in operating activities	(208,840)	(306,425)	(208,840)	( 794,304)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds on issue of capital stock, net	231,250	635,821	231,250	2,323,456
Options exercised	-	-	-	75,000
Proceeds on disposition of subsidiary	11	-	11	-
Net cash provided by financing activities	231,261	635,821	231,261	2,398,456
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payment of deferred exploration expenditures	-	(712,272)	-	(1,386,633)
Acquisition of equipment	-	(39,860)	-	(63,627)
Net cash used in investing activities	-	(752,132)	-	(1,450,260)
<b>Change in cash during the period</b>	22,421	(422,736)	22,421	153,892
Cash decrease on subsidiary disposition	(164)	-	(164)	-
<b>Cash, beginning of the period</b>	-	696,181	-	119,553
<b>Cash, end of the period</b>	22,257	\$ 273,445	\$ 22,257	\$ 273,445

**Supplemental disclosure with respect to cash flows** (Note 8)

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

**1. NATURE OF OPERATIONS AND GOING CONCERN**

The interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Minera High Ridge del Peru, up to the date of disposition of June 18, 2009. All inter-company transactions and balances have been eliminated upon consolidation. The Company's primary business is the acquisition and exploration of mineral interests. The Company is considered to be in the exploration stage.

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The summary of significant accounting policies is presented to assist the reader in understanding the Company's financial statements. The financial statements and notes are representative of the Company's management who is responsible for their integrity and objectivity. These interim financial statements should be read in conjunction with the audited annual financial statements for the year ended December 31, 2008. The Company applies the same accounting policies and methods in these interim financial statements as those in the audited annual financial statements, except where noted.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company has not yet determined whether its mineral interests contain economically recoverable resources. The recoverability of amounts shown for mineral interests and their related deferred exploration expenditures is dependent upon the discovery of economically recoverable reserves. The Company does not generate sufficient cash flow from operations to adequately fund its exploration activities, and has therefore relied principally upon the issuance of securities for financing. The Company intends to continue relying upon the issuance of securities to finance its operations and exploration activities to the extent such instruments are issuable under terms acceptable to the Company.

These financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the reporting periods.

The Company's current items involving substantial measurement uncertainty are the carrying costs of mineral interests and their related deferred exploration expenditures, the estimate for future site restoration and abandonment costs, the fair value of financial instruments, asset retirement obligation, useful life of amortization, the determination of the value of stock-based compensation and future income taxes.

**3. ADOPTION OF NEW ACCOUNTING POLICIES**

**Goodwill and Intangible Assets**

On January 1, 2009 the Company adopted Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The adoption of this section has no significant impact on the Company's earnings or disclosure presentation.

**4. RECENT ACCOUNTING PRONOUNCEMENTS**

*International Financial Reporting Standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

*Business Combinations*

In January 2009, the CICA issued Handbook Sections 1582 "Business Combinations", 1601 "Consolidated Financial Statements" and 1602 "Non Controlling Interests" which replace CICA Handbook Sections 1581 "Business Combinations" and 1600 "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. These sections are applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning on or after January 1, 2011. Early adoption of these Sections is permitted and all three Sections must be adopted concurrently.

**5. MINERAL PROPERTY INTERESTS**

**Chuchi Property**

On October 25, 2004, the Company owns a 100% interest in certain mineral claims located in the Omineca Mining Division of British Columbia, referred to as the Chuchi Property. The property is subject to a 3% net smelter return royalty ("NSR"). The Company is required to pay annual advance royalties of \$20,000 from October 26, 2008 ceasing in the year in which commercial production commences.

The NSR can be reduced to 1% by paying \$2,000,000 to the optionors. The Company is required to issue an additional 200,000 common shares upon the commencement of commercial production.

The Company acquired an additional mineral claim by staking.

On December 31, 2008 the Company wrote down the recorded cost of the property to Nil.

**Newton Hill Property**

On July 20, 2004, the Company entered into an option agreement to acquire a 100% interest in certain mineral claims located in the Clinton Mining Division of British Columbia, referred to as the Newton Hill Property. The property is subject to a 2% NSR. To exercise the option, the Company has paid to date a total of \$60,000, issued an aggregate of 360,000 common shares valued at a total value of \$140,000, and is required to:

- pay \$12,000(paid) and issue 100,000 common shares on or before June 26, 2008(issued);
- pay \$60,000 and issue 100,000 common shares on or after June 26, 2009; and
- incur exploration costs of \$750,000 by June 26, 2009.

The NSR can be purchased at any time by the Company for \$1,200,000.

The Company has acquired additional mineral claims by staking.

On December 31, 2008 the Company wrote down the recorded cost of the property to Nil.

On June 22, 2009, the Company entered into an option with an unrelated company, by which that company was granted an option to acquire a 80% interest in the Newton property by the payment of \$60,000 to the Company and agreement to expend a total of approximately \$5 million on the property in exploration expenditures over seven years (subject to an amending agreement).

**6. SHARE CAPITAL**

	Number of Shares		Capital Stock		Contributed Surplus
Authorized					
Unlimited number of common shares without par value					
Balance December 31, 2008	32,877,070	\$	8,051,821	\$	775,854
Private placement	5,000,000		250,000		-
Share issue costs	-		(18,750)		-
Balance June 30, 2009	37,877,070	\$	8,283,071	\$	775,854

i) Escrow Shares

As at June 30, 2009, no shares are held in escrow.

ii) Private Placement

On April 28, 2009, the Company issued 5,000,000 units at a price of \$0.05 per unit for gross proceeds of \$250,000. Each unit consists of one common share and one share purchase warrant, each full warrant entitling the holder to purchase one additional common share at a price of \$0.10 per share expiring April 28, 2011. A finder's fee of \$18,750 was paid in connection with the placement;

**Stock options and warrants**

The Company has a 10% rolling incentive stock option plan for the benefit of its directors, officers, employees and consultants, whereby options to purchase common shares of the Company may be granted from time to time, provided that the maximum number of options that are outstanding at any time shall not exceed 10% of the issued and outstanding common shares of the Company. The exercise price of each option is based on the market price of the Company's common stock at the date of grant less applicable discount. The option may be granted for a maximum of five years and vesting is determined by the Board of Directors.

Stock options are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Options outstanding, December 31, 2008	1,095,000		0.36
Cancelled and expired	(200,000)		0.44
Options outstanding, June 30, 2009	895,000	\$	0.36
Options exercisable, June 30, 2009	895,000	\$	0.34

**HIGH RIDGE RESOURCES INC.**  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2009

The following stock options were outstanding at June 30, 2009:

Exercise price	Number of Options	Expiry Date
0.30	550,000	March 1, 2011
0.50	125,000	June 15, 2012
0.50	<u>220,000</u>	May 28, 2013
	895,000	

**Share purchase warrants**

Share purchase warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, June 30, 2009	14,528,500	\$ 0.30

The following warrants expire as follows:

Exercise price	Number of Options	Expiry Date
\$ 0.20	1,000,000	October 10, 2010
0.30	156,000	August 21, 2009
0.30	104,000	September 9, 2009
0.30	224,100	October 7, 2009
0.40	3,568,900	August 5, 2010
0.45	1,384,500	August 12, 2009
0.45	1,903,500	September 14, 2009
0.45	1,187,500	October 7, 2009
0.10	5,000,000	April 28, 2011
\$ 0.30	14,528,500	

**7. RELATED PARTY TRANSACTIONS**

During the six months ended June 30, 2009, the Company paid or accrued consulting fees of \$6,000 (June 30, 2008 - \$33,000) to directors and companies controlled by directors.

As at June 30, 2009, accounts payable included \$123,418 (December 31, 2008 - \$95,082) due to directors and companies controlled by directors.

These transactions were 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.

**8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

For the period ended June 30, 2009, the Company's significant non-cash transactions consisted of

- a) the issuance of common shares valued at \$Nil (2008 - \$181,000) related to mineral property option agreements,
- b) the issuance of compensatory Agents' warrants valued at \$Nil (2008 - \$87,548) for share issuance costs,
- c) the recognition of a fair value component of \$Nil (2008 - \$\$47,945) in respect of options exercised.

**9. CONTINGENCY**

A claim has been filed against the Company from a former director for \$49,000. The Company is disputing the amount owing. The likelihood of the outcome is not determinable and no liability has been recorded in connection with this lawsuit.

**10. OTHER INFORMATION**

On June 18, 2009, the Company entered in to an agreement to sell its wholly-owned subsidiary, Minera High Ridge del Peru for proceeds of \$US10. Minera High Ridge del Peru was the holder of the Pacococha and Chanape mineral property interests located in Peru. As at December 31, 2008, the Company had written down the value of these mineral property interests to \$1.

Proceeds on Disposition	\$	11
Less: Net liabilities at date of disposition		
Current assets		164
Long-term assets		1
Current liabilities		(726,229)
Net liabilities		(726,064)
Gain on disposition	\$	726,075

## **HIGH RIDGE RESOURCES INC.**

Management Discussion and Analysis  
For the six month period June 30, 2009

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### **Management Discussion and Analysis**

The following management discussion and analysis is prepared as at August 4, 2009 and should be read in conjunction with the unaudited interim consolidated financial statements for the six month period ended June 30, 2009. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting and the measurement currency is the Canadian dollar.

### **Forward Looking Statements**

This MD&A contains certain information that may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. The Company disclaims any obligation or intention to update or to revise any forward-looking statement, whether as a result of new information, future events or otherwise.

### **Description of Business**

High Ridge Resources Inc. (the "Company") is an exploration stage company engaged primarily in the acquisition and exploration of mineral properties. At the time of these financial statements it has not been determined whether these properties contain economically recoverable ore reserves. Due to the lack of funds to finance its exploration activities, as at December 31, 2008 the Company wrote down the recorded cost of its mineral property interests to \$1. In order to fund its ongoing operations and to pay current creditors and fund administrative expenditures to maintain its listing the Company will be seeking support from related parties and plans to raise additional equity funds.

The financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. The Company's ability to continue as a going concern is dependent upon successful achievement of additional financing, and upon its ability to realize profitable operations. These financial statements do not give effect to any adjustments that would be necessary should the Company not be able to continue as a going concern.

Effective May 10, 2009 the Company's common shares have been cease-traded for late filing for compliance reasons. The Company is in the process of clearing the cease-trade order and thereafter will seek additional equity financing. In the mean-time, the Company is reliant on funding from related parties to continue operations.

### **Second Quarter 2009 Operational & Administration Highlights**

- Completed private placement for gross proceeds of \$250,000.
- Initiated preparation of financial statements and FY 2008 audit.
- Initiated agreements for disposition of subsidiary Minera High Ridge del Peru S.A.C. and joint venture for the Newton Hill Property.
- As at June 30, 2009, the Company had a working capital deficiency of \$280,301 and an accumulated deficit of \$9,339,226. The Company's working capital deficiency has decreased from \$9,859,837 at December 31, 2008 as a result of the disposition of Minera High Ridge del Peru.
- The Company incurred \$88,459 in professional fees in the three months to June 30, 2009 as a

## **HIGH RIDGE RESOURCES INC.**

Management Discussion and Analysis  
For the six month period June 30, 2009

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result of fees incurred to complete the audit of its financial statements for the year ended December 31, 2008.

- The Company made a gain of \$726,075 on the disposition of its subsidiary, Minera High Ridge del Peru, in June 2009. (Refer to Note 10 of the financial statements at June 30, 2009). As part of the disposition agreement the Company paid \$34,950 in concession fees on the Peruvian mineral properties.

### **Overview of Exploration Properties**

#### **1) Chuchi Project – British Columbia**

- 100% interest in 19 mineral claims comprising 38 units located in the Omineca Mining Division of British Columbia.
- 850 hectare situated approximately 90 km north of Fort St. James in central British Columbia.
- Road access, railroads and high capacity electrical transmission lines are within 150 road-km at the resource-based communities of Fort St. James and Mackenzie.
- Located 32km northwest of the Mt. Milligan copper-gold deposit now owned by Terrane Metals Corp.
- An additional 2,377 hectares have been staked adjacent to the original claims (bringing the Company's land holdings to 9,753 hectares).
- Low-grade porphyry copper-gold deposit.

#### **2) Newton Hill Project – British Columbia**

- 100% interest in Newton 1 claim consisting of twenty claim units covering approximately 410 hectares.
- Located 105 km west-south-west of Williams Lake, British Columbia on the Chilcotin Plateau in the Clinton Mining Division.
- An additional 3,700 hectares staked adjacent to original claims.
- Property covers approximately a 2 km diameter hydrothermal alteration system centered on Newton Hill.
- Prosperity (Fish Lake) Deposit located 40 km to the south of Newton Hill, in a similar geologic setting.

### **Results of Operations**

For the six months ended June 30, 2009, the Company had net income of \$520,611 (2008 – loss of \$947,098). As a result of the disposition of the its 100% owned Peruvian subsidiary, the Company had a gain of \$726,075 (Refer to Note 10 of the financial statements.) Administrative expenses totalled \$170,514 (2008- \$ \$950,054) and included:

- Consulting expense for management and administration were \$6,000 (2008 - \$100,462).
- Office & sundry \$6,424 (2008 - \$49,389),
- Professional fees \$93,141 (2008 - \$123,819),
- Shareholder information \$nil (2008 - \$67,146),
- Salaries \$1,853 (2008 - \$181,894),
- Investor relations \$240 (2008 – \$78,023), and
- Foreign exchange loss of \$8,776 (2008 – \$30,636).
- Stock-based compensation \$Nil (2008 - \$121,986)

Additional changes to major costs included:

- \$nil (2008 - \$524,839) was incurred on property acquisitions and

## HIGH RIDGE RESOURCES INC.

Management Discussion and Analysis  
For the six month period June 30, 2009

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a total of \$nil (2008 - \$288,522) was incurred on exploration.

- The Company incurred non-cash acquisition costs of \$nil (2008 – \$139,000) on the issue of Nil (2008 - 400,000) common shares for property option payments.

### Summary of Quarterly Results

The following information is derived from the unaudited interim financial statements of the Company that were prepared by management in accordance with Canadian GAAP.

<b>For the quarter ended</b>	<b>Jun 09</b>	<b>Mar 09</b>	<b>Dec 08</b>	<b>Sep 08</b>	<b>Jun 08</b>	<b>Mar 08</b>	<b>Dec 07</b>	<b>Sep 07</b>
	\$	\$	\$	\$	\$	\$	\$	\$
Net Income (Loss)	564,726	(44,115)	(5,762,741)	(735,748)	(472,054)	(475,044)	(694,623)	(120,505)
Revenues	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (Loss) per share (basic and fully diluted)	0.02	(0.00)	(0.18)	(0.03)	(0.02)	(0.02)	(0.04)	(0.01)

The Company has no revenues to date and losses are caused by the commencement and continuation of the exploration programs.

In the quarter ended December 31, 2007, the Company incurred \$260,906 in additional professional fees due to increased activity in Peru with regard to the Peru property acquisitions. In the quarter ended December 31, 2008 the company wrote down its mineral properties interests by \$5,710,694. In the quarter ended June 30, 2009, the Company made a gain of \$726,075 on the disposition of its Peruvian subsidiary. No exploration activity has occurred in fiscal 2009.

### Related Party Transactions

During the six month period ended June 30, 2009, the Company paid or accrued consulting fees of \$6,000 (2008 - \$132,377) to directors and companies controlled by directors.

As at June 30, 2009, accounts payable included \$123,418 due to Adam Szybinski, to companies controlled by Gary Anderson, and to David McElhanney for consulting services.

These transactions were 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.

## **HIGH RIDGE RESOURCES INC.**

Management Discussion and Analysis  
For the six month period June 30, 2009

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### **Outstanding Share Data**

The Company has authorized an unlimited number of common shares, without par value. Refer to Note 6 of the financial statements. As June 30, 2009, the Company had 37,877,070 common shares issued, 895,000 share purchase options were outstanding, and 14,528,500 share purchase warrants outstanding. There are no other classes of shares authorized, issued or outstanding.

If all of these options and warrants were exercised, a total of 53,300,570 common shares would be issued and outstanding.

### **Liquidity And Capital Resources**

The Company does not have operations that generate cash flow. At June 30, 2009, the Company had \$22,257 in cash and a net working capital deficiency of \$ 280,301. The Company's activities to date have been funded primarily by the issuance of the Company's securities. In April 2009, the Company completed a private placement of \$250,000 by the issue of 5,000,000 units at a price of \$0.05 per unit.. Each unit consisted of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share for each warrant held at a price of \$0.10 per share until April 28, 2011. To finance its ongoing working capital requirements and to fund future operations, the Company will need to raise additional equity funds and seek support from related parties.

### **Off-Balance Sheet Arrangements**

As at June 30, 2009, and up to the effective date of this report, the Company had no off balance sheet arrangements.

### **Financial Instruments and Other Instruments**

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash, accounts payable and accrued liabilities approximate their fair value because of the short-term nature of these instruments.

#### 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 counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to receivables. As at June 30, 2009, the Company has minimal amounts receivable and is not exposed to significant credit risk.

## **HIGH RIDGE RESOURCES INC.**

Management Discussion and Analysis  
For the six month period June 30, 2009

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### 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 of June 30, 2009, the Company had a cash balance of \$22,257 to settle current liabilities of \$312,993. All of the Company's financial liabilities have contractual maturities of less than 30 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.

### Interest rate risk

The Company has no cash balances and no interest-bearing debt and is not exposed to significant interest rate risk.

### Foreign currency risk

The Company is not exposed to foreign currency risk.

### 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 oil and natural gas, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company. Fluctuations in value may be significant.

### **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 and development of its mineral property interests. 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. The Company is currently reliant of financing from related parties until it is able to resume trading and seek additional equity financing.