

**Lovitt Resources Inc.**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2009**  
**(Expressed in U.S. Dollars)**

This statement was prepared by management without benefit of audit.

**Lovitt Resources Inc.**  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
(Expressed in U.S. Dollars)

	March 31, 2009 <u>(Unaudited)</u>	December 31, 2008
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 11,925	\$ 4,417
Amounts receivable	3,156	713
Prepaid expenses	<u>1,340</u>	<u>1,340</u>
	16,421	6,470
LOAN RECEIVABLE	109,687	109,905
ASSET HELD FOR RESALE (Note 2)	331,547	331,547
PROPERTY, PLANT AND EQUIPMENT	303,109	296,457
MINERAL PROPERTIES	129,576	88,465
PATRONAGE DIVIDENDS RECEIVABLE	<u>19,845</u>	<u>19,845</u>
	\$ <u>910,185</u>	\$ <u>852,689</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 44,483	\$ 51,020
Accrued interest payable	214,750	200,393
Notes payable (Note 3)	4,590	4,710
Current portion of long-term debt (Note 4)	<u>685,648</u>	<u>359,353</u>
	949,471	615,476
LONG-TERM DEBT (Note 4)	<u>568,903</u>	<u>773,925</u>
	<u>1,518,374</u>	<u>1,389,401</u>
<b>SHAREHOLDERS' EQUITY</b>		
SHARE CAPITAL (Note 5)	2,435,623	2,435,623
CONTRIBUTED SURPLUS	23,369	23,369
RETAINED EARNINGS (DEFICIT)	<u>(3,067,181)</u>	<u>(2,995,704)</u>
	<u>(608,189)</u>	<u>(536,712)</u>
	\$ <u>910,185</u>	\$ <u>852,689</u>

See notes to interim consolidated financial statements.

Approved by the Board: Director "Lorne Brown" Director "Dominic Sapenna"

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# Lovitt Resources Inc.

## INTERIM CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

(Expressed in U.S. Dollars)

	Three months ended March 31,	
	<u>2009</u>	<u>2008</u>
REVENUE		
Rental and other income (Note 9)	3,000	--
Consulting fees (Note 9)	<u>--</u>	<u>2,400</u>
	<u>3,000</u>	<u>2,400</u>
EXPENSES		
Amortization of property, plant and equipment	--	16,022
General and administrative	30,233	43,482
Interest on long-term debt	26,697	25,954
Interest – other	--	--
Management fees (Note 9)	15,000	15,000
Foreign exchange loss (gain)	<u>7,547</u>	<u>1,474</u>
	<u>(79,477)</u>	<u>101,932</u>
INCOME (LOSS) BEFORE OTHER ITEMS	<u>(76,477)</u>	<u>(99,532)</u>
OTHER ITEMS		
Equity income (loss) on investment (Note 3)	--	--
Gain/loss on sale of land (Note 6)	--	--
Gain on sale of other assets	5,000	--
Gain on sale of water rights (Note 7)	--	--
Loss on sale of notes receivable (Note 6)	<u>--</u>	<u>--</u>
	<u>5,000</u>	<u>(0)</u>
NET INCOME (LOSS) FOR THE PERIOD	(71,477)	(99,532)
RETAINED EARNINGS (DEFICIT), beginning of period	<u>(2,995,704)</u>	<u>(2,803,270)</u>
RETAINED EARNINGS (DEFICIT), end of period	\$ <u>(3,067,181)</u>	\$ <u>(2,902,802)</u>
EARNINGS (LOSS) PER SHARE – basic	\$ <u>(0.01)</u>	\$ <u>(0.02)</u>
EARNINGS (LOSS) PER SHARE – diluted	\$ <u>(0.01)</u>	\$ <u>(0.02)</u>

*See notes to interim consolidated financial statements.*

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**Lovitt Resources Inc.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in U.S. Dollars)

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	Three months ended March 31,	
	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income (loss) for the period	\$ (71,477)	\$ (99,532)
Adjustments to reconcile net cash provided by operating activities		
Amortization of property, plant and equipment	--	16,022
Gain on disposal of land	--	--
Gain on sale of other assets	--	--
Gain on disposal of water rights	--	--
Equity loss on investment	--	--
Decrease (increase) in		
Amounts receivable	(2,225)	(434)
Inventory	(47,763)	--
Notes receivable	--	--
Increase (decrease) in		
Accounts payable and accrued liabilities	(6,537)	(23,318)
Accrued interest payable	14,357	16,235
Notes payable	(120)	(97)
	<u>(113,765)</u>	<u>(91,124)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Advances to affiliate	--	--
Purchase of property, plant and equipment	--	--
Issuance of shares, net of offering costs	--	--
Proceeds on sale of property, plant and equipment	--	2,400
Proceeds on sale of water rights	--	--
	<u>(0)</u>	<u>2,400</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	147,143	--
Repayment of long-term debt	(25,870)	(70,457)
	<u>121,273</u>	<u>(70,457)</u>
<b>INCREASE (DECREASE) IN CASH DURING THE PERIOD</b>	<b>7,508</b>	<b>(159,181)</b>
CASH, beginning of period	<u>4,417</u>	<u>462,745</u>
CASH (NET BORROWINGS), end of period	\$ <u>11,925</u>	\$ <u>303,564</u>
<b>CASH (NET BORROWINGS) IS COMPRISED OF</b>		
Cash	\$ 11,925	\$ 303,564
Cheques issued in excess of funds on deposits	--	--
	<u>\$ 11,925</u>	<u>\$ 303,564</u>

*See notes to interim consolidated financial statements.*

This statement was prepared by management without benefit of audit

# Lovitt Resources Inc.

## (formerly Lovitt Nutraceutical Corporation)

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### March 31, 2009

(Expressed in U.S. Dollars)

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#### 1. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on a basis consistent with the Company's annual audited financial statements for the year ended December 31, 2008. These interim financial statements do not include all the note disclosures required for annual financial statements and therefore should be read in conjunction with the Company's annual audited financial statements for the year ended December 31, 2008.

The Company is incorporated under the *Company Act* (British Columbia). The Company holds land and mineral interests located in Wenatchee, Washington, U.S.A., 272 acres of land, a gold mine, the Lovitt Mine, and a cold storage warehouse facility.

Effective November 23, 2005, the Company changed its name from Grange Gold Corporation to Lovitt Nutraceutical Corporation. On September 15, 2008 the Company changed its name to Lovitt Resources Inc. from Lovitt Nutraceutical Corporation.

In June of 2008, the Company decided to actively explore its mineral interest situated in the Lovitt Mine in Wenatchee WA and the mineral interest in the surrounding land.

The future viability of the Company is dependent upon the continued support of its creditors and its ability to generate profits and positive cash flow from its activities.

#### **Changes in accounting policies**

Effective January 1, 2007, the Company adopted three new Canadian Institute of Chartered Accountants accounting standards ("CICA"): CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement; Section 3865, Hedges; and Section 1530, Comprehensive Income. These sections apply to fiscal years beginning on or after October 1, 2006. These new standards have been adopted on a prospective basis with no restatements to prior periods' financial statements.

#### **Financial instruments – recognition and measurement**

This new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired. Changes to the measurement of existing financial assets and liabilities at the date of adoption would be adjusted to opening retained earnings as noted above.

Patronage dividends are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, accrued interest payable, notes payable and long-term debts are classified as other financial liabilities, which are measured at amortized cost, using the effective interest rate method. The Company has no available for sale assets or held for trading instruments.

#### **Hedging**

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

#### **Comprehensive income**

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This new standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in "other comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

The Company has no "other comprehensive income or loss" transactions during the three months ended March 31, 2008 and no opening or closing balances for accumulated other comprehensive income or loss.

# Lovitt Resources Inc.

## (formerly Lovitt Nutraceutical Corporation)

### NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

#### March 31, 2009

(Expressed in U.S. Dollars)

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#### 1. BASIS OF PRESENTATION - continued

##### **Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Lovitt Mining Company, Inc. (a U.S. corporation). Lovitt Mining Company, Inc.'s financial statements include the accounts of its wholly owned subsidiary, Gold King Inc. (a U.S. corporation). All significant inter-company balances and transactions have been eliminated.

##### **Cash equivalents**

The Company considers all highly liquid investments with original maturity of three months or less when purchased to be cash equivalents.

##### **Inventory**

Inventory is charged to operations once the related revenue is recognized. Inventory is stated at the lower of cost and net realizable value.

##### **Investments in and advances to affiliates**

Investments in affiliates over which the Company exercises control or has significant influence are accounted for on the equity basis. Investments in affiliates over which the Company does not exercise control nor has significant influence are accounted for at cost.

##### **Property, plant and equipment**

Property, plant and equipment are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the expected useful life of each property, plant and equipment. Land is reclassified as held for sale upon being listed for sale.

The Company has a cold storage building and five acres offered for sale at \$ 700,000, and high tech equipment offered for sale for \$ 1,000,000.

##### **Mineral properties and deferred expenditures**

Mineral properties and deferred expenditures are recorded at cost. Expenditures related to the mineral properties are deferred until there is reasonable certainty as to the existence of economically recoverable mineral reserves. Costs are amortized against future production from the property. Costs of abandoned properties are written off at the earlier of the decision to abandon the property or the expiry date of assessment work on the property.

The carrying value of mineral properties and deferred expenditures represent costs to date, net of amounts written off, and do not necessarily reflect present or future values.

##### **Patronage dividends receivable**

Patronage dividends are accounted for using the equity method and are redeemable at the discretion of the issuing co-operative.

##### **Asset retirement obligations**

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is charged to earnings using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flow. As at June 30, 2007, the Company does not have any asset retirement obligations.

##### **Impairment of long-lived assets**

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

##### **Income taxes**

Income taxes are recorded on a tax allocation basis. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases. Future income tax assets and liabilities are recognized using enacted income tax rates. The effect of changes in effective income tax rates is recognized in income in the period in which the change occurs. Future income tax assets are recognized with respect to deductible temporary differences and loss carry forwards only to the extent their realization is considered more likely than not.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2009**  
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1. **BASIS OF PRESENTATION** - continued

**Revenue recognition**

Land sales are recognized when title transfers to the purchaser, when collection of sales proceeds is reasonably assured and when all other obligations have been fulfilled.

Consulting revenue is recognized in the period the services are rendered and when collection is reasonably assured.

Rent, interest and other revenue is recognized in the period the amounts are earned and when collection is reasonably assured.

**Foreign currency translation**

The accounts of the Company and its consolidated subsidiary are measured using the U.S. dollar as the functional currency. Monetary items in the parent company that are denominated in Canadian dollars are translated into U.S. dollars using exchange rates in effect at the balance sheet date and non-monetary items are translated using historical exchange rates. Exchange gains or losses arising on the transaction or settlement of foreign currency denominated monetary items are included in the determination of net income.

**Comparative figures**

Certain 2008 figures have been reclassified to conform to the presentation used in the current period.

2. **EQUIPMENT HELD FOR SALE (ASSETS)**

<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
\$ 341,547	\$ 341,547
<u>\$ 341,547</u>	<u>\$ 341,547</u>

3. **NOTES PAYABLE**

Promissory note – payable to a director of the Company;  
non-interest bearing, not collateralized, and  
has no fixed terms of repayment (CDN – \$ 5,737)

<u>March 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
<u>4,590</u>	<u>4,710</u>
\$ <u>4,590</u>	\$ <u>4,710</u>

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**March 31, 2009**  
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4. LONG-TERM DEBT	March 31, 2009	December 31, 2008
Loan – requiring minimum monthly payments of \$ 2,600 representing interest only, calculated at 12% per annum; collateralized by a pledge of 221 acres of land owned by the Company; due October 31, 2009	410,000	260,000
Loan from a corporation controlled by a director of the Company and his immediate family with no required monthly payments; interest calculated at 8% per annum; not collateralized, due October 31, 2009.	98,794	103,144
Loan from a corporation controlled by a director of the Company – no required monthly payments; interest calculated at 8% per annum; not collateralized; due October 31, 2009	100,000	100,000
Debenture due to a corporation controlled by a director of the Company – no required monthly payments; interest calculated at 8% per annum; collateralized by a pledge of all the Company's assets excluding mineral rights, due October 31, 2009	510,000	510,000
Loans from a corporation controlled by a director of the Company – no required monthly payments; interest calculated at 8% per annum; not collateralized; due October 31, 2009	65,000	65,000
Loan from a Director	56,800	-
Promissory note – payable to a vendor	3,705	-
Truck loan – requiring monthly instalments of \$ 644 including interest calculated at 2.9% per annum; collateralized by a pledge of the vehicle; due August 28, 2009	3,945	5,638
Truck loan – requiring monthly instalments of \$ 350; does not bear interest; collateralized by a pledge of the vehicle; due October 14, 2010	6,307	8,125
	1,254,551	1,133,278
Less: Current portion	685,648	869,353
	\$ <u>568,903</u>	\$ <u>263,925</u>

The Company is required to make the following principal payments in each of the next fiscal years ending:

December 31, 2009	\$ 331,398
December 31, 2010	923,153
	\$ <u>1,254,551</u>

5. **SHARE CAPITAL**

Authorized

Unlimited number of common shares without par value.

	<u>Number of Shares</u>		<u>Amount</u>
Balance at December 31, 2008	5,132,081	\$	2,435,623
Balance, as at March 31, 2009	5,132,081	\$	2,435,623

6. **GAIN ON SALE OF LAND**

During the three month period ended March 31, 2009, the Company did not sell any land.



# Lovitt Resources Inc.

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2009

(Expressed in U.S. Dollars)

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### 7. SEGMENTED INFORMATION

As at March 31, 2009 and December 31, 2008, the Company and its subsidiaries operated in land development and assessing the mineral potential of the wholly owned Lovitt Mine. Identifiable assets, revenues and net loss in each of the geographic areas are as follows:

	March 31, 2009		
	Identifiable assets	Revenue	Net income (loss)
United States	\$ 908,196	\$ 2,250	\$ (89,399)
Canada	<u>1,457</u>	<u>—</u>	<u>43,637</u>
	\$ <u>909,653</u>	\$ <u>2,250</u>	\$ <u>(45,762)</u>

  

	December 31, 2008		
	Identifiable assets	Revenue	Net income (loss)
United States	\$ 850,915	\$ 656	\$ (262,291)
Canada	<u>1,774</u>	<u>—</u>	<u>69,855</u>
	\$ <u>852,689</u>	\$ <u>656</u>	\$ <u>(192,434)</u>

### 8. RELATED PARTY TRANSACTIONS

A corporation controlled by a Director of the company is paid \$ 5,000 per month as a management fee. Since most management fees have been accrued, the accrued balance is currently \$ 82,906, after a payment of \$ 4,350 was made during the quarter.

Certain family members of an Officer and Director were paid \$ 4,453 during the quarter ending March 31, 2009 for casual labor.

### 9. SUBSEQUENT EVENTS

There were no subsequent events of note in the period from March 31, 2009 to the date of filing this statement.