

ODIN MINING & EXPLORATION LTD.

Management's Discussion and Analysis

For the Year Ending December 31, 2008

General

The following information, prepared as of 28 April, 2009, should be read in conjunction with the audited consolidated financial statements of Odin Mining and Exploration Ltd. (the "Company") for the year ended December 31, 2008, and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in US dollars unless otherwise indicated.

Forward-Looking Information

This management discussion and analysis ("MD&A") contains certain forward-looking statements and information relating to the Company that are based on the reasonable beliefs of its management as well as assumptions made by and information currently available to the Company. If used in this document, the words "anticipate", "believe", "estimate", "expect", and similar expressions, used in relation to the Company or its management, are statements relating to, among other things, regulatory compliance, the sufficiency of current working capital, the estimated cost and availability of funding for the continued exploration and development of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Important factors are identified in this MD&A. The Company claims safe-harbor in respect all forward looking-information.

1. Nature of Operations and Overall Performance

Mining Decree of April 18, 2008 and New Mining Law of January 29, 2009

The legal framework in a country is fundamental, as are decisions to be made at the highest government level how and if to honour contracts affecting both exploration and exploitation mining concessions. In Ecuador, April 2008 all these fundamentals were challenged.

On April 18, 2008 the Ecuadorian Constitutional Assembly adopted a Mining Mandate which created a moratorium on all mineral exploration within the country. It was expected to result in the cancellation of the great majority of existing mining concessions. A new mining law was approved as of January 29, 2009.

However, the rules and regulations to make this new law effective have not yet been announced.

As outlined below our local Ecuadorian legal advice (as reported in the press release of March 17, 2009) indicates that the concessions covering Odin's core asset in the Cangrejos project area are safe but subject to renegotiation on concession payments and work commitments under the new mining law. On the other hand, the concessions over the Plateado project area are likely to be annulled. Odin will continue its policy of standstill of all exploration fieldwork on its mineral properties, until their status under the new mining law has been firmly established to the satisfaction of the Board (anticipated by end April 2009).

Description of Business, Operations and Financial Condition

Subject to the impact of the Mining Mandate by the National Constitutional Assembly of Ecuador on April 18, 2008 of the approval of the new Mining Law on January 29, 2009, and of the anticipated and final announcement of regulations affecting implementation of the same, the Company's business continues to be to focus on examining exploration opportunities in Ecuador. The carrying out of early-stage mineral exploration on properties offered to Odin is only undertaken on those having realistic discovery potential. If early stage exploration proves fruitful, the Company policy is to then decide at what stage in that project's development it should seek joint venture partners to fund further exploration, add partners' expertise, and/or whether to proceed to development and production without reliance on partners (which has been the case in the past).

As of April 18, 2008, when the National Constitutional Assembly of Ecuador accepted the proposal for a New Mining Mandate, and consequently imposed a moratorium on all mining and exploration prospects in Ecuador, the Company's exploration activities were focussed on three projects.

The Greater Cangrejos project in the south-west of the country targets porphyry-style, gold-copper and associated quartz-tourmaline-gold mineralization.

The two projects referred to as the South Plateado and North Plateado projects in south-eastern Ecuador, target epithermal/mesothermal gold mineralization and porphyry-style, copper-gold-molybdenum mineralization respectively.

On April 18th 2008, the National Constitutional Assembly of Ecuador accepted a proposal for a New Mining Mandate and consequent moratorium on all mining and exploration prospects in Ecuador.

On September 29th 2008, the Constitutional Referendum held in Ecuador approved the proposed Mining Mandate, and the new Mining Law was finally accepted on January 29, 2009. However, the necessary regulations to enable the new law to be put into effect are only expected to be ready sometime in April 2009. This date may extend into May, 2009.

On March 17, 2009 Odin issued a press release presenting the contents of two letters of legal advice from its lawyers Messrs Trejo Rodriguez & Asociados Abogados Cia Ltda of Ecuador as to the current status of the company's mineral concessions in Ecuador.

The first letter, dated February 26, 2009, is to Odin Mining del Ecuador S A, one of Odin's two operating companies in Ecuador, which directly holds the concessions over Odin's prime asset at Cangrejos. This letter expressed the opinion that all 11 concessions held by Odin Mining del Ecuador SA will remain in Odin's hands, but that Odin will have to subscribe to a new contract with the state in order to comply with the new law within a period of 120 days after the rules and regulations to the law are in place. These are expected late April 2009 or early May, 2009. Part of the Cangrejos property is referred to as "Castro land". Odin has announced a signed option agreement over the same. Our resident Director in Ecuador is in regular contact with Mr. Castro, the owner who lives in Spain. Mr. Castro signed an option agreement with Odin over two areas in the Cangrejos project. He has accepted that the action of the National Constitutional Assembly of Ecuador has affected our ability to comply with commitments under our option agreement. He has given an oral extension until 3 months after the final announcement of the rules are announced regarding implementation of the mining laws, for Odin to revive the contract with Mr. Castro. In reliance on that, Odin decided the payment for the concession fees for Casique and Canarias concessions of \$2,888 was a justified commercial risk.

The second letter, dated March, 04, 2009, is to Prominas S A, the second of the Odin's two operating companies in Ecuador. It directly holds Odin's concessions in the Plateado area in south-eastern Ecuador.

This letter expressed the opinion that nine (9) of Odin's twelve (12) concessions had been "archived", or cancelled, for alleged non-compliance with the April 18, 2008 Directive and failure to meet expectations as to historic financial investment and Environmental Impact Survey process. The archived concessions cover the most prospective targets in the project area, namely Los Planes, where Odin has concentrated its fieldwork at Plateado since 2004; Las Orquideas, which had been Joint Ventured to Santa Barbara Copper and Gold in early 2008, and Shamataka, which Odin had prioritized for fieldwork, but where access had been denied by the local indigenous people.

The net effect of local lawyers' advice is that Odin should not undertake any direct exploration work in Ecuador until Government has given clarification as to the implementation of the new law. This is expected in the form of further rules and regulations by late April 2009.

Under the former Ecuadorian mining law, the annual concession fees would have been payable before the end of March 2009. The Ministry of Mines has recently indicated that payments should in fact be made this year as if the regulations under the former mining law were still in effect. Such payments are then to be adjusted to comply with the regulations under the new mining law once these are issued.

Accordingly, Odin has paid the patente fees, for all the concessions it holds at Cangrejos, (including those being acquired from Mr. Castro), except for the most westerly concession, which was deemed not to be essential to the core of the project. Odin has not paid the concessions fees for any of the Plateado concessions pending clarification of their current status.

As a result of the ongoing uncertainty, the Company has deferred a second installment payment of \$80,000 due in September 2008, under the Castro Agreement, with Mr. Castro's oral consent to our resident Director in Ecuador, regarding certain mineral rights over part of the Cangrejos area (see Table 1) below.

The Company will only be in a position to evaluate the continuity of the Castro project after the release of the new mining rules and regulations laws in Ecuador.

The accompanying financial statements have been prepared on the basis that the announcements anticipated in April/May this year will be sufficiently positive and the increases in payments for concessions and work commitments not too prohibitive, so that the Company is able to continue its operations as a going-concern and that the Board of the Company is of the view it has a realistic likelihood of raising financing similar to what it had intended end Q1 2008. Such funding is required to complete the future exploration and development of the properties, including meeting option payment requirements to Castro, as they fall due.

Until the new mining laws in Ecuador are established, considerable uncertainty remains as to the validity of this assumption. The audited consolidated 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. Such adjustments could be material.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used.

In compliance with the Mining Mandate of April 18, 2008, Odin suspended all fieldwork on any of its properties in Ecuador. Odin is still carrying out essential work to maintain in good order the surface infrastructure on the land blocks it owns at Greater Cangrejos. A resumption of fieldwork will only be undertaken once the uncertainties have been resolved over the standing of the Odin concessions. This could take until mid-2009.

As a result of the uncertainty created in the Ecuadorian mining and mineral exploration sector by the approval of the Mining Mandate by the National Constitutional Assembly of Ecuador, Odin's Board postponed the proposed fundraising already prepared for and announced at the time. This was to finance a detailed drilling program at Greater Cangrejos in 2008/9.

Additionally, Santa Barbara, Odin's joint venture partner over the Las Orquideas prospect in the North Plateado project, declared force majeure with respect to the joint venture soon after the Mining Mandate of April 18, 2008. Additionally, the respective areas were archived by the Ecuadorian Government after April 18, 2008.

Odin's Board continues to monitor the situation closely, both to mitigate any negative impact on its shareholder funds, as far as it is able, and to take advantage of any positive developments in Odin's favour on implementation of the new legislation.

At the time of the acceptance of the Mining Mandate on April 18, Odin had 23 concessions under its control, as shown. Twenty-one of the concessions were held in their entirety by one or other of Odin's two 100% owned, Ecuadorian operating companies. The other two, covering 722 ha at Cangrejos, are subject to a written option agreement with Mr. Francisco Castro Sanchez ("Castro"). In addition to the concessions listed above, the company had joint ventured another 2 concessions it controlled covering 4,150 ha, at North Plateado, to Santa Barbara Resources Limited, early in 2008. Santa Barbara declared force majeure with respect to these concessions following the acceptance of the Mining Mandate by the National Constitutional Assembly of Ecuador on April 18, 2008.

The current status of Odin's concessions, as currently understood in the light of the statements made above is shown in Table 1.

Location	Status – concession paid/not paid	Number	Area (ha)
Cangrejos	OK - Paid March 2009	10	4,872
	OK - Not paid March 2009	1	2,927
Cangrejos (Castro)	OK - Paid March 2009	2	722
Plateado South	OK - Not paid March 2009	3	3,407
	Archived	5	4,098
Plateado North	Archived	2	7,495
Plateado North (Santa Barbara JV)	Archived	2	4,150

Table 1: Summary of Odin Concessions at March 31, 2009

Even prior to April 18, 2008, Odin had formed a view that, given the legal, political and social situation prevailing in Ecuador, it would be advisable to own both the mineral and surface rights (as far as practical / available) over the principal areas of interest to allow the company to be reasonably assured of being able to carry out its exploration and, eventually, its mine development programs in a cost effective and timely manner.

Consequently, in addition to the land acquired as part of the agreement with Mr. Castro, Odin had been purchasing land / surface rights in critical locations with respect to its conceptual targets at Greater Cangrejos. In March 2008 Odin concluded the purchase of another block of land in the main target zone on the eastern side of Greater Cangrejos, where, prior to 18 April, Odin had expected that diamond drilling would take place in 2008. The total of Odin controlled land in the Greater Cangrejos project area is now approx. 336 Has. Ramirez South was the last land purchased by the Company on April 18, 2008, and registered with the public registrar on May 23.

During the first half of 2007, Odin concentrated all its fieldwork on the Los Planes target within the South Plateado project area. However, in the months following the preliminary agreement reached with Mr. Castro on May 8, 2007, all field crews were reassigned from the Los Planes target in the South Plateado project area to the Greater Cangrejos project, where the Odin Board believes the greatest potential exists for Odin, for early development of a significant gold resource.

All field crews were fully engaged at Greater Cangrejos throughout the second half of 2007 and into early Q2, 2008. After April 18, 2008, Odin suspended all its field-based exploration activities in compliance with the terms of the Mining Mandate.

As of July 31, 2008, Odin was obliged to lay off its entire geological staff in order to conserve funds until the tenure over its concession holdings is confirmed (or not). There can be no guarantee that these critically important geoscientists will be available to Odin when the time comes to restart fieldwork. However, Mr. Michael Potter, MSc, MAusIMM, MIMMM, an independent geological consultant, has agreed to continue to act as the “qualified person” in terms of NI 43-101 for Odin’s geological work described below.

The new Constitution was approved in a referendum held on September 28, 2008 by a nearly two-thirds majority (64%), and a new Mining Law was approved on January 29, 2009. However, as yet the rules and regulations to put into effect the new mining law have not been issued. Consequently, the very uncertain situation created by the National Constitutional Assembly of Ecuador acceptance of the Mining Mandate on April 18, 2008 still remains without resolution not only for Odin, but for both Odin, as well as for all junior mining exploration companies seeking to operate in Ecuador.

Greater Cangrejos Project Area

The Greater Cangrejos property lies in the western foothills of the Andes of south-western Ecuador 40 km south-east of Machala, the capital of El Oro Province, and 200 km south of Guayaquil, Ecuador’s largest city and most important economic centre. The term “Greater” Cangrejos is now being used to cover both Odin’s original Cangrejos property plus the two concessions negotiated with Sr. Francisco Castro Sanchez (“Mr. Castro”).

On 08 May 2007 Odin signed an option agreement with Mr. Castro to purchase a 100% ownership interest in certain mineral and surface rights. After due diligence it was clear that the mineral rights consisted of two mineral concessions covering 722 hectares (Las Canarias of 380 ha and Cacique of 342 ha) and that the surface rights area, as measured by Odin, covers 160 hectares and straddles the boundary of the two mineral concessions.

The two Castro concessions infill the gap along the eastern boundary of Odin’s Los Cangrejos concession between the Paloma/Trinchera mineralized trends partially drilled by Newmont in 1999/2000 and the Dos Bocas anomaly re-sampled by Odin in 2006. Consequently, the area is a key element in reconstructing the Greater Cangrejos concession position, as it existed at the time of the El Joven joint venture with Newmont. Only one other block of mineral rights remains to be acquired before the reconstruction of the targeted block of concessions is complete.

The addition of the two Castro concessions to the Greater Cangrejos property opens up the possibility for the discovery of other types of gold mineralization in addition to the low-grade, high-volume, porphyry-style and gold-copper mineralization targeted in the Trinchera and Paloma mineralized zones, as described in the NI 43-101 technical report that Odin filed on June 30, 2004. These different styles of mineralization are expected to consist of relatively small-volume, higher-grade, gold veins and shatter zones developed on fault intersections, possibly associated with quartz-tourmaline alteration, at elevations 300 m to 400 m topographically above the Trinchera/Paloma zones.

Following the reinitiation of fieldwork on the Greater Cangrejos property in June 2007, the field crews carried out detailed geological mapping, stream sediment sampling and rock chip sampling along the creek beds over the Castro concessions and over adjoining parts of the Cangrejos concession until September 2007. The results of this stream sediment program indicated the presence of a new gold target about 1 km in diameter in the south-western sector of the concession block recently acquired from Mr. Castro. This new target is at an elevation 300 m to 400 m higher than that of the disseminated, low-grade, porphyry-style, gold-copper mineralization on the Trinchera and Paloma mineralized trends drilled by Newmont in 1999/2000.

In 2000 Newmont drilled one, 293 m long, diamond drill-hole (C00-29), inclined at -45° to the north on the eastern edge of this gold target, close to the boundary of the Cacique and Las Canarias concessions within the Castro block of concessions. This hole gave an intersection of 22 m at 2.56 g/t Au and about 0.2% Cu starting at a down-hole depth of 130 m. The type of mineralization encountered in C00-29 is reminiscent of the Au-Cu porphyry style of mineralization intersected in Newmont’s holes in the Trinchera/Paloma zone.

The presence in the general area of the stream sediment anomaly source of an informal mine working on a narrow (0.7m) quartz-tourmaline vein and of float blocks of quartz-tourmaline breccias, indicate that other important styles of gold mineralization in this area may include:-

- (i) narrow, steep, quartz-tourmaline veins emplaced along northerly and east-north-easterly striking linear structures,
- (ii) irregular bodies of quartz-tourmaline breccia developed at the intersections of the linear structures and an inferred set of generally north-westerly to west-north-westerly trending curvilinear structures.

Although such bodies of mineralization are expected to be much smaller in volume than the porphyry mineralization at Paloma/Trinchera, their grades could be significantly higher.

In October 2007 Odin's field crews commenced a systematic program of top-to-bedrock soil sampling, top-of-bedrock, soil sampling program on a 50 m x 50 m grid in the south-western sector of the Castro concession block in order to expand substantially the small program undertaken in 2006 over the Trinchera and Paloma mineralized trends towards the north-east into the area of the 1 km gold source identified from the stream sediment sampling program described above. The objective of this program was to use closer spaced sampling to check for well defined, cohesive, higher value (>100 ppb) gold anomalies within a nebulous area of sporadic low value (>50 ppb) gold anomalies suggested by Newmont's 100 m x 100 m (and wider spaced) and wider spaced sampling undertaken during their tenure as operator of the El Joven joint venture (1994-2001).

Table 2 below shows the number of top-of-bedrock, soil samples that Odin had taken prior to April 18, 2008. The samples tabulated represent the results of about 4500 m of hand auguring with an average hole depth of 3 m and a maximum hole depth of 7 m.

Year	Location	Field Samples	Field duplicates	Field Checks
2008 (Apr)	Infill	91	3	0
2008 (Feb/Mar)	south-west	259	8	5
2008 (Jan)	Castro Block	363	11	0
2007	50 m x 50 m	716	22	16
2006	Trinchera/Paloma	130	4	10
2006-2008	TOTALS	1559	48	31

Table 2: Summary of hand-auger work at Greater Cangrejos 2006-2008(April)

The planned Phase I top-of-bedrock, soil sampling on a 50m x 50m grid over the southwest quadrant of the Castro concession block, was completed at the end of March 2008. Subsequently, selected areas of known anomalous results were checked by infilling the grid to 25m x 50m.

The last of the Feb/Mar/Apr 2008 samples were delivered to the sample preparation facility on April 07, 2008, 11 days before the approval of the mining mandate required the suspension of exploration fieldwork throughout Ecuador. The analytical results from this last batch of work are included in the summaries given in Table 3 for gold and Table 4 for copper.

Year	2008 Feb/Mar	2008 Jan	2007 & 2006	2008 Feb/Mar	2008 Jan	2007 & 2006
ppb Gold	Number of Soil Samples			Percent of Soil Samples		
>1000		3	22		0.8	2.6
500-999		1	17		0.3	2.0
250-499	7	7	52	2.7	1.9	6.2
100-249	16	11	95	6.2	3.0	11.2
50-99	44	30	136	17.0	8.3	16.1
<50	192	311	524	74.1	85.7	61.9
TOTALS	259	363	846	100.0	100.0	100.0

Table 3: Distribution of GOLD values in 50m x 50 m, augured soil samples: 2006-2008 (Mar) (maximum gold values: 2008 (Feb/Mar) = 476 ppb, 2008(Jan) = 2690 ppb, 2006/7 = 5135 ppb)

Year	2008 Feb/Mar	2008 Jan	2007 & 2006	2008 Feb/Mar	2008 Jan	2007 & 2006
ppm Copper	Number of soil samples			Percent of soil samples		
>1000	1		19	0.4		2.2
500-999	2		52	0.8		6.2
250-499	27	4	68	10.4	1.1	8.0
125-249	36	13	129	13.9	3.6	15.3
<125	193	346	578	74.5	95.3	68.3
TOTALS	259	363	846	100.0	100.0	100.0

Table 4: **Distribution of COPPER values in 50m x 50m, augured soil samples 2006-2008 (Mar)**
(maximum copper values: 2008 (Feb/Mar) = 1155 ppm, 2008(Jan) = 454 ppm, 2006/7 = 8225 ppm)

The results from the samples submitted in early April 2008 from the last few, northernmost lines of the 50 m x 50 m grid have not produced any new gold anomalies (>100 ppb Au) additional to those already identified. However, a new copper anomaly (>125 ppm Cu), measuring about 300 m x 300m, and still open to the north, appears to be developing in the north-west of the area sampled. As expected, the infill sampling to give a 25 m x 50 m grid over selected areas of the Cacique gold anomalies has confirmed the existence of these anomalies.

Newmont's hole C00-29, referred to above, passed below one of the Cacique gold soil anomalies. This hole established that this gold soil anomaly definitely reflects the presence of gold-bearing bedrock mineralization. Furthermore, this particular anomaly shows copper coincident with the gold, the same correlation seen in the porphyry-style of mineralization encountered in the intersection in hole C00-29. In contrast, the other Cacique gold soil anomalies show little or no association with copper. It is expected that these anomalies may be related to copper-free, quartz-tourmaline styles of gold mineralization.

During 2007 approximately 100 rock samples were taken on a casual basis for analysis. About another 100 rock samples for analysis were collected in early 2008 during the current quarter. In January 2008, the 11 rock samples (including 3 core samples) collected in December 2007, were dispatched to Canada for petrographic examination.

Encom Technology Pty Ltd, an Australian based software and consultancy company (now Pitney Bowes Business Insight), engaged to help with the targeting of a future drill program on the combined Odin and Castro properties had presented its initial conclusions in October 2007. In January 2008 Encom delivered follow up presentations at a 3-day meeting in Vancouver. They also presented additional results at a meeting in Toronto in March 2008. Encom have combined into a GIS database the ASTER satellite imagery specifically purchased for the project, Newmont's historic airborne geophysical data (after reprocessing), Newmont's historic diamond drill hole results and the Newmont and Odin geochemical and geological databases.

During the first quarter of 2008 Encom acquired high resolution, SLAR (Side Looking Aperture Radar) satellite imagery. As this is an active system, it is able to burn through the almost continuous cloud cover that had prevented the successful acquisition of the Quickbird imagery initially specified.

Although the environmental impact statement/management plan for the Greater Cangrejos project prepared on Odin's behalf by Terrambiente Consultores Limitada had been delivered at the end of 2007, unfortunately Odin had still not received notification of approval by the relevant Ecuadorian authorities by the date of this Report.

By the end of the first quarter of 2008 Odin's plans to undertake a diamond drilling program at Greater Cangrejos later in 2008 were approaching completion. Consequently, after independent feedback from Encom and internal geological presentations Odin had announced in a press release on 07 April 2008 its intention to raise funds by means of a private placement to fund that program. However, the great uncertainty about the direction of metalliferous mining and exploration in Ecuador created by the approval of the mining mandate on April 18, 2008, by the National Constitutional Assembly obliged Odin to announce on April 22, 2008, the postponement, until further notice, of both the drill program and the fund raising.

South Plateado Project Area

Los Planes Target

The Los Planes prospect is located in the extreme south-east corner of Ecuador on the border with Peru. The property lies 20 km south-east of Zumba, the nearest town (pop. 1000) and 110 km south-south-east of the important university city of Loja (pop. 120,000).

The target under evaluation at Los Planes consists of a NNE trending, 4000m x 700m (approx 300ha), +15 ppb gold anomaly as interpreted from the results of reconnaissance, ridge and spur soil sampling carried out in 1997 by Cambior Inc ("Cambior"). At that time Cambior was Odin's joint venture partner in the project. This large,

low-value soil anomaly contains several, abandoned, artisanal gold workings, where narrow, low-sulphide, epithermal/mesothermal quartz veins hosted by andesites of the Misahualli formation have historically given localized spot grades up to 105 g/t.

The fieldwork carried out in 2004 at Los Planes located anomalous gold and arsenic soil values on nearly all lines in two relatively small (32 ha and 64 ha) gridded areas located 1.5 km apart over what was considered the most promising parts of the large anomaly. However, individual anomalous soils values were difficult to correlate between lines, and soil creep in the steep terrain has almost certainly complicated the situation. The exposed quartz veins found in 2004 were low-grade (5.5 g/t Au max.), rather variable in thickness and lacking in lateral continuity. The associated alteration tended to be weak, mostly clay dominated and sporadically developed. However, while the exposures seen did not themselves constitute a significant body of mineralization, they might still represent geochemical leakage from something more substantial at depth.

From October 2006 to January 2007, Odin carried out a top-of-bedrock soil sampling program on a 320 m x 10 m grid cut to infill the area between the two grids cut and sampled in 2004. Anomalous gold (>100 ppb) [max value = 5444 ppb] and anomalous arsenic (>100 ppm) [max value = 6153 ppm] occur on all lines sampled, over a strike length of 3500 m. The anomalous arsenic values correlate closely in space with the anomalous gold values. However, the arsenic values tend to have a more consistent and more extensive distribution than the gold values. At the wide line spacing used, detailed correlation of anomalies from line to line for both gold and arsenic is even more uncertain than with the more closely spaced 2004 top-of-bedrock sampling exercise. Furthermore, hill creep on the steep (to 45°), often forested terrain, and the narrow widths of the quartz veins and veinlets targeted continue to complicate the situation.

In February 2007, the field crews started a program of geological mapping, rock sampling and stream sediment sampling along the creeks around the main soil anomalies. A total of 358 rock samples were taken at Los Planes during 2007, along with about 100 stream sediment samples.

The 120 rock samples reported in May 2007 came from within the 500 m x 500 m Los Planes North Anomaly and from the area to the north-east thereof. These results are considered consistent with those obtained during the 2004 sampling exercise. However, the average gold value (2.1 g/t Au) for the new samples of quartz rich material (veins and silicified zones) is double the average value (1.0 g/t) for the equivalent 2004 data set. This increase in part reflects the presence in the new data set of three samples with gold values greater than 10 g/t gold, namely 16.3 g/t (check = 20.6 g/t) from ODN 3549, 17.6 g/t (check = 21.2 g/t) from ODN 3532 and a spectacular 920 g/t (check = 813 g/t) from ODN 3498. The results from the two streams in the area to the north and north-east of the Los Planes North anomaly were poorer than those from the main anomaly. Nevertheless, sporadic values to about 1 g/t Au were still being obtained over 1 km away from the main anomaly.

The 238 rock sample results reported in November 2007 mostly came from within the Los Planes North Anomaly again and from the newly identified, 800 m x 150 m southern extension. These results are considered consistent with the results from 2004 and also with those from May 2007. The average gold value (0.9 g/t Au) for quartz rich material (veins and silicified zones) is very similar to the average value (1.0 g/t Au) for the equivalent 2004 data set. In this new data set only one sample returned a gold value greater than 10 g/t (26.4 g/t from ODN 3823).

The gold values in the November 2007 samples from the Los Planes Central anomaly are generally low. Nevertheless, they do justify a closer examination of the area between the two grids sampled in 2004.

Following the preliminary agreement reached with Mr. Castro at Cangrejos, all the field crews were reassigned to the Greater Cangrejos project in June 2007. Consequently, field work at Los Planes was suspended until the initial, high priority work in and around the Castro concessions is completed.

In order to optimize the fieldwork at Los Planes and the other South Plateado targets, in April 2007 Odin contracted Encom Technology Pty Ltd of Australia to carry out a review of all the information obtained so far on the South Plateado project area. The information was superimposed onto a base of specifically purchased, Aster satellite imagery within a GIS system. This work included the reprocessing and reinterpretation of the heliborne geophysical data (magnetics and radiometrics) collected by Cambior during their management of the now defunct joint venture. A preliminary report was received from Encom in September. As at Greater Cangrejos, persistent cloud cover over the area prevented the capture of suitable QuickBird imagery until late December when coverage was obtained over a portion of Los Planes. Encom presented their preliminary findings on the South Plateado area at a 3-day review meeting in Vancouver in January 2008.

Odin had engaged Terrambiente Consultores Compania Limitada to prepare the environmental reports for the Los Planes area. However, this work is now on standby until the situation with respect to Odin's tenure of the concessions is confirmed.

Sangola Target

Following the switch in fieldwork focus from South Plateado to Greater Cangrejos in June 2007, and the suspension of all exploration fieldwork within Ecuador from April 18, 2008, onwards, until further notice, the start of detailed stream sediment sampling, geological mapping and rock sampling scheduled for the Sangola gold anomaly located 20 km to the NNE of the Los Planes anomaly has now been postponed indefinitely.

The Sangola target was one of the areas studied in some detail by Encom. Their application of the analytical signal filter enhancement to the reprocessed Cambior magnetic has proven particularly useful in defining small intrusive which may be an important factor controlling mineralization within the area.

North Plateado Project Area

The North Plateado project area lies about 50 km to the NNE of the South Plateado project area. North Plateado contains two potential porphyry-style targets at Shamataka (Au-Cu) in the south and Las Orquideas (Cu-Mo) in the north. No fieldwork was carried out on either of these properties during 2004 - 2007 because of uncertainties about access and environmental issues resulting from the inclusion of the entire Shamataka target and part of the Las Orquideas target within the Nangaritza Protected Forest on ground controlled by indigenous peoples.

The Company had regarded North Plateado as its priority area for fieldwork in 2006/7. However, in July 2006 a company representative attended a meeting with delegates of the local indigenous communities in the area to seek permission to re-enter the ground under their control in order to recommence exploration activities. Unfortunately, the assembly unanimously voted to deny access to their ground to all mining and exploration companies. The Company continues its efforts to break this impasse. This is the Company's only project operating under these local challenges.

On January 31, 2008 Odin signed a letter agreement to joint venture the four, northernmost concessions (10,010 ha) covering the Las Orquideas (Cu-Mo) target to Santa Barbara Resources Limited giving Santa Barbara the right to earn up to 70% of the project by carrying out exploration to a minimum value of US\$ 1.6 million, under a staged expenditure scheme, and funding and completing a bankable feasibility study on the property before the thirteenth anniversary of the effective date. Following Santa Barbara's due diligence studies, it was mutually agreed to allow the two southernmost (5,500 ha) of these four concessions to expire at end March 2008. This decision left the joint venture holding the two concessions (4,510 ha) over the core of the Las Orquideas anomaly.

After the signing of the joint venture agreement, Santa Barbara had been concentrating on a human relations exercise in the area in order to obtain permission from the landowners to enter their land to initiate preliminary geological work.

On April 22, 2008, Santa Barbara confirmed that it was invoking the contractual force majeure clause, after the uncertainty created by acceptance by the National Constitutional Assembly of Ecuador of the April 18, 2008, mining mandate.

2. Selected Annual Information

The following table provides a brief summary of the Company's financial operations for each of the last three completed fiscal years. For more detailed information refer to the Company's audited financial statements for the specific periods.

	Year ended December 31, 2008	Year ended December 31, 2007	Year ended December 31, 2006
Non-cash stock-based compensation	\$ 160,828	\$ 33,289	\$ 87,831
Non-cash finance costs	-	417,919	-
Non-cash consulting fees	7,500	-	-
Allowance for uncollectable receivable	21,000	-	-
Allowance for impairment of assets	2,443,976	-	-
Other operating expenses	300,540	400,829	289,902
Loss from operations	\$ (2,933,844)	\$ (852,037)	\$ (377,733)
Interest income	5,921	62,611	32,613
Foreign exchange gain (Loss)	(27,249)	217,097	(104,956)
Loss for the year	\$ (2,955,172)	\$ (572,329)	\$ (450,076)
Basic and diluted earnings (loss) per share	\$ (0.06)	\$ (0.01)	\$ (0.01)
Total assets	\$ 514,919	\$ 3,036,076	\$ 2,999,794
Total long-term liabilities	\$ NIL	\$ NIL	\$ NIL
Cash dividends declared	\$ NIL	\$ NIL	\$ NIL

3. Results of Operations

Significant expenditures and variations of expenditures incurred during the year ended December 31, 2008, as compared to the year ended December 31, 2007 include:

- **Consulting Fees – 2008: \$9,384 / 2007: \$29,850;** As agreed by the Board, during both years the Company paid \$30,000 to the Ecuador country manager as a fixed fee for general management of Odin resources in Ecuador during the financial year. The current year's expense for this fee has been reduced by \$20,000 over accrual of consulting fee expense incurred in a previous year.
- **Directors' Compensation – Fees 2008: \$56,335 / 2007: \$79,506;** During 2008, due to the deterioration in the capital markets and in order to preserve cash, the directors agreed to eliminate cash payments for directors fees. During 2008 directors fees were accrued and settled by issuance of 500,000 of common shares.
- **Directors' Compensation – Stock-based compensation 2008: \$160,828 / 2007: \$33,289;** The increase in Directors' compensation – Stock-based compensation relates solely to the value of options vesting in 2008 of the 2007 issuance of stock options at the time of appointment of Daniel Noone.
- **Management Fees – 2008: \$33,620 / 2007: \$84,762;** During 2008 as part of the Company's cash preservation plan, management fees in Canada were suspended until there is more certainty in mining law in Ecuador and the Company is able to raise additional capital. The expense for 2007 is indicative of a full years' management fees expense.
- **Occupancy costs – 2008: \$22,335 / 2007: \$35,658;** During 2008 as part of the Company's cash preservation plan, the Company vacated its rented premise in Canada and established a small office in the home of a director at no cost to the Company. The expense for 2007 is indicative of a full years' occupancy expense.
- **Professional Fees – 2008: \$56,458 / 2007: \$49,103;** Professional fees are comprised of legal, audit and accounting fees paid and accrued. In 2008 legal fees were \$20,006 (2007 - \$13,163), audit fees \$25,799 (2007 - \$28,664) and accounting fees \$10,649 (2007 - \$7,276).
- **Finance costs – 2008: \$NIL / 2007: \$417,919;** Expense for 2007 is a Black-Scholes calculated, non-cash charge due to modification of the terms of outstanding share purchase warrants. The period of exercise of the warrants was extended by one year. During 2008 the warrants expired un-exercised.
- **Allowance for impairment of Assets: 2008; \$2,443,976 / 2007: \$NIL;** In past years the Company entered into a number of agreements to acquire mining concessions or options to acquire mining concessions in Ecuador. To December 31, 2008 the Company had expended \$1,843,077 on these mining concessions, for option payments, acquisition costs, property maintenance costs, environmental studies, geological work assay and other related exploration and development costs.

As detailed previously, and elsewhere in the MD&A, the government of Ecuador has cancelled previous mining law, stopped all exploration and mining activity in the country, issued new mining law and cancelled many mining concessions for lack of payment of patents. Some of the Company's concessions in its Plateado Projects were cancelled. The remaining concessions were not contiguous, making them uneconomic to maintain. Further, the Company received a "force majeure" notice from its limited partner notifying the Company they are ceasing involvement in the project due to the "archiving" (cancellation) of the concessions. As a result the Company has abandoned its interest in the Plateado Projects and has written-off \$255,531 of costs incurred in maintenance and development of the concession.

The actions taken by the government of Ecuador have created uncertainty in the financing community as to the viability of any exploration in Ecuador. Coupled with the current state of the financial markets, the Company is uncertain as to its ability to raise additional funds to meet its commitments for the acquisition of the Cangrejos Properties, to meet required "patentes" payments and to carry on a productive exploration program. As a result the Company has made an allowance for impairment of the Cangrejos Properties in the amount of \$1,587,545.

As part of the Company's previous strategy, certain freehold lands overlying some of the Company's Cangrejos Properties were acquired as they became available. These lands were primarily agricultural in nature but due to the Company's view of the prospective nature of the land the Company paid more than agricultural prices. Due to the uncertainty indicated above, an allowance for impairment of value of \$600,900 has been made to reduce the carrying value of the land to that approximating to agricultural value.

- **Interest Income – 2008: \$5,921 / 2007: \$62,611;** During 2008 the Company had significantly less funds on deposit.

Summary of Quarterly Results

	December 31, 2008	September 30, 2008	June 30, 2008	March 31, 2008
Total Revenue	\$ -	\$ -	\$ -	\$ -
Net Income (Loss)	\$ (2,645,927)	\$ (34,345)	\$ (69,680)	\$ (205,220)
Basic and diluted loss per common share	\$ 0.05	\$0.00	\$ 0.00	\$ 0.00

	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
Total Revenue	\$ -	\$ -	\$ -	\$ -
Net Income (Loss)	\$ (540,419)	\$ 11,040	\$ 24,411	\$ (67,361)
Basic and diluted loss per common share	\$ 0.01	\$0.00	\$ 0.00	\$ 0.00

4. Liquidity

The Company's historical capital needs have been met by issuance of shares. As at December 31, 2008, the Company's working capital was \$28,799 (2007 – \$711,593). The Company proposes to meet any additional financing requirements through equity financing.

The Company's cash position as at December 31, 2008 was \$136,148 (2007 - \$950,752). The net decrease in cash position generally due to receipt of \$293,250 from a private placement financing, less \$465,421 of cash used in operating activities and \$642,433 expended on mineral property acquisition, exploration expenditures, and purchase of land and office equipment.

The Company has no long-term debt.

The Company does not have operations which generate cash flow and it is unlikely that it will generate cash flow in the foreseeable future.

Future cash requirements will depend primarily on the extent of future exploration programs. Subsequent phases will depend, both on cost and duration, and on results from previous phases, and it is therefore extremely difficult to predict future cash requirements. At the date of this report, the Company is sufficiently funded to maintain its current properties in the near term but will require additional financing or proceeds from sale or joint venture of properties to complete exploration programs.

The Company is dependent on raising funds by the issuance of shares or disposing of interests in its unproven mineral interests (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral interests and meet general and administrative expenses beyond one year in the future. There can be no assurance that the Company will be successful in raising their required financing.

The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fully explore its existing properties. Failure to obtain financing could result in delays or indefinite postponement of further exploration and the possible, partial or total loss of the Company's interest in certain properties. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardized. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the costs required to complete recommended programs.

The Company's consolidated financial statements have been prepared on the basis of a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Should the Company be unable to continue as a going concern, the realization of assets may be at amounts significantly less than carrying values. The continuation of the Company as a going concern is dependent on its ability to obtain additional equity capital to finance existing operations, attaining commercial production from its mineral properties, and attaining future profitable operations. These consolidated 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.

5. Capital Resources

The Company's ability to raise additional funds from the equity markets will largely depend upon general market conditions, the Company's ability to achieve certain exploration milestones and its ability to acquire new properties.

Authorized Share Capital is 200,000,000 common shares without par value. Issued and outstanding common shares as at December 31, 2008 were 49,782,141 (2007 - 47,814,791).

During the year ended December 31, 2008, the following shares were issued:

- On February 29, 2008 1,250,000 Units were issued pursuant to a non-brokered private placement for total proceeds of \$293,250. Each Unit was comprised of one common share and one share purchase warrant ("Private Placement Warrant"); 250,000 of the 625 Private Placement Warrants, entitling the holder to acquire one common share at a price of C\$0.25 per share to September 15, 2008 and 375,000 of the 625,000 Private Placement Warrants entitling the holder to acquire one common share at a price of C\$0.30 per share for a period of 2 years from the closing date. The proceeds were allocated between share capital and contributed surplus based on the fair value of the share purchase options.
- June 30, 2008 to August 5, 2008 the Company issued 640,000 shares in settlement of \$70,719 of indebtedness to directors comprised of \$25,363 for consulting fees and \$45,356 for directors' fees.
- On October 8, 2008 the Company issued 77,350 common shares in settlement of \$7,500 of consulting fees due to a director.

As at December 31, 2008, there were 375,000 share purchase warrants outstanding, exercisable at C\$0.30 per share until February 15, 2010,

As at December 31, 2008 the Company had 3,885,000 share purchase options outstanding, of which 3,728,750 are vested. This number was comprised of:

Exercise Price per share	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Number unvested - not exercisable	Number Vested - exercisable
C\$0.10	625,000	4.5	156,250	468,750
C\$0.20	65,000	4.0	-	65,000
C\$0.25	3,170,000	2.1	-	3,170,000
C\$0.30	25,000	3.2	-	25,000
	<u>3,885,000</u>	<u>2.5</u>	<u>156,250</u>	<u>3,728,750</u>

While there can be no guarantee that option holders will exercise their warrants, any such option exercises that do occur would provide additional funding to the Company.

6. Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements.

7. Transactions with Related Parties

The following table summarizes the Company's related party transactions for the year ended December 31:

	<u>2008</u>	<u>2007</u>
Goods or services rendered by, or to, related parties:		
Consulting fee paid to a non-resident director for management of Ecuador operations	\$ 30,000	\$ 29,850
Fees paid to (recovered from) a company controlled by a director of the Company		
General and administration	\$ 894	\$ 2,034
General and administration	\$ (11,789)	\$ (5,362)
Management fee	\$ 33,620	\$ 84,762

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value of services.

Additional Information

During the year ended December 31, 2008 the Company issued 717,350 common shares in settlement of \$78,219 of indebtedness to directors, for unpaid directors' fees and unpaid consulting fees.

Subsequent to December 31, 2008, the Company issued 180,532 common shares to a director in settlement for \$7,500 of consulting fees payable at the quoted market price of C\$0.04 at the date of the transaction.

8. Fourth Quarter

During the fourth quarter, the Company made a provision for impairment of property in the amount of \$2,443,976 and charged the expense to the statement of operations. For additional information regarding this charge see a comprehensive discussion of this issue above in the section headed "*Results of Operations*".

9. Proposed Transactions

The Company has no specific proposed transactions. However, consistent with the nature of the Company's operations, the Company is continuously reviewing potential mineral property acquisitions and is likely to acquire additional mineral properties in the future.

10. Critical Accounting Estimates

The Company's discussion and analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, are based on its financial statements that have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments, particularly those related to the determination of the impairment of long-lived assets. Management bases its estimates and judgments on historical experience, contractual arrangements and commitments and on various other assumptions that it believes are reasonable in the circumstances. Changes in these estimates and judgments will impact the amounts recognized in the consolidated financial statements, and the impact may be material. Management believes significant estimates and assumptions include those related to the recoverability of mineral properties and deferred exploration expenditures, estimated useful lives of capital assets, determination as to whether costs are expensed or deferred and asset retirement obligations.

Critical accounting estimates used in the preparation of the financial statements include the assumption the Company is a going concern, recoverable value of its mineral properties, asset retirement obligations, valuation of stock-based compensation and future income taxes. These estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

Mineral resource properties

The Company records its interest in mineral resource properties at cost. Direct costs relating to the acquisition, exploration and development of mineral properties, less recoveries, are deferred until such time as the properties are either put into commercial production, sold, determined not to be economically viable or abandoned.

If the property is placed into production, deferred costs would be amortized over the estimated life of the mineral property. The deferred costs would be written off if the property is sold or abandoned. If it is determined that the carrying value of a property exceeds its net recoverable amount as estimated by management, or exceeds the selling value of the property, a provision is made for the decline in value and charged against operations in the year of determination of value.

The amounts shown for mineral resource properties and related deferred costs represent costs incurred to date, less write-offs and recoveries, and do not necessarily reflect present or future values of the particular properties.

Asset retirement obligations

The Company's exploration activities are subject to various laws and regulations for federal, regional and provincial jurisdictions governing the protection of the environment. These laws are continually changing. The Company believes its operations are in compliance with all applicable laws and regulations. In the future the Company may be liable for expenditures required to comply with such laws and regulations but cannot predict the amount or timing of such future expenditures. Estimated future reclamation costs are based principally on legal and regulatory requirements.

Stock-based compensation

The Company uses the fair-value based method to account for all stock-based payments. Fair value is calculated using the Black-Scholes option-pricing model, which require the input of highly subjective assumptions, including, expected price volatility, estimated timing of the exercise of the stock based instrument and a risk free discount rate. The fair value of the compensation cost is recorded as a charge to net earnings based over the vesting period with a credit to contributed surplus.

Future Income Taxes

The Company uses the asset and liability method of accounting for income taxes whereby future income tax assets are recognized for deductible temporary differences and operating loss carry-forwards and future income tax liabilities are recognized for taxable temporary differences. Future income tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment or substantive enactment. The actual income tax rate that may be in effect at the time future income tax assets are realized or future income tax liabilities come due will depend upon the income tax rate(s) in effect at the time.

11. Changes in Accounting Policies, including initial adoption

Recently Adopted Accounting Policies – Effective January 1, 2008, the Company adopted the following new Canadian Institute of Chartered Accountants (“CICA”) accounting standards: (a) Handbook Section 1535, *Capital Disclosures*; (b) Handbook Section 3862, *Financial Instruments – Disclosures*; and (c) Handbook Section 3863, *Financial Instruments – Presentation*. Consistent with the requirements of the new accounting standards, the Company has not restated any prior period amounts as a result of adopting the accounting changes. The effect of the adoption of these standards is summarized below:

- a) **Capital Disclosures**: Handbook Section 1535 “Capital Disclosures”, establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and, if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by this section in Note 10 to these consolidated financial statements.
- b) **Financial Instruments - Disclosures**: CICA Handbook Section 3862, *Financial Instruments - Disclosures*”, describes the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The Company has included disclosures recommended by this section in Note 11 to these consolidated financial statements.
- c) **Financial Instruments – Presentation**: CICA Handbook Section 3863, *Financial Instruments – Presentation*, establishes standards for presentation of financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861 ‘Financial Instruments — Disclosure and Presentation.

Recently issued accounting pronouncements – The Company is currently evaluating the impact of the following new handbook sections on the consolidated financial statements and will adopt the sections commencing January 1, 2009:

- a) **Goodwill and Intangible Assets**: The AcSB issued CICA 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 section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards

for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning the initial recognition of goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

- b) Consolidated Financial Statements: Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests replaces Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting, for a non-controlling interest in a subsidiary in consolidated financial statements, subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Company has not yet determined the impact of the adoption of these changes on its consolidated financial statements
- c) Business Combination: Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, establishes standards for the accounting for a business combination. It is the Canadian GAAP equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. This standard is effective for the Company for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Company has not yet determined the impact of the adoption of this change on its consolidated financial statements
- d) International financial reporting standards (“IFRS”): In 2006, 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. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

12. Disclosure and Internal Controls and Risk Factors

Internal Controls and Procedures

In contrast to the certificate required under National Instrument 52-109 *Certificate of Disclosure in Issuers’ Annual and Interim Filings* (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (“CD&P”) and internal control over financial reporting (“ICFR”), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representation relating to the establishment and maintenance of:

- a. Controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- b. A process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer’s generally accepted accounting policies.

The Company’s certifying officers are responsible for ensuring processes are in place to provide them with sufficient knowledge to support the representations they are making in their certification.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost effective basis, DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filing and other reports provided under securities legislation.

Risk Factors

Development-stage mineral exploration companies face a variety of risks and, while unable to eliminate all of them, the Company aims at managing and reducing such risks as much as possible.

Few exploration projects successfully achieve development due to factors that cannot be predicted or anticipated, and even one such factor may result in the economic viability of a project being detrimentally impacted such that it is neither feasible nor practical to proceed. The Company closely monitors its activities and those factors that

could impact them, and employs experienced consulting to assist in its risk management and to make timely adequate decisions.

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristic of many mineral properties.

The price of the commodities being explored is also a significant risk factor, as a substantial decline in their price could result in a decision to abandon a specific project.

Environmental laws and regulation could also impact the viability of a project. The Company has ensured that it has complied with these regulations, but there can be changes in legislation outside the Company's control that could also add a risk factor to a project.

Operating in a foreign country has legal, political and currency risk that must be carefully considered to ensure their level is commensurate to the Company's assessment of the project.

13. Approval

The Board of Directors of Odin Mining and Exploration Ltd. has approved the disclosures contained in the Management Discussion and Analysis for the year ended December 31, 2008, prepared as at April 28, 2009.

14. Other Information

Additional information relating to the Company can be found on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) database at www.sedar.com



ODIN MINING AND EXPLORATION LTD.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007



BDO Dunwoody LLP
Chartered Accountants

200, 19916 -64th Avenue
Langley, BC, Canada V2Y 1A3
Telephone: (604) 534-8691
Telefax: (604) 534-8900

Auditors' Report

**To the Shareholders of
Odin Mining and Exploration Ltd.**
(An Exploration Stage Company)

We have audited the consolidated balance sheet of Odin Mining and Exploration Ltd. (an exploration stage company) as at December 31, 2008 and the consolidated statements of operations and deficit, shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by other auditors who issued their opinion without reservation on April 28, 2008.

signed "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, British Columbia
April 28, 2009

ODIN MINING AND EXPLORTION LTD.
(An exploration stage company)
CONSOLIDATED BALANCE SHEETS
As at December 31
(Expressed in U.S. Dollars)

	2008	2007
		(Note 13)
ASSETS		
Current		
Cash	\$ 136,148	\$ 950,752
Other receivables	42,505	40,770
Prepaid expenses and deposits	13,594	13,501
	<u>192,247</u>	1,005,023
Property and Equipment (Note 3)	301,671	656,650
Mineral Properties and Deferred Exploration (Note 4)	<u>1</u>	1,375,033
	\$ 493,919	\$ 3,036,706
LIABILITIES		
Current		
Accounts payable and accrued liabilities	<u>\$ 163,450</u>	\$ 293,430
SHAREHOLDERS' EQUITY		
Share Capital (Note 5)	10,733,218	10,401,513
Contributed Surplus	16,290,753	16,080,093
Deficit	(26,693,502)	(23,738,330)
	<u>330,469</u>	2,743,276
	\$ 493,919	\$ 3,036,706

Approved by the Board of Directors:

"Stephen W.C. Stow"

Stephen W.C. Stow, Director

"Levi Giesbrecht"

Levi Giesbrecht, Director

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

ODIN MINING AND EXPLORTION LTD.
(An exploration stage company)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
For the Years Ended December 31
(Expressed in U.S. Dollars)

	2008	2007
		(Note 13)
Expenses		
Amortization	\$ 16,184	\$ 5,304
Consulting fees (Notes 5c and 6)	9,384	29,850
Directors compensation		
Fees (Note 6)	56,335	79,506
Stock-based compensation (Note 5c)	160,828	33,289
General and administration, net recoveries (Note 6)	32,411	38,187
Insurance	20,847	20,851
Management fees (Note 6)	33,620	84,762
Occupancy costs	22,335	35,658
Professional fees	56,458	49,103
Finance costs (Note 5d)	-	417,919
Wages & benefits	60,466	57,608
Allowance for uncollectible receivable	21,000	-
Allowance for impairment and write-off of property (Notes 3 and 4)	2,443,976	-
	(2,933,844)	(852,037)
Foreign exchange gain (loss)	(27,249)	217,097
Interest income	5,921	62,611
Net Loss and Comprehensive Loss for the year	\$ (2,955,172)	\$ (572,329)
Basic and Diluted Loss Per Share	\$ (0.06)	\$ (0.01)
Weighted Average Number Of Shares Outstanding	49,146,223	47,814,791

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

ODIN MINING AND EXPLORTION LTD.
(An exploration stage company)
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the Years Ended December 31
(Expressed in U.S. Dollars)

	SHARE CAPITAL		CONTRIBUTED SURPLUS	DEFICIT	TOTAL
	NUMBER	AMOUNT			
Balance, December 31, 2006	47,814,791	\$ 10,401,513	\$ 15,620,136	\$ (23,166,001)	\$ 2,855,648
Stock-based compensation (Note 5c)	-	-	42,038	-	42,038
Fair value of modification of terms of share purchase warrants (Note 5d)	-	-	417,919	-	417,919
Net loss and comprehensive loss for the year	-	-	-	(572,329)	(572,329)
Balance, December 31, 2007	47,814,791	10,401,513	16,080,093	(23,738,330)	2,743,276
Private placements (Note 5b)	1,250,000	253,486	39,764	-	293,250
Shares for settlement of debt (Notes 5b and 6)	640,000	70,719	-	-	70,719
Shares issued for services (Notes 5b and 6)	77,350	7,500	-	-	7,500
Stock-based compensation (Note 5c)	-	-	170,896	-	170,896
Net loss and comprehensive loss for the year	-	-	-	(2,955,172)	(2,955,172)
Balance, December 31, 2008	49,782,141	\$ 10,733,218	\$ 16,290,753	\$ (26,693,502)	\$ 330,469

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

ODIN MINING AND EXPLORTION LTD.
(An exploration stage company)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31
(Expressed in U.S. Dollars)

	2008	2007
		(Note 13)
Cash Flows Used By Operating Activities		
Loss for the year	\$ (2,955,172)	\$ (572,329)
Items not involving cash		
Amortization	16,184	5,304
Stock-based compensation (Note 5c)	160,828	33,289
Impairment and write-off of property	2,443,976	-
Provision for uncollectible receivable	21,000	-
Shares issued for services	7,500	-
Financing costs	-	417,919
Change in non-cash operating working capital items:		
Other receivables	(22,735)	(9,631)
Prepaid expenses and deposits	(93)	132
Accounts payable and accrued liabilities	(136,909)	33,740
	<u>(465,421)</u>	<u>(91,576)</u>
Cash Flows Used By Investing Activities		
Mineral property acquisition and expenditures	(380,328)	(493,287)
Acquisition of property and equipment	(262,105)	(640,628)
	<u>(642,433)</u>	<u>(1,133,915)</u>
Cash Flow From Financing Activity		
Issuance of shares	293,250	-
Decrease In Cash	(814,604)	(1,225,491)
Cash, Beginning Of Year	950,752	2,176,243
Cash, End Of Year	\$ 136,148	\$ 950,752
Supplemental Cash Flow Information:		
Interest Paid	\$ -	\$ -
Taxes Paid	\$ -	\$ -
Additional Information:		
Accounts payable settled by issuance of shares (Note 5b)	\$ 70,719	\$ -
Stock-based compensation capitalized to mineral properties (Note 5c)	\$ 10,068	\$ 8,749
Amortization expense capitalized to mineral properties	\$ -	\$ 4,400
Accounts payable related to investing activities in mineral property expenditures	\$ 77,648	\$ -

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

ODIN MINING AND EXPLORTION LTD.
(An exploration stage company)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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1. NATURE OF OPERATIONS AND GOING CONCERN

Odin Mining and Exploration Ltd. (the "Company") was incorporated under the Business Corporation Company Act of British Columbia on March 22, 1988.

The Company is focused on the acquisition, exploration and development of mineral properties in Ecuador, where it holds mineral rights in three projects; Cangrejos, which includes the Castro concession, El Plateado, which includes Los Planes and Las Orquideas concessions. All the mineral rights in their present form on Greater Cangrejos have 30 year lives commencing from various dates between 2001 through 2007. As at December 31, 2008 the Company determined it would not proceed with further exploration of the Plateado concessions. Therefore the Company would not make further patent payments on these concessions, resulting in the termination of the concessions by the Government of Ecuador.

The Company is considered to be in the exploration stage as it has not placed any of its mineral properties into production. The underlying value of the Company's mineral properties is dependent upon the existence and economic recovery of such reserves in the future and the ability of the Company to raise financing to complete the future exploration and development of the properties, including meeting option payment requirements as they fall due (Note 4). In addition, the properties may be subject to sovereign risk, including political and economic stability, government regulations relating to mining which may delay the receipt of required permits or impede the Company's ability to acquire the necessary surface rights, currency fluctuations and local inflation. These may adversely affect the mineral property interests and may result in the impairment or loss of all or part of the Company's mineral property interests (See Note 4). The Company has net working capital of \$28,797 as at December 31, 2008.

While these consolidated financial statements have been prepared on the assumption that the Company is a going concern and will be able to realize its assets and meet its obligations in the normal course of operations, there are conditions and events that cast significant doubt on the validity of that assumption. As at December 31, 2008, the Company has an accumulated deficit of \$26,693,502, incurred a loss of \$2,955,172 for the year ended December 31, 2008, cash outflows from operations of \$465,421 for the year ended December 31, 2008 and a history of losses from operations. The Company's ability to continue as a going concern is dependent on management's ability to raise required funding through future equity issuances, asset sales or a combination thereof. There is no assurance that such financing will be sufficient to sustain operations in the foreseeable future. These consolidated 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. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned Ecuador incorporated subsidiaries Odin Mining Del Ecuador S.A and Prominas SA. All inter-company transactions and balances have been eliminated on consolidation.

Recently Adopted Accounting Policies

Effective January 1, 2008, the Company adopted the following new Canadian Institute of Chartered Accountants ("CICA") accounting standards: (a) Handbook Section 1535, *Capital Disclosures*; (b) Handbook Section 3862, *Financial Instruments – Disclosures*; and (c) Handbook Section 3863, *Financial Instruments – Presentation*. Consistent with the requirements of the new accounting standards, the Company has not restated any prior period amounts as a result of adopting the accounting changes. The effect of the adoption of these standards is summarized below:

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2. SIGNIFICANT ACCOUNTING POLICIES - Continued

Recently Adopted Accounting Policies - continued

- a) Capital Disclosures:** Handbook Section 1535 “Capital Disclosures”, establishes standards for disclosing information about an entity’s capital and how it is managed. It describes the disclosure of the entity’s objectives, policies and processes for managing capital, the quantitative data about what the entity regards as capital, whether the entity has complied with any capital requirements, and, if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by this section in Note 10 to these consolidated financial statements.
- b) Financial Instruments - Disclosures:** CICA Handbook Section 3862, Financial Instruments - Disclosures”, describes the required disclosure for the assessment of the significance of financial instruments for an entity’s financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The Company has included disclosures recommended by this section in Note 11 to these consolidated financial statements.
- c) Financial Instruments – Presentation:** CICA Handbook Section 3863, Financial Instruments – Presentation, establishes standards for presentation of financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861 ‘Financial Instruments — Disclosure and Presentation’.

d) Cash

Cash consist of cash, demand short-term deposits and redeemable short term deposits with maturities of no more than three months when acquired. As at December 31, 2008, the Company does not have cash equivalents on hand.

Property and Equipment

Equipment is recorded at cost and amortized over its estimated useful life, at the following rates:

Computers and equipment	20% to 30%, declining balance basis
Automotive	20%, straight-line basis

Estimates and Measurement Uncertainty

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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses recorded during the reporting periods. Significant areas requiring management estimates relate to the determination of impairment of assets, useful lives of equipment, asset retirement obligation, recovery of receivables, assumptions related to the calculation of stock-based compensation and valuation of agents’ warrants and valuation allowance for future income tax assets. Actual results could differ from these estimates and these differences could have a significant impact on the financial statements.

The carrying value of mineral property interests is based on costs incurred and management’s estimate of net recoverable value. Estimates may not necessarily reflect actual recoverable value as this will be dependent on the development program, the nature of the mineral deposit commodity prices, adequate funding and the ability of the Company to achieve commercial production.

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2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Mineral properties and deferred exploration expenditures

The Company capitalizes the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Expenditures on general mining exploration are charged against operations as incurred. When a project achieves commercial production, the deferred costs will be amortized against operations over the estimated life of the mine.

A property is abandoned when all claims related to the property have expired or management has determined that the property is not economically viable. Expenditures relating to abandoned projects are charged to operations in the year of abandonment.

In the event that the Company grants an option to a third party to earn an interest in one or more of the Company's mineral properties, Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations.

Management reviews the carrying value of mineral properties on a periodic basis and when indicators suggest carrying amount is not recoverable and will recognize impairment in value based upon royalty income, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount might not be recoverable. An impairment loss is recognized when their carrying value exceeds the total estimates undiscounted cash flows from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

During the year, management determined the carrying value of the Company's investment in mineral properties and deferred exploration expenditures related to its Ecuador mineral concessions were impaired as a result of cessation of all mining activities by the Government of Ecuador. Due to the lack of certainty with respect to the cost of future mining activity in Ecuador and the lack of certainty regarding the Company's ability to raise additional financing the carrying value of the mineral properties and deferred exploration expenditure have been written-down to a nominal value. The amount of the impairment loss is recorded as a charge to current year operations.

Asset Retirement Obligation

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period incurred and when reasonable estimate fair value can be made, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset.

At December 31, 2008, the Company cannot reasonably estimate the fair value of the resource properties' site restoration costs of its properties, if any.

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2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Environmental Costs

The operations of the Company may in the future be affected from time to time in varying degree by changes in environmental regulations, including those for future removal and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future removal and site restoration costs, when the ultimate liability is reasonably determinable, are recorded and charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

Loss Per Share

The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. The treasury stock method assumes that proceeds received from in-the-money stock options are used to repurchase common shares at the average market rate during the year.

Basic loss per share has been calculated using the weighted average number of shares outstanding during the respective years. Diluted loss per share figures are equal to those of basic loss per share for each period presented as the effects of stock options and warrants have been excluded since they are anti-dilutive.

Common equivalent shares (consisting of shares issuable on the exercise of share purchase options and warrants) totaling 4,260,000 (2007 – 9,735,821) were excluded in the computation of diluted loss per share because the effect was anti-dilutive.

Stock Based Compensation

The Company measures the cost of the service received for all stock options made to consultants, employees and directors based on an estimate of fair value at the date of grant. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Stock options which vest immediately are recorded at the date of grant. Stock options that vest over time are recorded over the vesting or service period. Stock options issued to outside consultants that vest over time are valued at the grant date and subsequently re-valued on each vesting date. Stock based compensation is recognized as expense or, if applicable, capitalized to mineral property costs with a corresponding increase in contributed surplus. On exercise of the stock option, consideration received and the estimated fair value previously recorded in contributed surplus is recorded as share capital.

Translation of foreign currencies

Items included in the consolidated financial statements of each entity in the Company are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency").

All accounts are reported in United States dollars, the functional and reporting currency of the Company. The assets and liabilities not originating in U.S. dollars are translated using the temporal method as follows:

- a) monetary items are translated at the exchange rate prevailing at each balance sheet date,
- b) non-monetary items are translated at historical exchange rates,
- c) revenues and expense items are translated at the actual rate of exchange for the year, except for amortization, which is translated at historical rates, and
- d) amortization of assets is translated at the same exchange rates as the assets to which they relate.

Foreign exchange gains and losses are recorded in the statement of operations.

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2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments

Financial instruments are designated into one of the six categories: held-for-trading investments, held-to-maturity investments, loans and receivables, available-for-sale assets, held-for-trading liabilities, or other financial liabilities. Financial instruments included on the balance sheet are measured at fair market value upon inception with the exception of certain related party transactions. Subsequent measurement and recognition of change in the fair value of financial instruments depends on their initial classification.

Held-for-trading financial investments and liabilities are measured at fair value and all gains and losses are included in operations in the period in which they arise. Available-for-sale financial instruments are initially measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet or other than temporary impairment. Loans and receivables, held-to-maturity investments and other financial liabilities are initially measured at fair value and subsequently at amortized cost using the effective interest method. Gains and losses upon inception, de-recognition, impairment write-downs and foreign exchange translation adjustments are recognized immediately. Transaction costs for financial instrument classified as other than held for trading are expensed in the period incurred.

The Company has designated its financial instruments as follows: cash as held-for-trading, amounts receivable as loans and receivables, and accounts payable and accrued liabilities as other financial liabilities. The Company does not engage in any form of derivative or hedging instruments.

Risk management

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Liquidity risks is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Credit risk and liquidity risk on amounts due to creditors and amounts due from/to related parties were significant to the Company's balance sheet at year-end. The Company manages these risks by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities. The Company's ability to raise share capital is indirectly related to changing metal prices and the price of gold in particular. It is management's opinion that the Company is not exposed to significant market price risk. Note 11.

Future Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse. In the case of unused tax losses, income tax reductions, and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax assets is determined by reference to the likely realization of future income tax reductions. The Company has not recognized potential future benefit amounts as the criteria for recognition under Canadian generally accepted accounting principles have not been met.

Share issuance costs

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations.

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2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Share consideration

Agent's warrants, stock options and other equity instruments issued as purchase consideration in non-cash transactions, other than as consideration for mineral properties, are recorded at fair value determined by management using the Black-Scholes option pricing model. The fair value of the shares issued as purchase consideration for mineral properties is based upon the trading price of those shares on the TSX Venture Exchange on the date of the agreement to issue shares as determined by the Board of Directors.

Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The value of the share component is credited to share capital and the value of the warrant component is credited to contributed surplus, a separate component of shareholders equity. Upon exercise of the warrants consideration paid by the warrant holder together with the amount previously recognized in warrants is recorded as an increase to share capital.

Recently Issued Accounting Pronouncements

- a) Goodwill and Intangible Assets: The AcSB issued CICA 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 section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2009. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning the initial recognition of goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.
- b) Consolidated Financial Statements: Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests replaces Section 1600. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting, for a non-controlling interest in a subsidiary in consolidated financial statements, subsequent to a business combination. Section 1602 is equivalent to the corresponding provisions of International Financial Reporting Standard IAS 27, Consolidated and Separate Financial Statements. These standards are effective for the Company for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Company has not yet determined the impact of the adoption of these changes on its consolidated financial statements
- c) Business Combination: Section 1582, Business Combinations, which replaces Section 1581, Business Combinations, establishes standards for the accounting for a business combination. It is the Canadian GAAP equivalent to International Financial Reporting Standard IFRS 3, Business Combinations. This standard is effective for the Company for interim and annual financial statements beginning on January 1, 2011. Early adoption is permitted. The Company has not yet determined the impact of the adoption of this change on its consolidated financial statements

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2. SIGNIFICANT ACCOUNTING POLICIES – Continued

d) International financial reporting standards (“IFRS”): In 2006, 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. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

3. PROPERTY AND EQUIPMENT

	2008		2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 250,000	\$ -	\$ 606,000	\$ -
Computers and equipment	41,448	18,562	24,243	12,458
Automotive	50,521	21,736	50,521	11,656
	\$ 341,969	\$ 40,298	\$ 680,764	\$ 24,114
Net Book Value		\$ 301,671		\$ 656,650

During the year ended December 31, 2008 a provision for impairment of the value of the land, in the amount of \$600,900 was charged to operations.

During the year ended December 31, 2008, \$NIL amortization was capitalized in Mineral Properties and Deferred Exploration (2007 - \$4,400).

4. MINERAL PROPERTIES AND DEFERRED EXPLORATION

The Company has entered into a number of agreements to acquire mining concessions or options to acquire mining concessions in Ecuador, as detailed below. To date, the Company has expended \$1,843,077 on these mining concessions, for option payments, acquisition costs, property maintenance costs, environmental studies and preliminary geological work.

On April 18, 2008 the government of Ecuador passed a Mining Mandate to draft and implement a new mining law. This Mining Mandate superseded the existing mining law and international investment agreements under which mineral concessions were granted and investment were made. In addition, the government cancelled certain mining concessions due to non-payment of patent taxes (which did not affect the Company) and indicated potential cancellation of certain mining concessions for late payment of patent taxes, including certain of the Plateado concessions owned or optioned by the Company which were subsequently cancelled.

In January 2009, a new Mining Law for Ecuador was published in the State’s Official Register, thereby becoming law. Effective with the passing of the law the Mandate is no longer valid. The new Mining Law contains articles which are contradictory and vague. These uncertainties are expected to be clarified in the Regulations, which provide for the implementation of the Mining Law. The Regulations are to be developed by the Ministry of Mines and Petroleum of Ecuador (“MMP”) within 120 days from the enactment of the Mining Law.

Subsequent to the enactment of the new Mining Law, the MMP has publicly stated that the Mandate is no longer in effect and that all suspensions on mining activities have been lifted by the MMP.

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4. MINERAL PROPERTIES AND DEFERRED EXPLORATION - Continued

Despite the recent enactment of the new Mining Law, the lack of accompanying Regulations and a formal notification to the Company of the termination of the suspension of the Company's mining activities creates further uncertainty regarding the mining industry in Ecuador. At the present time the Company remains uncertain about the future of its operations in Ecuador and as a result, the Company was written-down its investment in Ecuador mineral properties to a nominal value.

The following is a summary of the Company's Ecuador properties:

a) Cangrejos Project

The Company controls 11 separate mineral titles located near Machala South West Ecuador, known as the "Cangrejos Concessions". The mineral rights payments related to those concessions in 2008 amounted to \$34,140 (2007 - \$17,279). The 2009 annual mineral rights renewal payments amounting to \$22,144 have been paid subsequent to year-end.

In addition to the above mineral titles, on September 20, 2007, the Company entered into an option agreement to acquire a mining right in the contiguous properties known as the "Castro Concessions". The agreement calls for the following mineral rights payments:

December 31, 2007	\$ 80,000 (paid)
September 20, 2008	80,000 (not paid due to force majeure)
September 20, 2009	180,000
March 20, 2010	660,000
March 20, 2011	<u>1,000,000</u>
	<u>\$ 2,000,000</u>

The agreement also calls for the Company to spend no less than \$500,000 on the properties within 2 years from September 20, 2007. The agreement has a provision for default should the Company fail to make any of the specified payments. Given the present suspension of the Company's mining activities on this property and the force majeure provision, the Company is not in default of the September 2008 mineral right payment.

The Company has purchased various small local farms in the area of its Cangrejos properties of strategic value representing important surface rights over which it has mineral rights and access.

b) Plateado Project

The Company had 14 separate mineral titles as at December 31, 2008 in the two areas referred to as Plateado South and Plateado North respectively, both in Eastern Ecuador.

The mineral rights payments related to those concessions in 2008 amounted to \$45,509 (2007 - \$80,000). The 2009 annual mineral rights renewal payments amounting \$44,275 have been paid subsequent to year-end.

During the year ended December 31, 2008, the Company entered into an agreement with a private exploration company over 2 concession areas (Belen 10 and 15). Under the agreement, the counterparty has the option to earn up to 70% interest in the property provided they incur \$1,600,000 in exploration expenditure and maintain the annual mineral rights payments. As a result of the Mining Decree issued by the Government of Ecuador, the counterparty confirmed it was invoking the contractual force majeure clause, thereby effectively suspending the agreement.

As at December 31, 2008, the Company has abandoned its interest in the Plateado Project.

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4. MINERAL PROPERTIES AND DEFERRED EXPLORATION - Continued

2008 Expenditures	CANGREJOS PROPERTIES				PLATEADO PROPERTIES		TOTAL
	Cangrejos Concessions		Castro Concessions		Office	Field	
	Office	Field	Office	Field			
Balance at December 31, 2007	\$ 235,513	\$ 357,620	\$ 148,605	\$ 436,972	\$ 16,257	\$ 180,066	\$ 1,375,033
Expenditures capitalized in 2008							
Mineral rights	-	34,140	-	-	-	45,509	79,649
Legal fees	21,724	-	-	-	-	-	21,724
General expenses	32,111	49,439	-	11,466	(1,986)	-	91,030
Geological consulting (Note 5c)	-	47,038	-	82,696	-	15,685	145,419
Geological staff	-	91,045	-	-	-	-	91,045
Assays	-	14,933	-	24,244	-	-	39,177
2008 expenditures capitalized	53,835	236,595	-	118,406	(1,986)	61,194	468,044
Allowance for impairment	(289,348)	(594,214)	(148,605)	(555,378)	(14,271)	(241,260)	(1,843,076)
Balance at December 31, 2008	\$ -	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 1

2007 Expenditures	CANGREJOS PROPERTIES				PLATEADO PROPERTIES		TOTAL
	Cangrejos Concessions		Castro Concessions		Office	Field	
	Office	Field	Office	Field			
Balance at December 31, 2006	\$ 211,625	\$ 211,462	\$ 142,667	\$ 187,299	\$ -	\$ -	\$ 753,053
Expenditures capitalized in 2007							
Mineral rights	-	17,279	-	46,435	-	80,000	143,714
Legal fees	15,135	-	-	-	9,666	-	24,801
General expenses	8,753	25,991	5,938	38,148	6,591	10,200	95,621
Geological consulting (Note 5c)	-	42,914	-	76,512	-	49,589	169,015
Geological staff	-	45,653	-	63,963	-	29,158	138,774
Assays	-	14,321	-	24,615	-	11,119	50,055
2007 expenditures capitalized	23,888	146,158	5,938	249,673	16,257	180,066	621,980
Balance at December 31, 2007	\$ 235,513	\$ 357,620	\$ 148,605	\$ 436,972	\$ 16,257	\$ 180,066	\$ 1,375,033

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5. SHARE CAPITAL

a) Authorized

The Company's authorized capital consists of 200,000,000 (2007 – 200,000,000) common shares without par value

b) Issued

On February 29, 2008, the Company completed a non-brokered private placement of 1,250,000 units for proceeds of \$293,250 at a price of \$0.235 (C\$0.23) per unit comprised of one common share and one-half share purchase warrant, ("private placement warrant"). On February 15, 2008, the Company issued 250,000 of the 625,000 private placement warrants, entitling the holder to acquire one common share at a price of C\$0.25 per share to September 15, 2008 and 375,000 private placement warrants entitling the holder to acquire one common share at a price of C\$0.30 per share for a period of 2 years from the closing date. The proceeds were allocated between share capital and contributed surplus based on the fair value of the private placement warrants. The fair value of private placement warrants of \$39,764 was estimated using the Black-Scholes option pricing mode using the following assumptions: Average risk-free interest rate – 3.06%; Average Life – 1.13 years; Exercise prices C\$0.25 and C\$0.30- Average expected volatility – 103%; and Expected dividends - \$NIL.

Between June 30, 2008 and August 5, 2008 the Company issued 640,000 shares in settlement of \$70,719 of indebtedness at the trading price of the shares on those dates to directors comprised of \$25,363 for consulting fees and \$45,356 for directors' fees.

On October 8, 2008 the Company issued 77,350 common shares in settlement of \$7,500 of consulting fees due to a director at the trading price of the shares at that date.

c) Stock Options

The Company has established an Incentive Share Option Plan for directors, officers, employees and consultants, enabling them to purchase common shares. The total number of options outstanding at any time cannot exceed 10% of the total number of outstanding common shares. The number of options granted to any individual shall not exceed 5% of the issued and outstanding shares of the Company from time to time. The number of options granted to consultants or investor relations consultants shall not exceed 2% of the issued and outstanding shares of the Company from time to time. The number of options granted to insiders shall not exceed 10% of the issued and outstanding shares of the Company from time to time. Each option granted under the plan is for a maximum term of five years. The exercise price of the options granted under the plan is established by the Board of Directors of the Company and cannot be less than the Discounted Market Price as calculated and defined in accordance with the policies of the TSX Venture Exchange. The options vest 25% on the date of grant and 25% every three months thereafter, except for options issued to employees or consultants conducting investor relations vest in stages over 12 months with no more than one-quarter of the Options vesting in any three month period.

The following table summarizes stock option activity for the years ending December 31, 2008 and 2007:

	Number	Exercise Price
Balance, December 31, 2006	2,520,000	C\$0.25
Options granted	725,000	C\$0.25
Balance, December 31, 2007	3,245,000	C\$0.25
Options granted	640,000	C\$0.10-C\$0.20
Balance, December 31, 2008	3,885,000	C\$0.23*

*Weighted average exercise price C\$0.23

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5. SHARE CAPITAL - Continued

During the year ended December 31, 2008, the Company granted 640,000 stock options to directors and employees of the Company. These options had a weighted average fair value of \$0.08 per option.

Based on their estimated fair value at their grant dates, the Company recorded stock-based compensation expense of \$160,828 in the statement of operations as directors' fees and capitalized \$10,068 to mineral properties and deferred exploration in geological consulting. The \$170,896 consists of \$131,858 from 2007 unvested options and \$39,038 from 2008 vested options. An amount of \$12,056 is to be recognized in 2009 in accordance with the remaining vesting period of the options. The fair value of options granted during 2008 were estimated using the Black-Scholes option pricing model. Weighted average assumptions used in the model are as follows: Average risk-free interest rate – 3.41%; Expected life – 5 years; Expected volatility – 118%; and Expected dividends - \$NIL.

During the year ended December 31, 2007, the Company granted 725,000 stock options to directors and employees of the Company. These options had a weighted average fair value of C\$0.23 per option. Based on their estimated fair value at their grant dates, the Company recorded stock-based compensation expense of \$33,289 in the statement of operations as directors' fees and capitalized \$8,749 to mineral properties and deferred exploration in geological consulting, with \$131,858 to be recognized in 2008 in accordance with the remaining vesting period of the options. The fair value of the stock-based compensation expense recognized in 2007, by using the Black Scholes option pricing model, used the following weighted average assumptions: Risk free interest rate - 4.11% to 4.53%; Expected life - 5 years; Expected volatility - 106% to 109%; and Expected dividend yield 0%

The following table summarizes information relating to stock options outstanding and exercisable at December 31, 2008:

Exercise Price per share	Number Outstanding	Weighted Average Remaining Contractual Life (Years)	Number unvested - not exercisable	Number Vested - exercisable
C\$0.10	625,000	4.5	156,250	468,750
C\$0.20	65,000	4.0	-	65,000
C\$0.25	3,170,000	2.1	-	3,170,000
C\$0.30	25,000	3.2	-	25,000
	<u>3,885,000</u>	<u>2.5</u>	<u>156,250</u>	<u>3,728,750</u>

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5. SHARE CAPITAL - Continued

d) Warrants

A summary of the Company's outstanding share purchase warrants at December 31, 2008 and 2007 and the changes during the periods then ended is presented below:

	Number of warrants	Exercise price
Warrants outstanding, December 31, 2006 and 2007	6,490,821	C\$0.25
Warrants issued	625,000	C\$0.25 - \$0.30
Warrants expired	6,740,821	C\$0.25
Warrants outstanding, December 31, 2008	<u>375,000</u>	<u>C\$0.30</u>

During 2008 the Company issued 625,000 warrants as part of a unit offering (Note 5b). 250,000 of the share purchase warrants entitled the holder to acquire one common share at a price of C\$0.25 per share to September 15, 2008 and 375,000 of the share purchase warrants entitled the holder to acquire one common share at a price of C\$0.30 per share for a period of 2 years from the closing date.

The 375,000 warrants outstanding at December 31, 2008 expire February 15, 2010.

The warrants outstanding at December 31, 2007 were issued as part of the September 15, 2006 unit offering, with one-half of a share purchase warrant attached to each unit issued. The warrants were to expire on September 15, 2007 and were exercisable at a price of C\$0.42. During the year ended December 31, 2007, the terms of the warrants were modified and the fair value of the warrant modification was estimated at \$417,919 by using the Black-Scholes pricing model. The modified warrants expired on September 15, 2008. The following assumptions were applied in estimating the fair value of the warrants at issuance and at modification:

	<u>Modification</u>	<u>Issuance</u>
Risk free interest rate	4.61%	4.24%
Expected life (years)	1.06	1.00
Expected volatility	103.3%	146.8%
Expected dividends	\$NIL	\$NIL

6. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions and balances with related parties conducted in the normal course of operations and not disclosed elsewhere in these consolidated financial statements are summarized below:

	<u>2008</u>	<u>2007</u>
Goods or services rendered by, or to, related parties:		
Consulting fee paid to a non-resident director in charge of Ecuador operation	\$ 30,000*	\$ 29,850
Fees paid to (recovered from) a company controlled by a director of the Company		
General and administration	\$ 894	\$ 2,034
General and administration	\$ (11,789)	\$ (5,362)
Management fee	\$ 33,620	\$ 84,762

Transactions with related parties are recorded at the exchange value, being the price agreed to between the parties.

*Net recoveries of \$20,616 relating to a reversal of a non-related party accrual.

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6. RELATED PARTY TRANSACTIONS AND BALANCES - Continued

During the year ended December 31, 2008 the Company issued 717,350 common shares in settlement of \$78,219 of indebtedness to directors at the quoted market price of the shares at that date, for unpaid directors' fees and unpaid consulting fees.

7. INCOME TAXES

The Company's provision for income taxes differs from the amounts computed by applying the statutory income tax rates to the loss as a result of the following:

	2008	2007
Statutory rates	31%	34.1%
Income benefit at Canadian statutory rate	\$ (916,100)	\$ (214,300)
Foreign income taxes as other than Canadian statutory rate	148,500	-
Permanent difference due to stock-based compensation	50,000	12,400
Permanent difference due foreign exchange	(42,400)	-
Cost of previously unrecognized tax pools	619,700	-
Effect of statutory tax rate change	531,400	-
Change in valuation allowance	(391,100)	201,900
	<u>\$ -</u>	<u>\$ -</u>

The valuation allowance was decreased by \$19,700 (2007 – \$34,500), representing the tax effect of expiry of loss carry forwards.

Future income taxes reflect the net tax effects of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future tax assets, which have been offset by a full valuation allowance and are not recorded in the Company's financial statements due to the uncertainty of realization, are as follows:

	2008	2007
Future income tax assets:		
Equipment	\$ 7,000	\$ 8,000
Operating losses carry forward	442,000	472,000
Capital losses carry forward	1,021,000	1,395,000
Share issue costs	5,000	11,000
Less: Valuation allowance	(1,475,000)	(1,886,000)
	<u>\$ -</u>	<u>\$ -</u>

The Company has Canadian non-capital losses carried forward of approximately C\$2.1 million which may be deducted in the calculation of future Canadian taxable income. The losses expire:

2009	C\$ 102,000
2010	550,000
2011	157,000
2015	227,000
2026	411,000
2027	143,000
2028	545,000
	<u>C\$ 2,135,000</u>

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7. INCOME TAXES -Continued

The above future income tax amounts and underlying tax losses related to those from the parent company only. The Company does not believe it has any material temporary differences resulting from its Ecuadorian operations that meet the criteria for recognition of any related tax benefit.

8. COMMITMENTS

The Company, at its discretion, is required to make annual mineral rights payments in order to maintain its title to its mineral properties.

9. SEGMENTED INFORMATION

The Company has one operating segment, exploration and development of mineral properties. All mineral properties are located in Ecuador.

10. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments, based on the funds available to the Company, in order to support the acquisition, exploration and development of resource properties and to safeguard the Company's ability to continue as a going concern. 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 the future development of the business. The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. 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. There were no changes in the Company's approach to capital management during the year ended December 31, 2008. The Company is not subject to externally imposed capital requirements.

The Company's investment policy is to invest its cash in low risk, highly liquid short-term interest bearing investments, selected with regards to the expected timing of upcoming expenditures. The Company expects its current capital resources will be sufficient to carry its exploration and development plans and operations through its current operating period.

11. MANAGEMENT OF FINANCIAL RISK

The Company's financial instruments are exposed to certain financial risks. The risk exposures and the impact on the Company's financial instruments are summarized below.

Foreign Currency Risk

The Company's functional currency is the United States dollar. However, the Company is exposed to the currency risk related to the fluctuation of foreign exchange rates as some of the Company's operations are located in Canada and it raises its equity capital in Canada, in Canadian dollars. The Company also has liabilities denoted in Canadian dollars. A significant change in the currency exchange rates between the United States dollar relative to the Canadian dollar could have an effect on the Company's results of operation, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

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11. MANAGEMENT OF FINANCIAL RISK - Continued

Interest rate and credit risk

The Company has cash balances and no interest-bearing debt. The Company has no significant concentrations of credit risk arising from operations. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by reputable financial institutions with which it keeps its bank accounts. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada and Ecuador. Management believes the risk of loss to be remote. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. Accounts and other receivable consist of goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to receivables is remote.

Liquidity Risk

The Company manages liquidity risk by maintaining sufficient cash and cash equivalent balances. The Company's operating cash requirements including amounts projected to complete our existing capital expenditure program are continuously monitored and adjusted as input variables change. These variables include but are not limited to cost overruns on capital projects, successes on drilling programs and changes to government regulations relating land tenure and allowable production and availability of markets. As these variables change, liquidity risks may necessitate the need for the Company to pursue equity issuances, obtain project or debt financing, or enter into joint arrangements. There is no assurance that the necessary financing will be available in a timely manner. As at December 31, 2008, the Company had a cash balance of \$136,148 (December 31, 2007 - \$950,752) to settle current liabilities of \$163,450 (December 31, 2007 - \$293,430).

Commodity Price risk

The Company's ability to raise capital to fund exploration or development activities may be subject to risks associated with fluctuations in the market prices of gold and silver. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

Sensitivity analysis

The Company has designated its cash and cash equivalents as held-for-trading, which are measured at fair value with all gains and losses included in net loss in the period in which they arise. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

As of December 31, 2008, the carrying amount of accounts receivable and payable equals fair market value. Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period:

- Cash and cash equivalents include deposits which are at variable interest rates. Sensitivity to a plus or minus 1% change in rates would affect net loss by \$1,700.
- The Company holds balances in foreign currencies to give rise to exposure to foreign exchange risk. However, the balances are minimal and therefore the exposure to foreign exchange risk is very low.
- Price risk is remote since the Company is currently not a producing entity.

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12. SUBSEQUENT EVENTS

Subsequent to December 31, 2008, the Company issued 180,532 common shares to a director in settlement for \$7,500 of consulting fees payable at the quoted market price of C\$0.04 at the date of the transaction.

13. COMPARATIVE FIGURES

Certain comparative figures for the year ended December 31, 2007 have been reclassified to conform with the current year's presentation.