



## MANAGEMENT'S DISCUSSION AND ANALYSIS (For the year ended December 31, 2008)

*The following discussion of the financial condition and results of operations of Gold Wheaton Gold Corp. ("Gold Wheaton" or the "Company"), formerly Kadywood Capital Corp., should be read in conjunction with the Company's audited consolidated Financial Statements and related notes thereto for the fifteen months ended December 31, 2008 and year ended September 30, 2007. The Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles. The Company reports a certain non-GAAP measure, EBITDA, which is explained in the Supplemental Information on Results of Operation of this MD&A.*

*Certain statements contained in the following Management's Discussion and Analysis ("MD&A") constitute forward-looking statements within the meaning of applicable laws and regulations. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of Gold Wheaton to be materially different from those expressed or implied by such forward-looking statements, including but not limited to: risks related to the integration of acquisitions, the absence of control over mining operations from which Gold Wheaton purchases gold and other precious metals and risks related to these mining operations, including risks related to international operations, actual results or current exploration activities, actual results of current reclamation activities, conclusions of economic evaluations, changes in project parameters as plans continue to be refined, as well as those factors discussed in the section entitled "Description of the Business – Risk Factors" in Gold Wheaton's annual information form for the year ended December 31, 2008 available on SEDAR at [www.sedar.com](http://www.sedar.com). These forward-looking statements are not guarantees of future performance and involve risks and uncertainties, which could cause actual results to differ materially from those anticipated. The Company expressly disclaims any obligation to update forward-looking statements unless so required by applicable laws.*

*All dollar amounts are expressed in United States dollars unless otherwise indicated. Note that additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).*

### **DATE**

This MD&A is prepared as of March 5, 2009.

### **2008 HIGHLIGHTS**

- Revenue from the sale of precious metals for the fifteen months ended December 31, 2008 was \$15.4 million at an average gold price of \$813 per ounce. FNX Mining Company Ltd. ("FNX") delivered and sold to Gold Wheaton approximately 18,761 gold equivalent ounces. The gold delivered and sold to Gold Wheaton from First Uranium Corporation ("First Uranium") was approximately 224 ounces.
- Net loss for the fifteen months period ended December 31, 2008 was \$5.4 million (loss of \$0.01 per share) mainly due to stock-based compensation expense of \$3.6 million, foreign exchange losses of \$1.8 million, loss on amended creditor's proposal \$0.6 million and increased operating costs as a result of a change in business.
- EBITDA for the fifteen month period ended December 31, 2008 was \$4.0 million.

- At December 31, 2008, the Company had cash and short term investments of \$7.4 million and working capital of \$14.5 million. Working capital at December 31, 2008 includes accounts receivable of \$14.5 million from sale of precious metals arising from timing of settlements pursuant to offtake agreements offset by \$7.8 million of accounts payable, mainly related to the corresponding cash per ounce cost.
- On July 8, 2008, the Company completed a private placement (the “July Private Placement”). The July Private Placement raised gross proceeds of \$255.1 million .
- On July 15, 2008, the Company completed its purchase of 50% of the contained gold, platinum and palladium (“Gold Equivalent Ounces”) in ore mined and shipped from certain of the existing mining operations wholly-owned by FNX located in northern Ontario (the “FNX Transaction”) for an upfront payment of \$399.1 million (CDN\$400 million). This amount was satisfied by the Company by the payment of \$174.6 million (CDN\$175 million) in cash, the issuance of 350 million common shares of the Company at a deemed value of CDN\$0.50 per share and the issuance of a vendor take back note in the principal amount of \$49.9 million (CDN\$50 million) (the “FNX Note”) to be satisfied in six months, plus a payment of the lesser of \$400 per gold equivalent ounce purchased, subject to adjustment, and the then prevailing market price per ounce of gold.
- On November 28, 2008, the Company entered into an agreement with First Uranium (the “First Uranium Agreement”) to purchase in 2009 a minimum of 20,000 ounces of gold (up to a maximum of 25% of the gold production in 2009) from the First Uranium’s Mine Waste Solutions tailing recovery operation in South Africa (the “MWS Project”) and thereafter 25% of the life-of-mine gold production from the MWS Project. The transaction closed on December 17, 2008 with an effective date of December 12, 2008. Gold Wheaton paid an initial upfront payment of \$50 million. Under the First Uranium Agreement, the Company agreed, subject to financing, to pay First Uranium an additional \$75 million (the “Balance Payment”) on or before three months following closing of the transaction, failing which Gold Wheaton’s ongoing purchase right shall be reduced from 25% to 10% life-of-mine gold production from the MWS Project and appropriate credits will be made.
- On December 8, the Company restructured the terms of the FNX Note. The due date of the FNX Note has been extended for approximately 18 months until July 16, 2010. The FNX Note may be repaid at either FNX’s or Gold Wheaton’s option through the issuance of common shares of the Company determined by dividing the CDN\$50 million by the lesser of a) CDN\$1.00 and b) the greater of (i) the 20-day volume average price of the Company’s common share ending June 30, 2010 and (ii) CDN\$0.20. As consideration for amending the FNX Note, the Company issued 10 million common shares.
- Subsequent to the year end, the Company completed a public offering for 460,000,000 units (“2009 Unit”) at a price of CDN\$0.25 per 2009 Unit to raise gross proceeds of \$89.3 million (CDN\$115 million) pursuant to a short form prospectus. Each 2009 Unit will consist of one common share and one half share purchase warrant, with each whole warrant entitling the holder to acquire one additional common share at an exercise price of CDN\$0.50 per share for a period of 2 years following the closing of the offering.

## **DESCRIPTION OF BUSINESS**

Gold Wheaton is a TSX Venture Exchange listed company with 100% of its operating revenue from the sale of gold and other precious metals that it has agreed to purchase from other mining companies, including FNX and First Uranium. The Company intends to sell the gold and other precious metals

which it acquires at the prevailing market price. Accordingly, the financial results of the Company are largely impacted by the volume of gold and other precious metals produced at the various mines and the price of gold, platinum and palladium.

The Company has entered into long-term contracts with FNX and First Uranium whereby the Company has agreed to purchase gold, platinum and palladium produced from FNX's PM and 700 deposits at the McCreedy West Mine, the Levack Footwall, Rob Zone and 1900 Zone deposits at the Levack Mine and the 2000 and North deposits at the Podolsky Mine located in Sudbury, Ontario (the "FNX Properties"); and gold produced from MWS Project. The Company has also entered into a definitive purchase agreement dated as of September 18, 2008 (the "Redcorp Agreement") with Redcorp and Redcorp's wholly-owned subsidiary, Redfern Resources Ltd. ("Redfern") to purchase gold from Redcorp's Tulsequah Chief Mine Project in British Columbia. At the date of this report Redcorp has not been able to meet the necessary closing conditions to close this transaction (see subsequent events).

The Company continues to actively pursue further growth opportunities, primarily by way of entering into similar long-term gold purchase contracts.

## **OVERVIEW**

The Company was incorporated on October 20, 1999, under the Company Act of the Province of British Columbia. During fiscal 2002, the Company acquired all the assets, undertakings, goodwill and intellectual property related to the 222 Pizza system franchise and trademark and changed its name from YES Capital Corp. to 222 Pizza Express Corp. 222 Pizza Express Corp experienced financial difficulties and applied for creditor protection under the *Bankruptcy and Insolvency Act* (the "Act"). The Company's proposal (the "Proposal") to settle outstanding debt was approved by the British Columbia Supreme Court in 2004; however, the Company defaulted on the payments due under this proposal during the year-ended September 30, 2007. In April 2008, the Company successfully raised \$1.49 million (CDN\$ 1.5 million) through completion of a private placement and changed its name to Kadywood Capital Corp on May 1, 2008. Subsequently the Company submitted and received Court approval of an Amended Proposal for the settlement of its outstanding debt. The Company completed the terms of the Amended Proposal and a Certificate of Full Performance was issued effective June 30, 2008.

The Company filed a Filing Statement with the TSX Venture Exchange in respect of a change of business. In July 2008, the Company completed an equity financing of \$255.1 million (CDN\$260 million) and also completed its purchase of 50% of the contained gold, platinum and palladium in ore mined and shipped from certain of the existing mining operations wholly-owned by FNX located in northern Ontario. Upon closing of the FNX Transaction, the Company changed its name to Gold Wheaton Gold Corp and commenced trading on Tier 1 of the TSX Venture Exchange under the symbol "GLW".

Effective July 1, 2008, the Company determined that the functional currency had changed from the Canadian to the United States dollar. This resulted from a change in the nature of the business as all sales and the majority of expenses occurring in United States dollars. Concurrent with this change in functional currency, the Company adopted the United States dollar as its reporting currency. In accordance with Canadian GAAP, the change was effected by translating assets and liabilities, at the end of prior reporting periods, at the existing United States / Canadian dollar foreign exchange spot rate, while earnings, losses and shareholders' equity were translated at historic rates. Also, the year end of the Company was changed from September 30 to December 31. The Company is presenting the fifteen months ended December 31, 2008 as compared to the twelve month period ended September 30, 2007.

## **SELECTED ANNUAL INFORMATION**

	<b>2008</b>	<b>2007</b>	<b>2006</b>
Total revenues	\$ 15,422,339	Nil	Nil
Net loss	\$ (5,448,726)	\$ (100,781)	\$ (94,370)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)
Total assets	\$ 468,722,444	\$ 11,128	\$ 11,462
Total long term liabilities	\$ 38,672,887	\$ 401,854	Nil
Cash dividends declared	Nil	Nil	Nil

### **SUMMARY OF QUARTERLY RESULTS**

Description	Q5 Dec 31 2008	Q4 Sept 30 2008	Q3 June 30 2008	Q2 March 31 2008	Q1 Dec 31 2007	Q4 Sept 30 2007	Q3 June 30 2007	Q2 March 31 2007
<i>Revenues</i>	6,455,692	8,966,647	-	-	-	-	-	-
<i>Loss before other items</i>	(1,944,204)	(2,607,532)	(328,074)	(111,299)	(29,749)	(36,882)	(25,764)	(30,527)
<i>Net Loss for period</i>	(2,056,185)	(2,325,508)	(327,085)	(710,199)	(29,749)	(20,305)	(25,764)	(30,527)
<i>Basic and fully diluted loss per share</i>	0.00	0.00	(0.01)	(0.04)	(0.00)	(0.00)	(0.00)	(0.00)

The quarterly results for the year ended December 31, 2008 reflect the fact that the Company had changed its business to a mining company with 100% of its operating revenue from the sale of gold and other precious metals. Loss before other items for the three months ended December 31 and September 30 was \$1,944,204 and \$2,607,532 respectively, with the majority of the loss relating to stock-based compensation, foreign exchange losses, and professional and consulting fees related to management services and project evaluation. Prior to June 30, 2008, the Company operated as Kadywood Capital and was undergoing financial restructuring. The increase in net loss for the three months ended March 31, 2008 as compared to the previous quarters is due to inclusion of a onetime loss on settlement of debt with creditors in the amount of \$598,900 (CDN\$600,000), which related to the Company's Proposal under the Bankruptcy Act, and offset the gain on settlement of debt of CDN\$545,591 that was previously recognized in 2003.

**RESULTS OF OPERATIONS FOR THE FIFTEEN MONTHS ENDED DECEMBER 31, 2008  
AND YEAR SEPTEMBER 30, 2007**

The review of the results of operations should be read in conjunction with the Company's consolidated financial statements and related notes for the fifteen months ended December 31, 2008 and year ended September 30, 2007.

**Loss for the period**

The Company realized a net loss for the fifteen months ended December 31, 2008 of \$5,448,726 or \$0.01 per share, compared to net loss of \$100,781 or \$0.01 per share for the year ended September 30, 2007. The net loss for the fifteen months ended December 31, 2008 is higher by \$5,347,945 compared to the net loss for the year ended September 30, 2007 mainly due to the following:

- \$5,439,639 of higher depreciation based on units produced;
- \$3,566,563 of higher stock based compensation expense for stock options granted;
- \$1,779,485 foreign exchange loss due mainly to Canadian dollar denominated short-term investments;
- \$1,610,960 of higher professional and consulting fees related to increased management fees as a result of a change of business and increased professional fees related to development of new opportunities;
- \$598,900 loss on settlement of debt with creditors;
- \$555,884 future income tax expense;
- \$163,957 of higher travel and promotion due to project evaluation;

And partially offset by:

- \$7,828,267 of net margin related to the sale of approximately 18,951 gold and gold equivalent ounces; and
- \$969,413 of interest income.

Revenue for the year ended December 31, 2008 was \$15,422,339, at an average gold price of \$813 per ounce. This was mainly attributable to the sale of gold and other precious metals since the close of the FNX Transaction on July 15, 2008. The Company did not have revenue for the year ended September 30, 2007.

**FIFTH QUARTER (THREE MONTHS ENDED DECEMBER 31, 2008)**

The Company realized a net loss for the three months ended December 31, 2008 of \$2,056,185 or \$0.00 per share, compared to net loss of \$29,749 or \$0.00 per share for the three months ended December 31, 2007. The net loss for the three months ended December 31, 2008 is higher by \$2,026,436 compared to the three months ended December 31, 2007 mainly due to the following:

- \$2,754,310 of higher depreciation based on units produced;
- \$1,548,536 of foreign exchange loss due mainly to Canadian dollar denominated short-term investments;
- \$635,446 of higher professional and consulting fees related to the reorganization of the affairs of the Company;

And partially offset by:

- \$3,183,251 of net margin related to the sale of approximately 8,141 gold and gold equivalent ounces; and
- \$367,662 of interest income.

Revenue for the three months ended December 31, 2008 was \$6,455,692, at an average gold price of \$790 per ounce. This was mainly attributed to the sale of precious metals since the closing of the FNX Transaction on July 15, 2008. The Company did not have revenue for the three months ended December 31, 2007.

### **NON-GAAP MEASURE - EBITDA**

In this MD&A, the Company has reported its earnings before interest income and expense, income tax, stock-based compensation, depreciation and other non-recurring items (“EBITDA”). This is a liquidity non-GAAP measure which the Company believes is used by certain investors to determine the Company’s ability to generate cash flows for investing and other activities. This non-GAAP measure does not have any standardized meaning prescribed under Canadian GAAP, and therefore they may not be comparable to similar measures employed by other companies.

The following table provides a reconciliation of EBITDA to the financial statements:

	<b>Fifteen Months Ended</b>	<b>Twelve Months Ended</b>
	<b>December 31, 2008</b>	September 30, 2007
Net loss (GAAP measure)	\$ (5,448,726)	\$ (100,781)
Add back		
Future income tax	555,884	-
Net interest income	(939,961)	36,920
Depreciation	5,439,639	-
Stock-based compensation	3,566,563	-
Loss/(gain) on settlement of debt	598,900	(18,455)
Write-off of assets and deferred acquisition costs	242,497	1,878
<b>EBITDA</b>	<b>\$ 4,014,796</b>	<b>\$ (80,438)</b>

As the Company had a change in business as a result of the FNX Transaction, prior year numbers are not comparable.

### **LIQUIDITY AND CAPITAL RESOURCES**

At December 31, 2008, the Company had cash and short term investments of \$7,427,945 (September 30, 2007 - \$424) and working capital of \$14,490,890 (September 30, 2007 – deficit of \$335,957). The increase in cash and short term investments at the end of the year is due to net proceeds from the issuance of equity securities net of cash consideration paid primarily from the completion of a \$255.1 million (CDN\$260 million) Private Placement in July net of cash consideration paid for the FNX mineral interest of \$174.6 million (CDN\$175 million) and FIU mineral interest of \$50 million. Cash generated from operating activities for the fifteen months ended December 31, 2008 was \$2,400,062.

The Company maintains sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash and short-term investments. The Company's cash is invested in business accounts which are available on demand. The Company does not invest in asset backed securities. The Company's short-term investments are available on demand after 30 days without penalty. All current financial liabilities are due to be settled within 180 days of the balance sheet date.

At December 31, 2008 the Company had sufficient resources to fund its current activities and corporate overhead expenses. As part of the Company's business strategy, it has sought and will continue to seek to purchase precious metal streams from third party natural resource companies. Currently the Company's primary source of capital is from the issuance of equity securities and cash flow from the operations. Management's objective is to obtain sufficient capital to further develop or acquire new gold stream opportunities for the benefit of its stakeholders. To meet this objective, management monitors the Company's ongoing capital requirements against unrestricted net working capital and assesses additional capital requirements on specific business opportunities on a case by case basis. The Company is not currently subject to any externally imposed capital requirements.

### PRIVATE PLACEMENTS

For the fifteen months ended December 31, 2008, the Company raised gross proceeds of CDN\$261.5 million from issuance of equity through private placements.

On April 21, 2008, the Company completed the April Private Placement. The April Private Placement consisted of 30,000,000 units with each unit comprised of one common share of the Company and one common share purchase warrant (the "April Warrants") and raised gross proceeds of \$1.49 million (CDN\$1.5 million). Each April Warrant is exercisable to acquire an additional common share of the Company at a price of \$0.10 per share and will expire on April 21, 2009.

The Company also issued 1,500,000 units as a finders fee (the "Finders Fee units") related to the April Private Placement. Each Finders Fee unit comprised of one common share of the Company and one common share purchase warrant (the "Warrants"). Each Warrant is exercisable to acquire an additional common share of the Company at a price of CDN\$0.10 per share and will expire on April 21, 2009.

On July 8, 2008, the Company completed the July Private Placement. The July Private Placement consisted of 520,000,000 units with each unit comprised of one common share of the Company and one half common share purchase warrant (the "July Warrants") and raised gross proceeds of \$255.1 million (CDN\$260 million). Each July Warrant is listed and exercisable to acquire an additional common share of the Company at a price of CDN\$1.00 per share and will expire on July 8, 2013.

### ACQUISITION MINERAL INTEREST

#### FNX Agreement

On July 15, 2008, the Company entered into the FNX Agreement, under which the Company agreed to purchase 50% of the gold, platinum and palladium ("Gold Equivalent Ounces") mined by FNX from the FNX Properties for an upfront payment of \$399.1 million (CDN\$400 million). This amount was satisfied by the Company by the payment of \$174.6 million (CDN\$175 million) in cash, the issuance of 350 million common shares of the Company and the issuance of a vendor take back note in the principal amount of \$49.9 million (CDN\$50 million) (the "FNX Note"). Under the terms of the FNX Agreement, the Company is also required to make ongoing payments to FNX equal to the lesser of (a) \$400 per ounce of Gold Equivalent Ounces (subject to an annual 1% inflation adjustment commencing on July 1, 2011), and (b) the then prevailing market price per ounce of gold.

On December 8, 2008, the Company and FNX amended the terms of the FNX Note. The original terms of the FNX Note provided that the note would be non-interest bearing and would be due on January 15, 2009. Repayment was to be satisfied by the issuance by the Company of common share purchase warrants with the same terms as the common share purchase warrants issued by the Company in connection with the private placement of subscription receipts which closed on July 8, 2008 (see “Prior Sales”). These warrants, which are listed on the TSXV, have an exercise price of CDN\$1.00 and expire on July 8, 2013. The number of warrants to be issued to FNX was to be based on the price per warrant equal to the 20 day weighted average trading price (the “20 Day VWAP”) of the warrants ending on January 15, 2009. If the Company was unable to obtain regulatory approval to so issue the warrants to FNX, at the Company’s option, the Company could have satisfied its obligations by the payment of cash or the issuance of common shares of the Company at the 20 Day VWAP of the common shares of the Company ending on January 15, 2009.

Under the terms of the amended FNX Note, the due date for the note was extended for approximately 18 months until July 16, 2010. Furthermore, the amended FNX Note is now repayable at either FNX’s or the Company’s option through the issuance of that number of additional common shares of the Company determined by dividing CDN\$50 million by the lesser of: (a) CDN\$1.00; and (b) the greater of: (i) the 20 Day VWAP of the common shares of the Company ending June 30, 2010; and (ii) CDN\$0.20. The FNX Note continues to be non-interest bearing. Following receipt of TSXV approval to the terms of the amended FNX Note, the Company issued 10 million Common Shares to FNX in consideration of the amendments.

Under the FNX Agreement, the Company will not be required to contribute to any capital or exploration expenditures in respect of the FNX Properties. Furthermore, FNX has granted the Company a right of first refusal on any future gold, platinum or palladium stream agreements or similar arrangements proposed to be entered into by FNX or its subsidiaries in respect of FNX’s properties in Sudbury, Ontario. In addition, until December 31, 2009 and provided FNX maintains a minimum 10% equity interest in the Company, FNX has the right to participate in any equity financing of the Company insofar as the Company must first offer to FNX the securities to be sold in such financing at the offering price in proportion to the number of common shares of the Company then held by FNX.

For the year ended December 31, 2008, approximately 98.8% of the Company’s revenue was attributed to the FNX assets. FNX delivered and sold to Gold Wheaton approximately 18,761 gold equivalent ounces comprising of 5,620 ounces of gold, 10,236 ounces of platinum and 11,748 ounces of palladium at a total cash cost of \$400 per gold equivalent ounces. The Company realized an average sale price of \$811 per gold equivalent ounce.

For more detailed information related to the reserves and resources estimates of the FNX assets, please see the NI 43-101 Technical Report updated to December 31, 2007 and dated July 3, 2008 filed by the Company that is available of [www.sedar.com](http://www.sedar.com).

#### First Uranium Agreement

On November 28, 2008, the Gold Wheaton (Barbados) Corporation (“Gold Wheaton Barbados”), a wholly own subsidiary of the Company, entered into an agreement with First Uranium to purchase in 2009 a minimum of 20,000 ounces of gold from the MWS Project (up to a maximum of 25% of the gold production in 2009) and thereafter 25% of the life-of-mine gold production from the MWS Project. Chemwes, an indirect wholly-owned subsidiary of First Uranium owns the MWS Project. The transactions closed on December 17, 2008 with an effective date of December 12, 2008. Gold Wheaton Barbados paid an initial upfront payment of \$50 million. Under the First Uranium Agreement, Gold Wheaton Barbados agreed, subject to financing, to pay Chemwes an additional \$75 million (the “Balance

Payment”) on or before the three months following closing of the transaction, failing which Gold Wheaton’s ongoing purchase right shall be reduced from 25% to 10% life-of-mine gold production from the MWS Project and appropriate credits will be made. Gold Wheaton Barbados has also agreed to pay Chemwes an ongoing payment equal to the lesser of: (a) \$400 per ounce of payable gold delivered and sold to Gold Wheaton Barbados (subject to an annual 1% inflation adjustment, starting in the fourth year after closing); and (b) the then prevailing market price per ounce of gold.

Under the First Uranium Agreement, neither the Company nor Gold Wheaton Barbados will be required to contribute to any capital or exploration expenditures in respect of the MWS Project. First Uranium has granted Gold Wheaton Barbados a right of first refusal on any future gold stream agreements or similar arrangements proposed to be entered into by First Uranium or its subsidiaries in respect of the MWS Project or its Ezulwini mine. The right of first refusal will terminate if Gold Wheaton Barbados does not pay the Balance Payment. Upon payment of the Balance Payment Chemwes will provide Gold Wheaton Barbados with a completion guarantee such that, if the MWS Project does not pass a technical completion test within certain periods, then Gold Wheaton Barbados will have the option to require Chemwes to refund to Gold Wheaton Barbados up to \$42 million.

For more detailed information related to the reserves and resources estimates of the MWS Project, please see the NI 43-101 Technical Report updated to March 31, 2008 and dated March 31, 2008 filed by the Company that is available of [www.sedar.com](http://www.sedar.com).

## **COMMITMENTS AND CONTINGENCIES**

In connection with the FNX gold purchase contract, the Company has committed to purchase 50% of the contained gold equivalent ounces in ore mined and shipped from the FNX Operations. For each gold equivalent ounce delivered, a cash payment of the lesser of \$400 (subject to an inflationary adjustment three years after the anniversary date) or the then prevailing market price per ounce of gold.

In connection with the First Uranium Agreement, Gold Wheaton Barbados has committed to purchase 10% of the gold produced from MWS in South Africa. For each gold ounce delivered, a cash payment of the lesser of \$400 per ounce and the prevailing spot price (subject to an inflationary adjustment three years after the anniversary date). In addition, subject to financing and on or before March 17, 2009, Gold Wheaton Barbados can purchase an additional 15% of the life-of-mine gold production for \$75 million.

The Company has signed a definitive agreement to purchase 100% of the gold mined from Redcorp Ventures Ltd’s (“Redcorp”) Tulsequah Project, in British Columbia, for a payment of \$90 million, comprised of \$10 million to be paid on the satisfaction of certain funding conditions upon closing by March 1, 2009 and an additional \$80 million to be paid as the funds are required for the construction of the Tulsequah Project on the satisfaction of certain additional funding conditions. In addition, Gold Wheaton will pay the lesser of \$400 per ounce of payable gold delivered and sold to Gold Wheaton, subject to adjustment, and the then prevailing market price per ounce of payable gold delivered and sold to Gold Wheaton.

The completion of the transactions contemplated under the Redcorp Agreement remains subject to certain funding conditions and receipt of all necessary regulatory and other approvals, including approval of the TSXV and certain required material environmental and operating permits, which were to be fulfilled by March 1, 2009. On February 17, 2009, Redcorp issued a press release in which it announced that construction on the Tulsequah Chief Mine will remain suspended until further notice because of uncertainty related to the costs required to complete the development of the project. Redcorp did not fulfill the necessary closing conditions on March 1, 2009. The Company is currently in discussions with Redcorp about the terms of the Redcorp Agreement and has not provided any funding to Redcorp.

## **NEW ACCOUNTING POLICIES**

Effective October 1, 2007, the Company has adopted three new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”) in 2007. These accounting standards are adopted on a prospective basis with no restatement of prior period financial statements. There was no impact on opening retained earnings. The new standards are as follows:

**(i) Capital Disclosures (CICA Handbook Section 1535)**

The CICA issued a new accounting standard, Section 1535, Capital Disclosures, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objectives, policies and processes for managing capital.

**(ii) Financial Instruments – Disclosures (CICA Handbook Section 3862)**

The objective of Section 3862 is to provide users with information to evaluate the significance of the financial instruments on the entity’s financial position and performance, the nature and extent of risks arising from financial instruments, and how the entity manages those risks.

**(iii) Financial Instruments – Presentation (CICA Handbook Section 3863)**

The provisions of Section 3863 deal with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

## **FUTURE CHANGES IN ACCOUNTING POLICIES**

### **Goodwill and Intangible Assets**

As of January 1, 2009, the Company will be required to adopt the CICA Handbook Section 3064, “Goodwill and Intangible Assets”, which will replace the existing Goodwill and Intangible Assets standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. The adoption of this standard is not expected to have a material impact on the Company’s consolidated financial statements.

### **Business combination, non-controlling interest, and consolidation**

In January 2009, the CICA issued Handbook Sections 1582, Business Combinations, (“Section 1582”), 1601, Consolidated Financial Statements, (“Section 1601”) and 1602, Non-controlling Interests, (“Section 1602”) which replaces CICA Handbook Sections 1581, Business Combinations, and 1600, Consolidated Financial Statements. Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under International Financial Reporting Standards (“IFRS”). Section 1582 is applicable for the Company’s business combinations with acquisition dates on or after January 1, 2011. Early adoption of this Section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company’s interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this Section is permitted. If the Company chooses to early adopt any one of these Sections, the other two sections must also be adopted at the same time.

### **Inventories**

In June 2007, the CICA issued Section 3031, “Inventories”, which replaces Section 3030 and harmonizes the Canadian standard related to inventories with IFRS. This Section provides more extensive guidance in these areas: the determination of cost, including allocation of overhead; narrowing of permitted cost formulas; requirements for impairment testing; and expansion of disclosure requirements to increase

transparency. This Section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, and is not expected to have a material impact on the Company's financial statements.

### **International Financial Reporting Standards**

In February 2008, the CICA confirmed that Canadian reporting issuers will be required to report under IFRS effective January 1, 2011, including comparative figures for the prior year. In April 2008, the CICA released an exposure draft of the coming standards. The Company has developed an IFRS implementation plan. The major components are (1) identification of accounting standard differences, (2) information technology, internal control over financial reporting, and disclosure controls and procedures. The Company has completed preliminary assessment of the impact of the accounting standard differences to the financial statements. The Company is in the process of engaging external advisors to work with the Company to complete the conversion. The Company expects to complete its detail analysis of the accounting standard differences in 2009 and expects to make changes to certain processes in 2010 to ensure transactions are recorded in accordance with IFRS for comparative reporting purposes on the required implementation date.

### **RELATED PARTY TRANSACTIONS**

During the fifteen months ended December 31, 2008, the Company recorded consulting fees of \$359,454 (Twelve months ended September 30, 2007 - \$nil) to companies controlled by a director or officer.

In addition, the Company had the following transactions with companies related to a common former director or officer:

	<b>Fifteen Months Ended</b>	<b>Twelve Months Ended</b>
	<b>December 31, 2008</b>	<b>September 30, 2007</b>
Management fees	\$ 18,188	\$ 32,575
Legal and consulting fees	66,992	-
	<b>\$ 85,180</b>	<b>\$ 32,575</b>

The Company had the following transactions with companies related by a common former director or officer:

- Paid \$674,828 as part of the debt settlement;
- Paid \$105,757 of the due to related parties balance at September 30, 2007; and
- Settled \$248,500 in debt through the issuance of 5 million common shares at a price of CDN\$0.05 per share.

These transactions were in the normal course of operations and were measured at the exchange amount which was the amount established and agreed to by the related parties.

As at December 31, 2008, amounts due to related parties of \$nil (September 30, 2007: \$401,854) Prior year amounts were due to a former director and a company with a common former director, with interest accruing at an annualized rate of 10%.

The Company purchased precious metals for total consideration of \$7,504,395 from FNX which owned 38% of the Company's common stock and has one director in common. At December 31, 2008, the Company owes FNX \$7,005,524 which has been recorded in accounts payable and accrued liabilities.

### **SUBSEQUENT EVENTS**

On February 17, 2009, Redcorp issued a press release in which it announced that construction on the Tulsequah Chief will remain suspended until further notice because of uncertainty related to the costs required to complete the development of the project. Redcorp was not able to fulfill the necessary closing conditions on March 1, 2009. Accordingly the Company has written of \$237,985 acquisition costs related to the transaction. The Company is currently in discussions with Redcorp about the terms of the Redcorp Agreement and has not provided any funding to Redcorp.

On March 5, 2009, the Company completed a public offering for 400,000,000 units at a price of CDN\$0.25 per 2009 Unit to raise gross proceeds of \$77.6 million (CDN\$100 million) pursuant to a short form prospectus. Each 2009 Unit will consist of one common share and one half share purchase warrant, with each whole warrant entitling the holder to acquire one additional common share at an exercise price of CDN\$0.50 per share for a period of 2 years following the closing of the offering. In addition the Company has granted the underwriters an over-allotment option to purchase up to that number of additional 2009 Unit equal to 15% of the 2009 Units sold pursuant to the offering that were exercised on closing for additional gross proceeds of \$11.7 million (CDN\$ 15 million).

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

### **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, short term investments, accounts receivable, other receivable, accounts payable and accrued liabilities, loan payable, and amounts due to related parties. The carrying value approximates their fair value due to the short-term maturity of such instruments or the terms were recently negotiated.

The Company currently sells all of its minerals to two customers. The loss of these customers could have a material adverse effect on the Company's results of operations, financial condition and cash flows. The Company evaluates the credit worthiness of counterparties to the sales arrangement and monitors the customers' liquidity. The Company does not have any receivables that are past due and regards the credit risks associated with its receivables at December 31, 2008 to be low.

The Company does not use interest rate contracts or other derivative financial instruments to manage the risks associated with its operation and therefore, in normal course of business, it is inherently exposed to currency, interest rate and commodity price fluctuations

### **ADDITIONAL INFORMATION**

Additional information about the Company is available on the Company's website at [www.goldwheaton.com](http://www.goldwheaton.com) or on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Disclosure of Outstanding Share Data**

a) Authorized:

Unlimited common shares with no par value

Unlimited preferred shares with no par value

b) Common shares issued: Number

Balance December 31, 2008 944,221,668

Balance March 5, 2009 1,405,891,668

c) The number of options exercisable and exercise prices were as follows:

	<b>December 31, 2008</b>	<b>March 5, 2009</b>
<b>Exercise Price (CDN)</b>	<b>Number of Options Outstanding and Exercisable</b>	<b>Number of Options Outstanding and Exercisable</b>
\$0.37	1,055,000	1,055,000
\$0.59	16,125,000	16,125,000
\$0.60	550,000	550,000
	<b>17,730,000</b>	<b>17,730,000</b>

The number of warrants outstanding at December 31, 2008 and March 5, 2009 were as follows:

<b>Exercise Price (CDN)</b>	<b>December 31, 2008</b>	<b>March 5, 2009</b>	<b>Expiry date</b>
\$0.10	26,405,000	24,735,000	April 21, 2009
\$1.00	259,999,999	259,999,999	July 8, 2013
\$0.50	-	230,000,000	March 5, 2011
	<b>286,404,999</b>	<b>514,734,999</b>	

## **RISK AND UNCERTAINTIES**

The following is a summary of certain risk factors and is qualified in its entirety by reference to and must be read in conjunction with the Company's Annual Information Form dated August 19, 2008 and Final Short Form Prospectus dated February 26, 2009 (the "Prospectus") available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Current global financial conditions**

Current global financial conditions have been subject to increased volatility and numerous financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by both sub-prime mortgages and the liquidity crisis affecting the asset-backed commercial paper market. These factors may impact the ability of the Company to obtain equity or debt financing in the future and, if obtained, on terms favourable to the Company. If these increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the value and the price of the common shares of the Company could continue to be adversely affected.

## **Subject to the Same Risk Factors as the FNX Properties, MWS Project and Redcorp Project**

To the extent that they relate to the production of gold or other precious metals from, or the continued operation of, the FNX Properties, the MWS Project or the Redcorp Project (collectively, the “Mining Operations”), the Company will be subject to the risk factors applicable to the operators of such mines or projects, as set forth in the Prospectus under “Risks relating to the Mining Operations”.

## **Commodity Prices for Gold and Other Precious Metals**

The price of the common shares of the Company and the Company’s financial results may be significantly adversely affected by the decline in the price of gold and other precious metals, including platinum or palladium. The price of gold fluctuates widely and is affected by numerous factors beyond the Company’s control such as the sale or purchase of gold by various central banks and financial institutions, interest rates, exchange rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. The price of gold has fluctuated widely in recent years.

In the event that the prevailing market price of gold is less than \$400 per ounce (subject to applicable inflation adjustments), the transfer price will be the then prevailing market price per ounce of gold and the Company will not generate positive cash flow or earnings.

## **Currency Risk**

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company receives revenue in US dollars, incurs expenses in US and Canadian dollars and its reporting currency is the US dollar. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar could have an effect on the Company’s results of operations, financial position or cash flows. The Company has not entered into any derivative financial instruments to manage exposures to currency fluctuations.

## **Gold Produced as a By-Product**

Gold, platinum and palladium are produced as by-product metals at the Mining Operations, therefore, the economic cut-off applied to the reporting of gold, platinum and palladium reserves and resources will be influenced by changes in the commodity prices of other metals at the mines.

## **No Control over Mining Operations**

The Company has agreed to purchase 50% of the Gold Equivalent Ounces from the FNX Properties and a minimum of 20,000 ounces of gold from the MWS Project in 2009 and thereafter 25% of the life-of-mine gold production from the MWS Project. The Company has also entered into the Redcorp Agreement, under which it has agreed to purchase 100% of the gold mined from the Redcorp Project following closing. Except for any payments which may be payable under the completion guarantees relating to the MWS Project and the Redcorp Project, the Company will not be entitled to any material compensation if any of the Mining Operations shut down or discontinue their operations on a temporary or permanent basis. Although the Company believes that it is unlikely that the transactions contemplated under the Redcorp Agreement will be completed, if such transactions are completed, the Company believes that it is unlikely that the Redcorp Project would commence commercial production within the time frames anticipated, if at all. See “Risk of Non-Completion of Redcorp Agreement” below. At any time, any of the operators of the Mining Operations or their successors may decide to suspend or discontinue operations.

### **Risk of Non-Completion of Redcorp Agreement**

The completion of the transactions contemplated under the Redcorp Agreement remains subject to certain funding conditions and receipt of all necessary regulatory and other approvals, including approval of the TSXV and certain required material environmental and operating permits, which were to be fulfilled by March 1, 2009. On February 17, 2009, Redcorp issued a press release in which it announced that construction on the Tulsequah Chief Mine will remain suspended until further notice because of uncertainty related to the costs required to complete the development of the project. Redcorp also advised in the press release that the lengthening of the development schedule, increased capital costs, current commodity prices and limitations on Redcorp's ability to access sources of additional funding raise serious concerns about the development of the Tulsequah Chief Mine by Redcorp without strategic partners. Based on the information set forth in Redcorp's press release, Redcorp did not fulfill the necessary closing conditions on March 1, 2009. The Company is currently in discussions with Redcorp about the terms of the Redcorp Agreement.

### **Operating Model Risk**

The Company is not directly involved in the ownership or operation of mines. The gold purchase agreements that the Company has entered into are subject to most of the significant risks and rewards of a mining company, with the primary exception that, under such agreements the Company acquires gold and other precious metals at a fixed cost. As a result of the Company's operating model, the cash flow of the Company is dependent upon the activities of third parties which creates the risk that at any time those third parties may (a) have business interests or targets that are inconsistent with those of the Company, (b) take action contrary to the Company's policies or objectives, (c) be unable or unwilling to fulfill their obligations under their agreements with the Company, or (d) experience financial, operational or other difficulties, including insolvency, which could limit a third party's ability to perform its obligations under the third party arrangements. In addition, the termination of one or more of the Company's gold purchase agreements could have a material adverse effect on the results of operations or financial condition of the Company.