

MOUNTAIN BOY MINERALS LTD.
AUDITORS' REPORT AND FINANCIAL STATEMENTS
November 30, 2007 and 2006



BDO Dunwoody LLP
Chartered Accountants

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AUDITORS' REPORT

To the Shareholders
Mountain Boy Minerals Ltd.

We have audited the balance sheets of Mountain Boy Minerals Ltd. as at November 30, 2007 and 2006 and the statements of operations and deficit and cash flows for the years 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 audits.

We conducted our audits 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 financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, Canada
March 31, 2008

MOUNTAIN BOY MINERALS LTD.
BALANCE SHEETS
November 30, 2007 and 2006

	<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Current			
Cash and cash equivalents		\$ 1,032,369	\$ 1,306,124
Receivables		2,182	12,884
GST recoverable		146,126	12,517
Marketable securities – Note 9		95,421	-
Other – Note 10		150,108	-
Prepaid expenses – Note 6		<u>13,819</u>	<u>5,000</u>
		1,440,025	1,336,525
Reclamation deposits		46,539	35,054
Property and equipment – Note 3		305,984	377,016
Mineral properties – Schedule 1, Notes 4, 6 and 7		<u>8,527,697</u>	<u>4,273,376</u>
		<u>\$ 10,320,245</u>	<u>\$ 6,021,971</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities – Note 6		\$ 323,095	\$ 197,854
Future income tax liability – Note 8		<u>1,110,000</u>	<u>-</u>
		<u>1,433,095</u>	<u>197,854</u>

SHAREHOLDERS' EQUITY

Share capital – Notes 5 and 12	10,297,367	6,992,586
Contributed surplus – Note 5	1,830,780	1,035,129
Deficit	<u>(3,240,997)</u>	<u>(2,203,598)</u>
	<u>8,887,150</u>	<u>5,824,117</u>
	<u>\$ 10,320,245</u>	<u>\$ 6,021,971</u>

Nature of Operations and Ability to Continue as a Going Concern – Note 1
 Commitments – Notes 4 and 5
 Subsequent Events – Notes 4, 10 and 12

APPROVED BY THE DIRECTORS:

<u>“Frank Kamermans”</u> Frank Kamermans	Director	<u>“Randolph Kasum”</u> Randolph Kasum	Director
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SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
STATEMENTS OF OPERATIONS AND DEFICIT
for the years ended November 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
General and administrative expenses		
Accounting and audit fees	\$ 89,653	\$ 68,406
Amortization	33,275	23,054
Consulting fees – Note 6	38,500	10,000
Filing fees	47,850	24,075
Investor relations	30,000	63,856
Legal fees	59,677	91,546
Management fees – Note 6	60,000	51,000
Office and miscellaneous	86,350	53,902
Promotion and trade shows	37,499	22,766
Repairs and maintenance	52,598	22,743
Stock-based compensation – Note 5	656,731	418,357
Telephone	14,076	11,316
Transfer agent fees	<u>6,030</u>	<u>9,000</u>
Loss before other items	(1,212,239)	(870,021)
Other items:		
Loss on sale and write-down of marketable securities	(108,590)	-
Gain on sale of mineral property – Note 4(e)	195,667	-
Fines and penalties	-	(29,166)
Write-down of mineral property costs – Note 4(e)	(50,749)	(33,479)
Other revenue – Note 6	<u>41,512</u>	<u>53,268</u>
Loss for the year before provision for income tax	(1,134,399)	(879,398)
Income tax recovery – Note 8	<u>97,000</u>	<u>-</u>
Net loss for the year	(1,037,399)	(879,398)
Deficit, beginning of the year	<u>(2,203,598)</u>	<u>(1,324,200)</u>
Deficit, end of the year	<u>\$ (3,240,997)</u>	<u>\$ (2,203,598)</u>
Basic and diluted loss per share	<u>\$ (0.04)</u>	<u>\$ (0.05)</u>
Weighted average number of shares outstanding	<u>27,220,884</u>	<u>19,289,536</u>

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
STATEMENTS OF CASH FLOWS
for the years ended November 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Net loss for the year	\$ (1,037,399)	\$ (879,398)
Add (deduct) items not affecting cash:		
Amortization	33,275	23,054
Stock-based compensation	656,731	418,357
Gain on sale of mineral property	(195,667)	-
Write-down of mineral property costs	50,749	33,479
Loss on sale and write-down of marketable securities	108,590	-
Income tax	<u>(97,000)</u>	<u>-</u>
	(480,721)	(404,508)
Changes in working capital items related to operations:		
Receivables	10,702	92,021
GST recoverable	(133,609)	40,032
Prepaid expenses	(8,819)	(1,000)
Accounts payable and accrued liabilities	125,241	39,447
Other	<u>(150,108)</u>	<u>-</u>
	<u>(637,314)</u>	<u>(234,008)</u>
Financing Activity		
Issuance of shares for cash	<u>3,458,251</u>	<u>4,058,816</u>
Investing Activities		
Purchase of equipment	(28,000)	(398,048)
Reclamation deposits	(11,485)	(9,900)
Mineral property costs	(3,080,207)	(2,151,598)
Proceeds on disposal of mineral property	<u>25,000</u>	<u>-</u>
	<u>(3,094,692)</u>	<u>(2,559,546)</u>
Increase (decrease) in cash during the year	(273,755)	1,265,262
Cash and cash equivalents, beginning of the year	<u>1,306,124</u>	<u>40,862</u>
Cash and cash equivalents, end of the year	<u>\$ 1,032,369</u>	<u>\$ 1,306,124</u>
Cash and cash equivalents consist of:		
Cash	\$ 232,194	\$ 124,663
Guaranteed investment certificate	800,000	200,000
Funds held in lawyer's trust account	<u>175</u>	<u>981,461</u>
	<u>\$ 1,032,369</u>	<u>\$ 1,306,124</u>

Non-cash Transactions – Note 7

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
SCHEDULE OF MINERAL PROPERTIES
for the year ended November 30, 2006

Schedule 1

	<u>Barbara</u>	<u>MB</u>	<u>Silver Coin Kansas/Indi</u>	<u>Other Properties</u>	<u>Total</u>
Property acquisition costs					
Balance, November 30, 2005	\$ -	\$ 916,158	\$ 69,440	\$ 283,029	\$ 1,268,627
Cash	45,000	-	-	-	45,000
Staking	1,940	1,518	15,134	-	18,592
Less: write-downs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,739)</u>	<u>(32,739)</u>
Balance, November 30, 2006	<u>46,940</u>	<u>917,676</u>	<u>84,574</u>	<u>250,290</u>	<u>1,299,480</u>
Deferred exploration and development costs					
Balance, November 30, 2005	<u>-</u>	<u>308,379</u>	<u>397,085</u>	<u>140,641</u>	<u>846,105</u>
Amortization	2,683	4,010	33,832	-	40,525
Assaying	6,969	1,446	97,223	421	106,059
Drilling, blasting and trenching	85,372	127,559	1,074,242	1,992	1,289,165
General and administration – Note 6	-	-	39,500	-	39,500
Geological – Note 6	7,208	-	266,125	-	273,333
Helicopter	25,131	54,873	140,857	-	220,861
Labour	13,760	5,831	277,201	-	296,792
Road clearing	-	6,386	19,098	21,815	47,299
Supplies and miscellaneous – Note 6	34,343	44,764	374,751	-	453,858
Trucking	-	17,294	88,400	-	105,694
Travel and accommodation	1,729	1,285	94,748	-	97,762
Less: optionee reimbursements	-	-	(842,317)	-	(842,317)
Less: write-downs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(740)</u>	<u>(740)</u>
Balance, November 30, 2006	<u>177,195</u>	<u>263,448</u>	<u>1,663,660</u>	<u>23,488</u>	<u>2,127,791</u>
Balance, November 30, 2006	<u>177,195</u>	<u>571,827</u>	<u>2,060,745</u>	<u>164,129</u>	<u>2,973,896</u>
	<u>\$ 224,135</u>	<u>\$ 1,489,503</u>	<u>\$ 2,145,319</u>	<u>\$ 414,419</u>	<u>\$ 4,273,376</u>

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
SCHEDULE OF MINERAL PROPERTIES
for the year ended November 30, 2007

	<u>Barbara</u>	Iceberg Melt Freeze <u>Redcliff</u>	<u>MB</u>	Silver Coin <u>Kansas/Indi</u>	Other <u>Properties</u>	<u>Total</u>
Property acquisition costs						
Balance, November 30, 2006	\$ 46,940	\$ -	\$ 917,676	\$ 84,574	\$ 250,290	\$ 1,299,480
Cash	-	25,000	-	-	-	25,000
Shares	357,000	647,500	-	21,000	144,100	1,169,600
Staking	-	10,275	2,871	-	1,338	14,484
Less: cost of properties disposed	-	-	-	-	(33,333)	(33,333)
Reclassify FR to other properties	-	-	-	(25,450)	25,450	-
Less: write down of properties	-	-	-	-	(50,749)	(50,749)
Balance, November 30, 2007	<u>403,940</u>	<u>682,775</u>	<u>920,547</u>	<u>80,124</u>	<u>337,096</u>	<u>2,424,482</u>
Deferred exploration and development costs						
Balance, November 30, 2006	<u>177,195</u>	<u>-</u>	<u>571,827</u>	<u>2,060,745</u>	<u>164,129</u>	<u>2,973,896</u>
Amortization	23,176	30,569	-	12,012	-	65,757
Assaying	104,903	18,746	-	23,340	218	147,207
Drilling	630,661	792,224	37,214	346,484	-	1,806,583
General and administration – Note 6	9,300	18,300	9,000	8,031	-	44,631
Geological – Notes 5 and 6	33,104	52,787	6,082	46,419	7,667	146,059
Helicopter	25,785	25,825	2,904	-	-	54,515
Labour	143,051	251,088	25,854	-	-	419,993
Road clearing	-	85,553	24,272	-	-	109,825
Supplies and miscellaneous – Note 6	145,812	167,265	44,615	48,293	2,241	408,226
Trucking	45,171	39,990	8,060	-	-	93,220
Less: optionee reimbursements	-	-	-	(166,697)	-	(166,697)
Reclassify FR to other properties	-	-	-	(17,365)	17,365	-
	<u>1,160,963</u>	<u>1,482,347</u>	<u>158,001</u>	<u>300,517</u>	<u>27,491</u>	<u>3,129,319</u>
Balance, November 30, 2007	<u>1,338,158</u>	<u>1,482,347</u>	<u>729,828</u>	<u>2,361,262</u>	<u>191,620</u>	<u>6,103,215</u>
	<u>\$ 1,742,098</u>	<u>\$ 2,165,122</u>	<u>\$ 1,650,375</u>	<u>\$ 2,441,386</u>	<u>\$ 528,716</u>	<u>\$ 8,527,697</u>

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
NOTES TO THE FINANCIAL STATEMENTS
November 30, 2007 and 2006

Note 1 Nature of Operations and Ability to Continue as a Going Concern

The Company was incorporated under the laws of the Province of British Columbia on April 26, 1999 and its shares are listed for trading on the TSX Venture Exchange.

The Company is in the exploration stage and is in the process of exploring and developing its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the mineral properties and upon future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At November 30, 2007, the Company had not yet achieved profitable operations, has accumulated losses of \$2,533,997 since inception, had working capital of \$1,116,930 which may not be sufficient to sustain operations over the next twelve months and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates that have been made using careful judgement. Actual results may differ from these estimates.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Note 2 Significant Accounting Policies – (cont'd)

a) Cash and Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to cash within 90 days when purchased.

b) Change in Accounting Policy

On December 1, 2006, the Company adopted CICA Handbook Sections 1530, “Comprehensive Income”, Section 3251, “Equity”, Section 3855, “Financial Instruments – Recognition and Measurement”, Section 3861, “Financial Instruments – Disclosure and Presentation” and Section 3865, “Hedges”. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been restated. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

The adoption of these Handbook Sections had no impact on opening deficit.

Note 2 Significant Accounting Policies – (cont'd)

c) Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs ("EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective November 30, 2007 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

d) Future Accounting Changes

Capital Disclosures and financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial instruments – Presentation. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on December 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

Note 2 Significant Accounting Policies – (cont'd)

d) Future Accounting Changes – (cont'd)

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

e) Accounting Changes

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

f) Equipment and Amortization

Equipment is recorded at cost. The Company provides for amortization over the estimated useful lives of its equipment using the declining balance method at the following rates:

Building	4%
Computers	30%
Drilling equipment	30%
Mining equipment	30%
Office equipment	20%
Vehicles	30%

The Company provides amortization at one-half the above rates in the year of acquisition. Amortization charges on equipment that is directly related to resource properties are allocated to that resource property.

Note 2 Significant Accounting Policies – (cont'd)

g) Mineral Properties

The Company defers 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. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. 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. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, 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.

h) Mining Tax Credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related deferred exploration expenditures.

i) Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation, as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the years ended November 30, 2007 and 2006, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 21,110,357 (2006: 12,407,836) were not included in the computation of loss per share because their effect was anti-dilutive.

Note 2 Significant Accounting Policies – (cont'd)

j) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

k) Flow-through Shares

Effective March 19, 2004, the Canadian Institute of Chartered Accountants issued additional guidance on the accounting treatment of Canadian flow-through shares through its Emerging Issues Committee Abstract (“EIC”) No. 146. All flow-through shares issued by the Company on or after March 19, 2004 are accounted for in accordance with this Abstract. The Abstract recommends that upon renunciation to the shareholders, the Company will reduce share capital and recognize a temporary future income tax liability for the amount of tax reduction renounced to the shareholders. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deduction and is more likely-than-not able to utilize these tax losses before expiring, the realization of the deductible temporary differences will be credited to income in the period of renunciation.

l) Stock-based Compensation

The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

Note 2 Significant Accounting Policies – (cont'd)

m) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require long-lived assets and intangibles held and used by the Company to be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at November 30, 2007 and 2006 other than the write-downs recorded on mineral property costs.

n) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period the asset is put into use, 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 November 30, 2007 and 2006, the Company does not have any asset retirement obligations.

o) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitments to a plan of action based on the then known facts.

Note 3 Property and Equipment

	2007		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Land	\$ 19,900	\$ -	\$ 19,900
Building	44,750	2,649	42,101
Computer equipment	5,929	2,401	3,528
Drilling equipment	256,659	128,266	128,393
Mining equipment	42,086	17,045	25,041
Office furniture	10,000	2,800	7,200
Vehicles	<u>144,225</u>	<u>64,404</u>	<u>79,821</u>
	<u>\$ 523,549</u>	<u>\$ 217,565</u>	<u>\$ 305,984</u>
	2006		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Land	\$ 19,900	\$ -	\$ 19,900
Building	44,750	895	43,855
Computer equipment	5,929	889	5,040
Drilling equipment	256,659	73,240	183,419
Mining equipment	42,086	6,313	35,773
Office equipment	10,000	1,000	9,000
Vehicles	<u>116,225</u>	<u>36,196</u>	<u>80,029</u>
	<u>\$ 495,549</u>	<u>\$ 118,533</u>	<u>\$ 377,016</u>

Note 4 Mineral Properties

a) Barbara Property

By an agreement dated September 21, 2006, the Company acquired a 50% interest in the Barbara property, which consists of ten mineral claims situated in the Skeena Mining Division in the Province of British Columbia. As consideration, the Company paid \$45,000 and assigned a 50% interest in the Stro Property, together with a commitment to drill 800m on the property (completed). The property is subject to a 2% net smelter return to a director of the Company of which 1% may be purchased for \$500,000.

During the year ended November 30, 2007, the Company acquired the remaining 50% interest in the property by the issuance of 637,500 shares valued at \$357,000 (Note 7).

Note 4 Resource Properties – (cont'd)

b) Iceberg, Melt, Freeze and Redcliff Properties

During the year ended November 30, 2007, the Company acquired a 100% interest in the Iceberg 1-23 claims, the Melt 1-27 claims, the Freeze 1-28 claims and the Redcliff claims, which are all located in the Skeena mining district of British Columbia. Total consideration paid was \$25,000 cash and the issue of 850,000 common shares valued at \$647,500 (Note 7). The Redcliff property is subject to a 2% net smelter return of which the Company may purchase 1% for \$1,000,000.

c) MB Property

The Company has a 100% interest in seven claims representing 41 units located in the Skeena Mining Division of British Columbia.

The property is subject to a 2% net smelter return which may be purchased for \$1,000,000, or one half of which may be purchased for \$500,000.

d) Silver Coin, Indi and Kansas Properties

The Company has a 100% interest in the Silver Coin Property, a group of eight reverted Crown-granted claims located 25 kilometres north of Stewart, British Columbia. In addition, the Company staked 12 claims that are contiguous to the reverted Crown-granted claims known as the FR and Kansas Properties.

Pursuant to an option agreement dated March 26, 2004, the Company has acquired an undivided 55% interest in four mineral claims known as the Indi property located in the Skeena Mining Division of British Columbia.

By an agreement dated July 29, 2004, the Company granted another company the option to earn up to 51% of the Company's interest in the Silver Coin, FR and Indi properties by incurring \$1,750,000 on exploration expenditures (incurred).

The Company and the optionee have agreed to form a joint venture for further development of the properties. In addition, the optionee has the right to earn an additional 9% interest in the properties by bringing one of the properties into production. Under the terms of the option agreement, if either the Company or the optionee acquires properties within 10 km of the Silver Coin properties, such additional properties will be part of the joint venture.

During the year ended November 30, 2007, the Company acquired the remaining 51% interest in the FR property located in the Skeena mining division, by the issue of 37,500 shares valued at \$21,000 (Note 7). As a result of acquiring a 100% interest in the FR property, the Company and the other joint venturer agreed to exempt the FR property from the joint venture and it has been reclassified with Other Properties.

Note 4 Resource Properties – (cont'd)

d) Silver Coin, Indi and Kansas Properties – (cont'd)

By an agreement dated April 19, 2005, the Company entered into an agreement to acquire 49% of the vendor's 60% interest in the Kansas property, which consists of a Crown-granted claim that is contiguous to the Company's Silver Coin property. The vendor's 60% interest in the property is subject to an underlying option agreement requiring the vendor to incur \$1,000,000 in exploration expenditures over a four-year period ending October 13, 2008.

e) Other Properties

The Company acquired a 100% interest in mineral claims located in the Skeena Mining Division of British Columbia consisting of the LRJ #6 Property, the FDR/Ben Ali Property, the FR property, the Dave Property, the Big Red 1-4 Property, the Slippery Willow Property and the Abpal #2 claim and 100% interest in the Mackenzie Property located in the Cariboo Mining Division of British Columbia. The LRJ #6 Property is subject to a 1% net smelter royalty to a maximum of \$500,000. During the year ended November 30, 2006, management decided not to pursue the LRJ #6 Property and accordingly wrote-down costs incurred of \$33,479. During the year ended November 30, 2007, management decided not to pursue the Abpal #2 claim and accordingly wrote-down costs incurred of \$50,749.

During the year ended November 30, 2007, the Company acquired a further 50% interest in the STRO property located in the Skeena mining division, by the issue of 75,000 shares valued at \$42,000 (Note 7). As a result, the Company has a 100% interest in the property.

By an agreement dated January 29, 2007, the Company sold two of the Slippery Willow claims for \$25,000 cash and 120,000 common shares of the purchaser. These shares were valued at \$204,000 (Note 7). The cost of these properties was \$33,333 resulting in a gain on sale of \$195,667.

By an agreement dated October 26, 2007, the Company acquired the Booze claims located in the Skeena Mining Division, British Columbia. The total consideration paid was the issue of 200,000 common shares valued at \$102,000 (Note 7).

Subsequent to the year ended November 30, 2007, the Company entered into an option agreement to sell an undivided 75% interest in FDR and Ben Ali claims for the following consideration:

Note 4 Resource Properties – (cont'd)

e) Other Properties – (cont'd)

- a) Optionee completes an exploration program on the claims in amount of \$440,000 on or before February 28, 2009.
- b) Optionee completes an additional exploration program on the claims in the amount of \$600,000 on or before February 28, 2010.
- c) Optionee completes an additional exploration program on the claims in the amount of \$1,000,000 on or before February 28, 2011.
- d) Optionee pays the Company \$50,000 cash on or before February 28, 2010.
- e) Optionee issues 150,000 of its shares to the Company on or before February 28, 2010.

The Company has retained a 2% Net Smelter Return Royalty (“NSR”) and the optionee has the right to purchase the NSR by the payment of \$1,000,000 to the Company for each 1% of the NSR.

Note 5 Share Capital and Contributed Surplus – Note 12

Authorized:

Unlimited number of common shares without par value

Note 5 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Issued:

	<u>Share Capital</u>		<u>Contributed Surplus</u>
	<u>Number</u>	<u>Amount</u>	
Balance, November 30, 2005	15,964,654	\$ 2,884,997	\$ 418,644
For cash:			
Pursuant to exercise of share purchase options			
- at \$0.33	170,000	56,100	-
- at \$0.28	140,000	39,200	-
Pursuant to exercise of compensation units			
- at \$0.50	835	418	-
Pursuant to private placements			
- at \$0.65	1,652,997	1,074,448	-
- at \$0.60	4,653,898	2,792,339	-
- at \$0.50	1,250,000	625,000	-
Less: share issue costs	-	(795,001)	269,028
Pursuant to debt settlement	206,975	124,185	-
Pursuant to acquisition of resource properties			
- at \$0.48	250,000	120,000	-
Transfer from contributed surplus on exercise of share purchase options	-	70,900	(70,900)
Stock-based compensation	-	-	<u>418,357</u>
Balance, November 30, 2006	24,289,359	6,992,586	1,035,129
For cash:			
Pursuant to private placements			
- at \$0.50	500,000	250,000	-
- at \$0.65	299,000	194,350	-
- at \$0.60	5,333,667	3,200,200	-
Pursuant to exercise of share purchase options			
- at \$0.10	197,000	19,700	-
- at \$0.22	70,000	15,400	-
- at \$0.25	200,000	50,000	-
Pursuant to exercise of warrants			
- at \$0.75	10,000	7,500	-
Less: share issue costs	-	(442,069)	163,170
Transfer from contributed surplus on exercise of share purchase options	-	47,200	(47,200)
Acquisition of resource properties			
- at \$0.51	200,000	102,000	-
- at \$0.77	200,000	154,000	-
- at \$0.84	400,000	336,000	-
- at \$0.56	750,000	420,000	-
- at \$0.63	250,000	157,500	-
Stock-based compensation expense	-	-	656,731
Stock-based compensation			
Deferred exploration and development costs	-	-	22,950
Less: renunciation of flow-through shares	-	(1,207,000)	-
Balance, November 30, 2007	<u>32,699,026</u>	<u>\$ 10,297,367</u>	<u>\$ 1,830,780</u>

Note 5 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Issued: – (cont'd)

During the year ended November 30, 2006, the Company issued 1,652,997 units at \$0.65 per unit and 4,653,898 units at \$0.60 per unit. Each unit consists of one flow-through common share and one share purchase warrant exercisable into one common share at \$0.75 – \$0.85 per share expiring between March 28, 2008 and November 30, 2008. All of the proceeds received have been allocated to shares issued and no value was allocated to warrants. Total share issuance costs of \$719,946 were incurred on these private placements.

During the year ended November 30, 2006, the Company also issued 1,250,000 units at \$0.50. Each unit consists of one common share and one share purchase warrant exercisable into one common share at \$0.75 expiring between June 7, 2008 and July 6, 2008. All of the proceeds received have been allocated to shares issued and no value was allocated to warrants. Total share issuance costs of \$75,055 were incurred on this private placement.

During the year ended November 30, 2007, the Company issue 5,632,667 units at prices of \$0.50 - 0.65 per unit for total proceeds of \$3,414,550 pursuant to private placements. Each unit consists of one flow-through common share and one share purchase warrant exercisable into one common share at \$0.60 - \$0.85 per share expiring between December 7 and October 23, 2009. All of the proceeds received have been allocated to shares issued and no value was allocated to warrants. Total share issuance costs of \$386,069 were incurred on these private placements.

During the year ended November 30, 2007, the Company also issued 500,000 units at \$0.50. Each unit consists of one common share and one share purchase warrant exercisable into one common share at \$0.60 expiring September 21, 2009. All of the proceeds have been allocated to shares issued and no value was allocated to warrants.

Share Purchase Warrants:

A summary of the share purchase warrants is presented below:

	Years ended November 30,			
	2007		2006	
	<u>Warrants</u>	Weighted Average Exercise <u>Price</u>	<u>Warrants</u>	Weighted Average Exercise <u>Price</u>
Outstanding, beginning of the year	7,557,730	\$0.77	-	-
Issued	6,132,667	\$0.60	7,557,730	\$0.77
Exercised	<u>(10,000)</u>	\$0.75	<u>-</u>	-
Outstanding, end of the year	<u>13,680,397</u>	\$0.55	<u>7,557,730</u>	\$0.77

Note 5 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Share Purchase Warrants: – (cont'd)

As at November 30, 2007, 13,680,397 share purchase warrants were outstanding. Each share purchase warrant entitles the holder to purchase one common share as follows:

<u>Number</u>	<u>Warrant Exercise Price</u>	<u>Warrant Expiry Date</u>
153,000	\$0.80	March 28, 2008
833,332	\$0.75	May 19, 2008
2,488,069	\$0.75	June 7, 2008
500,000	\$0.75	July 6, 2008
2,083,332	\$0.85	July 12, 2008
1,499,997	\$0.85	November 30, 2008
120,000	\$0.85	December 7, 2008
179,000	\$0.85	December 18, 2008
1,000,000	\$0.85	January 26, 2009
500,000	\$0.85	August 10, 2009
1,607,000	\$0.70	September 21, 2009
500,000	\$0.60	September 21, 2009
500,000	\$0.70	October 9, 2009
<u>1,666,667</u>	<u>\$0.70</u>	<u>October 23, 2009</u>
<u>13,680,397</u>		

Subsequent to November 30, 2007, 153,000 warrants exercisable at \$0.80 per share expired unexercised.

Compensation Units

A summary of the compensation units is presented below:

	Years ended November 30,		Years ended November 30,	
	2007		2006	
	<u>Units</u>	<u>Weighted Average Exercise Price</u>	<u>Units</u>	<u>Weighted Average Exercise Price</u>
Outstanding, beginning of the year	739,553	\$0.52	-	-
Granted	507,927	\$0.60	740,388	\$0.52
Exercised	<u>-</u>	-	<u>(835)</u>	\$0.50
Outstanding, end of the year	<u>1,247,480</u>	\$0.55	<u>739,553</u>	\$0.52

Note 5 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Compensation Units – (cont'd)

During the year ended November 30, 2006, in connection with private placements, the Company issued 740,388 compensation units. Each compensation unit is exercisable at \$0.50 - \$0.60 per unit into one common share expiring between May 19, 2008 and November 30, 2008 and one warrant. Each warrant is exercisable into one common share at \$0.75 – \$0.85 per share expiring between May 19, 2008 and November 30, 2008. The fair value of the compensation units of \$269,028 was included in share issue costs.

During the year ended November 30, 2007, in connection with private placements, the Company issued 507,927 compensation units. Each compensation unit is exercisable at \$0.60 per unit into one common share expiring between December 18, 2008 and October 23, 2009 and one warrant. Each warrant is exercisable into one common share at \$0.70 – \$0.85 per share expiring between December 18, 2008 and October 23, 2009. The fair value of the compensation units of \$163,170 was included in share issue costs.

The value for the compensation units was determined using the Black-Scholes model with the same assumptions used for stock-based compensation as disclosed below.

As at November 30, 2007, there are 1,247,480 compensation units outstanding as follows:

<u>Number of Units</u>	<u>Price</u>	<u>Expiry</u>
83,333	\$0.50	May 19, 2008
247,888	\$0.50	June 7, 2008
50,000	\$0.50	July 6, 2008
208,333	\$0.50	July 12, 2008
149,999	\$0.60	November 30, 2008
17,900	\$0.60	December 18, 2008
100,000	\$0.60	June 26, 2009
50,000	\$0.60	August 10, 2009
133,360	\$0.60	September 21, 2009
40,000	\$0.60	September 21, 2009
<u>166,667</u>	\$0.60	October 23, 2009
<u>1,247,480</u>		

Note 5 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Stock-based Compensation Plan

The Company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 20% of the outstanding common shares of the Company, as at the date of the grant, both in aggregate and in any one-year period. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant, both in aggregate and in any one-year period. Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company.

Under the stock option plan, 25% of the options vest when granted and 12½ % vest every three months thereafter.

A summary of the stock option plan is presented below:

	Years ended November 30,			
	2007		2006	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning of the year	3,371,000	\$0.38	2,876,00	\$0.32
Granted	2,031,000	\$0.69	1,005,000	\$0.59
Exercised	(467,000)	\$0.18	(310,000)	\$0.31
Expired/cancelled	<u>-</u>	-	<u>(200,000)</u>	\$0.64
Outstanding, end of the year	<u>4,935,000</u>	\$0.53	<u>3,371,000</u>	\$0.38
Exercisable, end of the year	<u>3,812,625</u>	\$0.48	<u>2,837,250</u>	\$0.34

During the year ended November 30, 2007, stock-based compensation expense of \$656,731 (2006: \$418,357) was recorded and \$22,950 (2006: \$Nil) of stock-based compensation was included in geological exploration costs. The weighted average fair value of share purchase options granted of \$0.69 (2006: \$0.59) per option has been determined using the Black-Scholes option pricing model with the following assumptions:

	<u>2007</u>	<u>2006</u>
Expected dividend yield	0.0%	0.0%
Expected volatility	72.3% - 119.5%	88.3-119.5%
Risk-free interest rate	2.88% - 3.33%	2.76-3.28%
Expected term in years	2 – 5 years	2-5 years

Note 5 Share Capital and Contributed Surplus – Note 12 – (cont'd)

Stock-based Compensation Plan – (cont'd)

As at November 30, 2007, there are 4,935,000 director, employee and consultants share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number of Options</u>	<u>Price</u>	<u>Expiry</u>
145,000	\$0.10	February 5, 2008
200,000	\$0.64	February 9, 2008
41,000	\$0.14	November 13, 2008
144,000	\$0.33	June 25, 2009
100,000	\$0.63	July 5, 2009
250,000	\$0.25	September 3, 2009
300,000	\$0.33	November 30, 2009
164,000	\$0.25	December 13, 2009
305,000	\$0.22	December 22, 2009
250,000	\$0.22	April 1, 2010
500,000	\$0.69	September 1, 2010
370,000	\$0.51	March 24, 2011
60,000	\$0.60	April 7, 2011
75,000	\$0.70	October 19, 2011
1,511,000	\$0.67	January 26, 2012
250,000	\$0.69	February 12, 2012
<u>270,000</u>	\$0.79	March 6, 2012
<u>4,935,000</u>		

Subsequent to November 30, 2007, 25,000 share purchase options exercisable at \$0.10 and 200,000 share purchase options exercisable at \$0.64 expired unexercised.

Note 6 Related Party Transactions

The Company incurred the following charges with directors or companies with directors in common:

	Years ended November 30,	
	<u>2007</u>	<u>2006</u>
Resource properties		
Deferred exploration costs		
General and administration	\$ 44,100	\$ 11,850
Geological	55,783	122,251
Supplies and miscellaneous	21,880	12,000
Consulting fees	38,500	-
Management fees	<u>60,000</u>	<u>51,000</u>
	<u>\$ 220,263</u>	<u>\$ 197,101</u>

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

As at November 30, 2007, accounts payable includes \$191,310 (2006: \$Nil) due to a public company with a common director for exploration costs.

During the year ended November 30, 2007, other revenue of \$9,275 (2006: \$Nil) was received from a public company having a director in common.

During the year ended November 30, 2007, the Company prepaid \$5,000 (2006: \$5,000) for management fees and \$8,319 (2006: \$Nil) for geological exploration costs to directors of the Company.

Note 7 Non-Cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows:

During the year ended November 30, 2007:

- a) The Company received 120,000 common shares of a public company valued at \$204,000 pursuant to the sale of resource properties. The value was determined by the market value at the date of the agreement.
- b) The Company issued 1,800,000 shares valued at \$1,169,500 pursuant to the acquisition of resource properties. The values were determined by the market value at the date of the agreements.

Note 7 Non-Cash Transactions – (cont'd)

- c) The Company included the fair value of the compensation units of \$163,170 in share issue costs.

During the year ended November 30, 2006:

- a) The Company issued 206,975 common shares to settle accounts payable of \$124,185 and issued compensation units valued at \$269,027 as share issue costs.

Note 8 Corporation Income Taxes

A reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	<u>2007</u>	<u>2006</u>
Statutory tax rate	<u>34.12%</u>	<u>34.12%</u>
Loss before income taxes	<u>\$(1,134,399)</u>	<u>\$ (879,398)</u>
Expected income tax recovery	387,000	300,000
Increase (decrease) in income tax recovery resulting from:		
Non-deductible stock-based compensation	(224,000)	(143,000)
Non-deductible portion of capital loss	(13,000)	-
Resource allowance adjustment	-	(14,000)
Other non-deductible items	(1,000)	-
Change in tax rates	44,000	-
Change in the valuation allowance for future income tax assets	<u>(96,000)</u>	<u>(143,000)</u>
Income tax recovery	<u>\$ 97,000</u>	<u>\$ -</u>

Note 8 Corporation Income Taxes – (cont'd)

The significant components of the Company's future income tax assets and liabilities are as follows:

	<u>2007</u>	<u>2006</u>
Future income tax assets:		
Non-capital losses carry forward	\$ 378,000	\$ 270,000
Share issue costs	140,000	145,000
Equipment	51,000	34,000
Canadian development and exploration expenditures	-	15,000
Capital loss carryforward	13,000	-
Marketable securities	<u>3,000</u>	<u>-</u>
	585,000	464,000
Less: valuation allowance	<u>(585,000)</u>	<u>(464,000)</u>
Net long-term future income tax assets	<u>\$ -</u>	<u>\$ -</u>
Future income tax liability		
Canadian development and exploration expenditures	<u>\$ 1,110,000</u>	<u>\$ -</u>

At November 30, 2007, the Company has accumulated Canadian exploration and development expenditures of \$4,257,000 and has accumulated non-capital losses totalling \$1,454,000, which are available to reduce taxable income of future years. The non-capital losses expire as follows:

2014	\$ 116,000
2015	125,000
2026	525,000
2027	<u>688,000</u>
	<u>\$ 1,454,000</u>

During the year ended November 30, 2007, the Company issued flow-through common shares for proceeds of \$3,394,550 (2006: \$3,866,787) and renounced \$4,059,338 (2006: \$Nil) of resource expenditures. Expenditures related to the use of flow-through share proceeds are included in exploration costs but are not available as a tax deduction to the Company as the tax benefits of these expenditures have been renounced to the investors.

Note 9 Marketable Securities

Marketable securities have been classified as held for trading and accordingly are valued at their fair value, as determined by quoted market prices. As at November 30, 2007, these marketable securities were acquired at a cost of \$104,576.

Note 10 Other

During the year ended November 30, 2007, the Company purchased the exploration and drilling rights for certain oil and gas properties located in British Columbia for cash consideration of \$150,108. Subsequent to November 30, 2007, the Company sold all of the drilling rights to another public company having common directors for cash consideration of \$153,858 and the issuance to the Company of 1,000,000 of the common shares of the other company if certain commercial production is achieved.

Note 11 Comparative figures

Certain comparative figures as at November 30, 2006 and for the year then ended have been reclassified to conform with the November 30, 2007 financial statement presentation.

Note 12 Subsequent Events

Subsequent to November 30, 2007:

- a) The Company agreed to re-price share purchase options outstanding at November 30, 2007 for the purchase of up to 2,745,000 shares at \$0.33 - \$0.79 per share to \$0.25 per share. The repricing is subject to regulatory and disinterested shareholder approval.
- b) The Company granted share purchase options to directors, officers and consultants to purchase up to 1,650,000 shares at \$0.28 per share exercisable until January 25, 2013 and 200,000 shares at \$0.30 per share exercisable until February 26, 2013.
- c) The Company issued 120,000 shares at \$0.10 per share pursuant to the exercise of share purchase options outstanding at November 30, 2007.