

**MOUNTAIN BOY MINERALS LTD.**

**INTERIM FINANCIAL STATEMENTS**

February 29, 2008

(Unaudited)

**The accompanying interim financial statements for the three months ended February 29, 2008 and February 28, 2007 have not been reviewed or audited by the Company's auditors.**

**MOUNTAIN BOY MINERALS LTD.**  
**INTERIM BALANCE SHEETS**  
February 29, 2008 and November 30, 2007  
(Unaudited)

| <u>ASSETS</u>                                     | February 29,<br><u>2008</u> | November 30,<br><u>2007</u> |
|---------------------------------------------------|-----------------------------|-----------------------------|
| Current                                           |                             |                             |
| Cash and cash equivalents                         | \$ 913,932                  | \$ 1,032,369                |
| Accrued interest receivable                       | 9,741                       | 2,182                       |
| GST recoverable                                   | -                           | 146,126                     |
| Marketable securities – Note 6                    | 99,663                      | 95,421                      |
| Due from a related company – Note 4               | 154,293                     | 150,108                     |
| Prepaid expenses – Note 4                         | <u>29,403</u>               | <u>13,819</u>               |
|                                                   | 1,207,032                   | 1,440,025                   |
| Reclamation deposits                              | 46,539                      | 46,539                      |
| Property and equipment                            | 287,444                     | 305,984                     |
| Mineral properties – Schedule 1 and Notes 2 and 4 | <u>8,769,727</u>            | <u>8,527,697</u>            |
|                                                   | <u>\$ 10,310,742</u>        | <u>\$ 10,320,245</u>        |

**LIABILITIES**

|                                                   |                  |                  |
|---------------------------------------------------|------------------|------------------|
| Current                                           |                  |                  |
| Accounts payable and accrued liabilities – Note 4 | \$ 205,781       | \$ 323,095       |
| Due to a related company – Note 4                 | <u>61,558</u>    | <u>-</u>         |
|                                                   | 267,339          | 323,095          |
| Future income tax liability                       | <u>1,940,665</u> | <u>1,110,000</u> |
|                                                   | <u>2,208,004</u> | <u>1,433,095</u> |

**SHAREHOLDERS' EQUITY**

|                              |                      |                      |
|------------------------------|----------------------|----------------------|
| Share capital – Note 3       | 9,478,702            | 10,297,367           |
| Contributed surplus – Note 3 | 2,024,263            | 1,830,780            |
| Deficit                      | <u>(3,400,227)</u>   | <u>(3,240,997)</u>   |
|                              | <u>8,102,738</u>     | <u>8,887,150</u>     |
|                              | <u>\$ 10,310,742</u> | <u>\$ 10,320,245</u> |

Commitments – Notes 2 and 3  
Subsequent Events – Note 7

APPROVED BY THE DIRECTORS:

|                                             |          |                                           |          |
|---------------------------------------------|----------|-------------------------------------------|----------|
| <u>“Frank Kamermans”</u><br>Frank Kamermans | Director | <u>“Randolph Kasum”</u><br>Randolph Kasum | Director |
|---------------------------------------------|----------|-------------------------------------------|----------|

SEE ACCOMPANYING NOTES

**MOUNTAIN BOY MINERALS LTD.**  
**INTERIM STATEMENTS OF LOSS AND DEFICIT**  
for the three months ended February 29, 2008 and February, 28 2007  
(Unaudited)

|                                               | <u>2008</u>           | <u>2007</u>           |
|-----------------------------------------------|-----------------------|-----------------------|
| General and administrative expenses           |                       |                       |
| Accounting and audit fees                     | \$ 7,110              | \$ 8,000              |
| Amortization                                  | 7,032                 | 10,109                |
| Consulting fees – Note 4                      | 15,250                | 18,500                |
| Filing fees                                   | 4,722                 | 8,662                 |
| Investor relations                            | 53,098                | 9,000                 |
| Legal fees                                    | 16,133                | 8,300                 |
| Management fees – Note 4                      | 15,000                | 15,000                |
| Office and miscellaneous                      | 5,752                 | 17,568                |
| Promotion and trade shows                     | 2,915                 | 28,488                |
| Repairs and maintenance                       | 759                   | 38,690                |
| Stock-based compensation                      | 193,483               | 217,639               |
| Telephone                                     | 3,708                 | 5,615                 |
| Transfer agent fees                           | <u>1,597</u>          | <u>1,925</u>          |
| Loss before other items                       | (326,559)             | (387,496)             |
| Other items                                   |                       |                       |
| Other income – Note 4                         | 238,510               | -                     |
| Other expenses                                | (86,731)              | -                     |
| Gain on disposal of mineral properties        | -                     | 195,667               |
| Gain in fair value of marketable securities   | 4,242                 | -                     |
| Interest income – Note 4                      | <u>11,308</u>         | <u>1,131</u>          |
|                                               | <u>167,329</u>        | <u>196,798</u>        |
| Net loss for the period                       | (159,230)             | (190,698)             |
| Deficit, beginning of the period              | <u>(3,240,997)</u>    | <u>(2,203,598)</u>    |
| Deficit, end of the period                    | <u>\$ (3,400,227)</u> | <u>\$ (2,394,296)</u> |
| Basic and diluted loss per share              | <u>\$ (0.00)</u>      | <u>\$ (0.01)</u>      |
| Weighted average number of shares outstanding | <u>32,730,674</u>     | <u>24,665,803</u>     |

SEE ACCOMPANYING NOTES

**MOUNTAIN BOY MINERALS LTD.**  
**INTERIM STATEMENTS OF CASH FLOWS**  
for the three months ended February 29, 2008 and February 28, 2007  
(Unaudited)

|                                                         | <u>2008</u>       | <u>2007</u>         |
|---------------------------------------------------------|-------------------|---------------------|
| <b>Operating Activities</b>                             |                   |                     |
| Net loss for the period                                 | \$ (159,230)      | \$ (190,698)        |
| Add (deduct) items not affecting cash:                  |                   |                     |
| Amortization                                            | 7,032             | 10,109              |
| Stock-based compensation                                | 193,483           | 217,639             |
| Gain on disposal of mineral properties                  | -                 | (195,667)           |
| Gain in fair value of marketable securities             | <u>(4,242)</u>    | <u>-</u>            |
|                                                         | 37,043            | (158,617)           |
| Changes in working capital items related to operations: |                   |                     |
| Accrued interest receivable                             | (7,559)           | 6,640               |
| GST recoverable                                         | 146,126           | 12,517              |
| Due from a related company                              | (4,185)           | -                   |
| Prepaid expenses                                        | (15,584)          | (3,000)             |
| Accounts payable and accrued liabilities                | (117,314)         | (49,685)            |
| Due to a related company                                | <u>61,558</u>     | <u>-</u>            |
|                                                         | <u>100,085</u>    | <u>(192,145)</u>    |
| <b>Financing Activity</b>                               |                   |                     |
| Issuance of shares for cash                             | <u>12,000</u>     | <u>188,702</u>      |
| <b>Investing Activities</b>                             |                   |                     |
| Mineral property costs                                  | (230,522)         | (75,799)            |
| Proceeds on disposal of mineral property                | <u>-</u>          | <u>25,000</u>       |
|                                                         | <u>(230,522)</u>  | <u>(50,799)</u>     |
| Decrease in cash during the period                      | (118,437)         | (54,242)            |
| Cash and cash equivalents, beginning of the period      | <u>1,032,369</u>  | <u>1,306,124</u>    |
| Cash and cash equivalents, end of the period            | <u>\$ 913,932</u> | <u>\$ 1,251,882</u> |
| Cash and cash equivalents consist of:                   |                   |                     |
| Cash                                                    | \$ 113,932        | \$ 1,051,882        |
| Guaranteed investment certificates                      | <u>800,000</u>    | <u>200,000</u>      |
|                                                         | <u>\$ 913,932</u> | <u>\$ 1,251,882</u> |

Non-cash Transactions – Note 5

SEE ACCOMPANYING NOTES

**MOUNTAIN BOY MINERALS LTD.**  
**SCHEDULE OF MINERAL PROPERTIES**  
for the three months ended February 29, 2008  
(Unaudited)

|                                              | Barbara             | Iceberg<br>Melt<br>Freeze<br>Redcliff | MB                  | Silver<br>Coin<br>Kansas/Indi | Other<br>Properties | Total               |
|----------------------------------------------|---------------------|---------------------------------------|---------------------|-------------------------------|---------------------|---------------------|
| Property acquisition costs                   |                     |                                       |                     |                               |                     |                     |
| Balance, November 30, 2007                   | \$ 403,940          | \$ 682,775                            | \$ 920,547          | \$ 80,124                     | \$ 337,096          | \$ 2,424,482        |
| Cash                                         | -                   | -                                     | -                   | -                             | -                   | -                   |
| Common shares                                | -                   | -                                     | -                   | -                             | -                   | -                   |
| Staking                                      | -                   | -                                     | -                   | -                             | -                   | -                   |
| Less: cost of mineral properties disposed of | -                   | -                                     | -                   | -                             | -                   | -                   |
| Less: write down of mineral properties       | -                   | -                                     | -                   | -                             | -                   | -                   |
|                                              | <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>    |
| Balance, February 29, 2008                   | <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, 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>    |
| Amortization                                 | 8,631               | 2,877                                 | -                   | -                             | -                   | 11,508              |
| Assaying                                     | 9,523               | 1,272                                 | -                   | 2,426                         | -                   | 13,221              |
| Drilling                                     | 30,408              | 8,460                                 | 9,802               | 27,492                        | -                   | 93,932              |
| General and administration                   | 5,573               | 776                                   | 776                 | 150                           | -                   | 7,275               |
| Geological – Note 4                          | 20,711              | 8,289                                 | 2,375               | 4,135                         | -                   | 27,010              |
| Helicopter                                   | -                   | -                                     | -                   | -                             | -                   | -                   |
| Labour                                       | 7,438               | 2,724                                 | 2,336               | -                             | -                   | 12,498              |
| Road clearing                                | -                   | 4,620                                 | -                   | -                             | -                   | 4,620               |
| Supplies and miscellaneous – Note 4          | 31,959              | 23,675                                | 15,993              | 3,741                         | -                   | 66,098              |
| Trucking                                     | 2,665               | 1,842                                 | 1,361               | -                             | -                   | 5,868               |
| Less: optionee reimbursements                | -                   | -                                     | -                   | -                             | -                   | -                   |
|                                              | <u>116,908</u>      | <u>54,535</u>                         | <u>32,643</u>       | <u>37,944</u>                 | <u>-</u>            | <u>242,030</u>      |
| Balance, February 29, 2008                   | <u>1,455,066</u>    | <u>1,536,882</u>                      | <u>762,471</u>      | <u>2,399,206</u>              | <u>191,620</u>      | <u>6,345,245</u>    |
|                                              | <u>\$ 1,859,006</u> | <u>\$ 2,219,657</u>                   | <u>\$ 1,683,018</u> | <u>\$ 2,479,330</u>           | <u>\$ 528,716</u>   | <u>\$ 8,769,727</u> |

SEE ACCOMPANYING NOTES

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

|                                              | <u>Barbara</u>      | Iceberg<br>Melt<br>Freeze<br><u>Redcliff</u> | <u>MB</u>           | Silver<br>Coin<br><u>Kansas/Indi</u> | Other<br><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              |
| Common shares                                | 357,000             | 647,500                                      | -                   | 21,000                               | 144,100                    | 1,169,600           |
| Staking                                      | -                   | 10,275                                       | 2,871               | -                                    | 1,338                      | 14,484              |
| Less: cost of mineral properties disposed of | -                   | -                                            | -                   | -                                    | (33,333)                   | (33,333)            |
| Reclassify FR to other properties            | -                   | -                                            | -                   | (25,450)                             | 25,450                     | -                   |
| Less: write down of mineral 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                   | 9,300               | 18,300                                       | 9,000               | 8,031                                | -                          | 44,631              |
| Geological – Note 4                          | 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 4          | 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 INTERIM FINANCIAL STATEMENTS  
February 29, 2008  
(Unaudited)

Note 1 Interim Reporting

While the information presented in the accompanying interim financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company's audited November 30, 2007 annual financial statements. These interim financial statements follow the same accounting policies and methods of their application as the Company's audited November 30, 2007 annual financial statements.

Note 2 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.

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. 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.

Note 2      Mineral Properties – (cont'd)

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. 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 was reclassified with Other Properties.

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.

Note 2 Mineral Properties – (cont'd)

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. 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 and 120,000 common shares of the purchaser. These shares were valued at \$204,000. 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.

By an agreement dated February 28, 2008, the Company entered into an option agreement to sell an undivided 75% interest in FDR and Ben Ali claims for the following consideration:

- a) Optionee completes an exploration program on the claims in amount of \$400,000 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 3 Share Capital and Contributed Surplus – Note 7

Authorized:

Unlimited number of common shares without par value

Issued:

|                                                                         | <u>Share Capital</u> |                     | <u>Contributed Surplus</u> |
|-------------------------------------------------------------------------|----------------------|---------------------|----------------------------|
|                                                                         | <u>Number</u>        | <u>Amount</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                                              | 32,699,026           | 10,297,367          | 1,830,780                  |
| For cash:                                                               |                      |                     |                            |
| Pursuant to exercise of share purchase options                          |                      |                     |                            |
| - at \$0.10                                                             | 120,000              | 12,000              | -                          |
| Stock-based compensation expense                                        | -                    | -                   | 193,483                    |
| Less: renunciation of flow-through shares                               | -                    | (830,665)           | -                          |
| Balance, February 29, 2008                                              | <u>32,819,026</u>    | <u>\$ 9,478,702</u> | <u>\$ 2,024,263</u>        |

Note 3 Share Capital and Contributed Surplus – Note 7 – (cont'd)

Issued: – (cont'd)

During the year ended November 30, 2007, the Company issued 5,632,667 units at prices of \$0.60 - 0.65 per unit for total proceeds of \$3,394,550 pursuant to private placements. Each unit consisted of one flow-through common share and one share purchase warrant exercisable into an additional common share at \$0.70 - \$0.85 per share. All of the proceeds received were allocated to share capital and no value was allocated to the share purchase warrants.

During the year ended November 30, 2007, the Company also issued 500,000 units at \$0.50 per unit for total proceeds of \$250,000 pursuant to a private placement. Each unit consisted of one common share and one share purchase warrant exercisable into an additional common share at \$0.60 per share. All of the proceeds were allocated to share capital and no value was allocated to the share purchase warrants.

Total share issue costs of \$278,899 were incurred on these private placements.

Commitments:

Share Purchase Warrants:

A summary of share purchase warrant activity during the year ended November 30, 2007 is presented below:

|                                    | <u>2007</u>       |                                                    |
|------------------------------------|-------------------|----------------------------------------------------|
|                                    | <u>Number</u>     | <u>Weighted<br/>Average<br/>Exercise<br/>Price</u> |
| Outstanding, beginning of the year | 7,557,730         | \$0.80                                             |
| Issued                             | 6,132,667         | \$0.74                                             |
| Exercised                          | <u>(10,000)</u>   | <u>\$0.75</u>                                      |
| Outstanding, end of the year       | <u>13,680,397</u> | <u>\$0.77</u>                                      |

There was no share purchase warrant activity during the three months ended February 29, 2008.

Note 3 Share Capital and Contributed Surplus – Note 7 – (cont'd)

Commitments: – (cont'd)

Share Purchase Warrants: – (cont'd)

At February 29, 2008, there were 13,680,397 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

| <u>Number</u>     | <u>Exercise Price</u> | <u>Expiry Date</u>      |
|-------------------|-----------------------|-------------------------|
| 153,000           | \$0.80                | March 28, 2008*         |
| 833,332           | \$0.75                | May 19, 2008            |
| 2,478,069         | \$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         |
| 1,667,000         | \$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> |                       |                         |

\*Expired subsequent to February 29, 2008.

Compensation Units:

A summary of compensation unit activity during the year ended November 30, 2007 is presented below:

|                                    | <u>2007</u>      |                                        |
|------------------------------------|------------------|----------------------------------------|
|                                    | <u>Number</u>    | <u>Weighted Average Exercise Price</u> |
| Outstanding, beginning of the year | 739,553          | \$0.52                                 |
| Granted                            | <u>507,927</u>   | <u>\$0.60</u>                          |
| Outstanding, end of the year       | <u>1,247,480</u> | <u>\$0.55</u>                          |

There was no compensation unit activity during the three months ended February 29, 2008.

Note 3 Share Capital and Contributed Surplus – Note 7 – (cont'd)

Commitments: – (cont'd)

Compensation Units: – (cont'd)

During the year ended November 30, 2007, in connection with the private placements, the Company issued 507,927 compensation units. Each compensation unit is exercisable at \$0.60 per unit into one common share and one share purchase warrant. Each share purchase warrant is exercisable into an additional common share at \$0.70 – \$0.85 per share.

The fair value of the compensation units was determined using the Black-Scholes option pricing model with the same assumptions used for stock-based compensation as disclosed below. The fair value of the compensation units of \$163,170 was included in share issue costs at November 30, 2007.

At February 29, 2008, there were 1,247,480 compensation units outstanding as follows:

| <u>Number</u>    | <u>Exercise Price</u> | <u>Expiry Date</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 3 Share Capital and Contributed Surplus – Note 7 – (cont'd)

Commitments: – (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 stock option plan activity for the year ended November 30, 2007 and for the three months ended February 29, 2008 is presented below:

|                                    | Three months ended<br>February 29,<br><u>2008</u> |                                                 | Year ended<br>November 30,<br><u>2007</u> |                                                 |
|------------------------------------|---------------------------------------------------|-------------------------------------------------|-------------------------------------------|-------------------------------------------------|
|                                    | <u>Options</u>                                    | Weighted<br>Average<br>Exercise<br><u>Price</u> | <u>Options</u>                            | Weighted<br>Average<br>Exercise<br><u>Price</u> |
| Outstanding, beginning of the year | 4,935,000                                         | \$0.53                                          | 3,371,000                                 | \$0.38                                          |
| Granted                            | 1,850,000                                         | \$0.28                                          | 2,031,000                                 | \$0.69                                          |
| Exercised                          | (120,000)                                         | \$0.10                                          | (467,000)                                 | \$0.18                                          |
| Expired                            | <u>(225,000)</u>                                  | \$0.58                                          | <u>-</u>                                  | -                                               |
| Outstanding, end of the year       | <u>6,440,000</u>                                  | \$0.46                                          | <u>4,935,000</u>                          | \$0.53                                          |
| Exercisable, end of the year       | <u>4,272,125</u>                                  | \$0.48                                          | <u>3,812,625</u>                          | \$0.48                                          |

The weighted average fair value of the share purchase options granted during the year ended November 30, 2007 of \$0.69 was determined using the Black-Scholes option pricing model with the following assumptions:

Note 3 Share Capital and Contributed Surplus – Note 7 – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan

2007

|                         |                |
|-------------------------|----------------|
| Expected dividend yield | 0.0%           |
| Expected volatility     | 72.3% - 119.5% |
| Risk-free interest rate | 2.88% - 3.33%  |
| Expected term in years  | 2 – 5 years    |

The weighted average fair value of the share purchase options granted during the three months ended February 29, 2008 of \$0.17 was determined using the Black-Scholes option pricing model with the following assumptions:

2008

|                         |                 |
|-------------------------|-----------------|
| Expected dividend yield | 0.0%            |
| Expected volatility     | 102.7% - 103.4% |
| Risk-free interest rate | 3.23%           |
| Expected term in years  | 5 years         |

At February 29, 2008, there were 6,440,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

| <u>Number</u>    | <u>Exercise Price</u> | <u>Expiry Date</u>       |
|------------------|-----------------------|--------------------------|
| 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        |
| 270,000          | \$0.79                | March 6, 2012            |
| 1,650,000        | \$0.28                | January 25, 2013         |
| <u>200,000</u>   | <u>\$0.30</u>         | <u>February 26, 2013</u> |
| <u>6,440,000</u> |                       |                          |

Note 4 Related Party Transactions

The Company incurred the following charges by directors of the Company or by companies with directors in common with the Company during the three months ended February 29, 2008 and February 28, 2007:

|                            | <u>2008</u>      | <u>2007</u>      |
|----------------------------|------------------|------------------|
| Mineral properties         |                  |                  |
| Deferred exploration costs |                  |                  |
| Geological                 | \$ 17,750        | \$ 20,328        |
| Supplies and miscellaneous | 9,270            | -                |
| Consulting fees            | 9,250            | 13,500           |
| Management fees            | <u>15,000</u>    | <u>15,000</u>    |
|                            | <u>\$ 51,270</u> | <u>\$ 48,828</u> |

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

At February 29, 2008, prepaid expenses includes \$5,000 (November 30, 2007: \$5,000) for prepaid management fees and \$9,819 (November 30, 2007: \$8,319) for expense advances to directors of the Company.

At February 29, 2008, accounts payable includes \$Nil (November 30, 2007: \$191,310) due to a public company with a director in common with the Company for exploration costs.

During the three months ended February 29, 2008, other income included \$238,510 of drilling revenue charged to a public company with directors in common with the Company.

During the three months ended February 29, 2008, interest income included \$3,750 charged to a public company with directors in common with the Company.

The amounts due from/to related companies are unsecured, non-interest bearing and have no specific terms of repayment.

Note 5 Non-Cash Transactions

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

During the three months ended February 29, 2008:

- a) The Company capitalized amortization on drilling and mining equipment of \$11,508 to mineral properties.
- b) The Company renounced exploration expenditures valued at \$830,665 to investors and recorded a charge to share capital and a future income tax liability.

During the three months ended February 28, 2007:

- a) The Company received 120,000 common shares pursuant to the sale of a mineral property valued at \$204,000.

Note 6 Marketable Securities

Marketable securities are classified as held for trading and accordingly are valued at their fair values at period end (as determined by quoted market prices). Changes in the fair values of held for trading financial assets are recognized in net earnings.

As at February 29, 2008, marketable securities were acquired at a cost of \$105,104 (November 30, 2007: \$104,576).

Note 7 Subsequent Events

- a) The Company has agreed to re-price 2,745,000 share purchase options outstanding at February 29, 2008 exercisable at prices between \$0.33 and \$0.79 per share to a price of \$0.25 per share. The re-pricing is subject to disinterested shareholder approval which will be sought at the Company's annual general meeting.