

MOUNTAIN BOY MINERALS LTD.

INTERIM FINANCIAL STATEMENTS

May 31, 2008

(Unaudited – Prepared by Management)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

MOUNTAIN BOY MINERALS LTD.
INTERIM BALANCE SHEETS
 May 31, 2008 and November 30, 2007
 (Unaudited – Prepared by Management)

	<u>ASSETS</u>	May 31, <u>2008</u>	November 30, <u>2007</u>
Current			
Cash and cash equivalents		\$ 482,762	\$ 1,032,369
Accrued interest receivable		592	2,182
GST recoverable		-	146,126
Marketable securities – Note 6		89,112	95,421
Due from a related company – Note 4		154,293	150,108
Prepaid expenses – Note 4		<u>107,502</u>	<u>13,819</u>
		834,261	1,440,025
Reclamation deposits		60,039	46,539
Property and equipment		418,870	305,984
Mineral properties – Schedule 1 and Notes 2 and 4		<u>9,008,834</u>	<u>8,527,697</u>
		<u>\$ 10,322,004</u>	<u>\$ 10,320,245</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities – Note 4		\$ 174,616	\$ 323,095
Future income tax liability		<u>1,940,665</u>	<u>1,110,000</u>
		<u>2,115,281</u>	<u>1,433,095</u>

SHAREHOLDERS' EQUITY

Share capital – Note 3		9,478,702	10,297,367
Contributed surplus – Note 3		2,286,720	1,830,780
Deficit		<u>(3,558,699)</u>	<u>(3,240,997)</u>
		<u>8,206,723</u>	<u>8,887,150</u>
		<u>\$ 10,322,004</u>	<u>\$ 10,320,245</u>

Commitments – Notes 2 and 3
 Subsequent Event – Note 7

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.
INTERIM STATEMENTS OF LOSS AND DEFICIT
for the three and six months ended May 31, 2008 and 2007
(Unaudited – Prepared by Management)

	Three months ended May 31,		Six months ended May 31,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General and administrative expenses				
Accounting and audit fees	\$ 4,650	\$ 24,024	\$ 11,760	\$ 32,024
Amortization	10,081	12,209	17,113	22,318
Consulting fees – Note 4	525	18,600	15,775	37,100
Filing fees	8,078	10,758	12,800	19,420
Investor relations	10,314	9,000	63,412	18,000
Legal fees	21,807	15,739	37,940	24,039
Management fees – Note 4	15,000	15,000	30,000	30,000
Office and miscellaneous	5,836	16,899	11,588	33,940
Promotion and trade shows	13,174	15,004	16,089	43,492
Property investigations	14,710	-	14,710	-
Repairs and maintenance	10,759	10,138	11,518	48,828
Stock-based compensation	252,777	165,077	446,260	382,716
Telephone	3,277	2,559	6,985	8,174
Transfer agent fees	<u>2,816</u>	<u>2,262</u>	<u>4,413</u>	<u>4,187</u>
Loss before other items	(373,804)	(317,269)	(700,363)	(704,238)
Other items				
Drilling income	581,662	20,275	820,172	20,275
Drilling expenses	(362,560)	-	(449,291)	-
Gain on disposal of mineral property	-	-	-	195,667
Loss on marketable securities	(10,551)	(78,000)	(6,309)	(78,000)
Interest income	<u>6,781</u>	<u>9,224</u>	<u>18,089</u>	<u>9,828</u>
Net loss for the period	(158,472)	(365,770)	(317,702)	(556,468)
Deficit, beginning of the period	<u>(3,400,227)</u>	<u>(2,394,296)</u>	<u>(3,240,997)</u>	<u>(2,203,598)</u>
Deficit, end of the period	\$ <u>(3,558,699)</u>	\$ <u>(2,760,066)</u>	\$ <u>(3,558,699)</u>	\$ <u>(2,760,066)</u>
Basic and diluted loss per share	\$ <u>(0.00)</u>	\$ <u>(0.01)</u>	\$ <u>(0.01)</u>	\$ <u>(0.02)</u>
Weighted average number of shares outstanding	<u>32,819,026</u>	<u>16,674,505</u>	<u>32,775,092</u>	<u>16,454,249</u>

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
INTERIM STATEMENTS OF CASH FLOWS
for the three and six months ended May 31, 2008 and 2007
(Unaudited – Prepared by Management)

	Three months ended May 31,		Six months ended May 31,	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Operating Activities				
Net loss for the period	\$ (158,472)	\$ (365,770)	\$ (317,702)	\$ (556,468)
Add (deduct) items not affecting cash:				
Amortization	10,081	12,209	17,113	22,318
Stock-based compensation	252,777	165,077	446,260	382,716
Gain on disposal of mineral property	-	-	-	(195,140)
Loss on marketable securities	<u>10,551</u>	<u>78,000</u>	<u>6,309</u>	<u>78,000</u>
	114,937	(110,484)	151,980	(268,574)
Changes in non-cash working capital items related to operations:				
Accrued interest receivable	9,149	(5,724)	1,590	916
GST recoverable	-	(14,320)	146,126	(1,803)
Due from a related company	-	(-)	(4,185)	(-)
Prepaid expenses	(78,099)	2,500	(93,683)	(500)
Accounts payable and accrued liabilities	(31,165)	112,873	(148,479)	50,217
Due to a related company	<u>(61,558)</u>	<u>(12,444)</u>	<u>-</u>	<u>-</u>
	<u>(46,736)</u>	<u>(27,599)</u>	<u>53,349</u>	<u>(219,744)</u>
Financing Activity				
Issuance of shares for cash	<u>-</u>	<u>67,172</u>	<u>12,000</u>	<u>255,874</u>
Investing Activities				
Proceeds on disposal of mineral property	-	-	-	25,000
Mineral property costs	(208,809)	(336,503)	(439,331)	(412,302)
Reclamation deposits	(13,500)	(10,001)	(13,500)	(10,001)
Purchase of equipment	<u>(162,125)</u>	<u>(28,000)</u>	<u>(162,125)</u>	<u>(28,000)</u>
	<u>(384,434)</u>	<u>(374,504)</u>	<u>(614,956)</u>	<u>(425,303)</u>
Decrease in cash during the period	(431,170)	(334,931)	(549,607)	(389,173)
Cash and cash equivalents, beginning of period	<u>913,932</u>	<u>1,251,882</u>	<u>1,032,369</u>	<u>1,306,124</u>
Cash and cash equivalents, end of period	<u>\$ 482,762</u>	<u>\$ 916,951</u>	<u>\$ 482,762</u>	<u>\$ 916,951</u>
Cash and cash equivalents consist of:				
Cash	\$ 82,762	\$ 116,951	\$ 82,762	\$ 116,951
Guaranteed investment certificates	<u>400,000</u>	<u>800,000</u>	<u>400,000</u>	<u>800,000</u>
	<u>\$ 482,762</u>	<u>\$ 916,951</u>	<u>\$ 482,762</u>	<u>\$ 916,951</u>

Non-cash Transactions – Note 5

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
SCHEDULE OF MINERAL PROPERTIES
for the six months ended May 31, 2008
(Unaudited – Prepared by Management)

	<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, 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, May 31, 2008						
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	29,249	2,877	-	-	-	32,126
Assaying	9,908	1,272	-	2,426	-	13,606
Drilling	100,979	8,460	9,802	27,492	-	146,733
General and administration – Note 4	9,307	1,631	2,206	150	-	13,294
Geological – Note 4	27,246	11,224	14,991	4,735	-	58,196
Helicopter	510	-	-	-	-	510
Labour	29,819	3,526	3,138	-	-	36,483
Road clearing	-	4,620	-	-	-	4,620
Supplies and miscellaneous – Note 4	93,517	26,536	18,051	3,966	-	142,070
Trucking	30,296	1,842	1,361	-	-	33,499
Less: optionee reimbursements	-	-	-	-	-	-
	<u>330,831</u>	<u>61,988</u>	<u>49,549</u>	<u>38,769</u>	<u>-</u>	<u>481,137</u>
Balance, May 31, 2008	<u>1,668,989</u>	<u>1,544,335</u>	<u>779,377</u>	<u>2,400,031</u>	<u>191,620</u>	<u>6,584,352</u>
Total	<u>\$ 2,072,929</u>	<u>\$ 2,227,110</u>	<u>\$ 1,699,924</u>	<u>\$ 2,480,155</u>	<u>\$ 528,716</u>	<u>\$ 9,008,834</u>

SEE ACCOMPANYING NOTES

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

	<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
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>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 4	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>
Total	<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
May 31, 2008
(Unaudited – Prepared by Management)

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, 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.

Mountain Boy Minerals Ltd.
Notes to the Interim Financial Statements
May 31, 2008
(Unaudited – Prepared by Management) – Page 4

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	-	-	446,260
Stock-based compensation			
Deferred exploration and development costs	-	-	9,680
Less: renunciation of flow-through shares	-	(830,665)	-
Balance, May 31, 2008	<u>32,819,026</u>	<u>\$ 9,478,702</u>	<u>\$ 2,286,720</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>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding, November 30, 2006	7,557,730	\$0.80
Issued	6,132,667	\$0.74
Exercised	<u>(10,000)</u>	<u>\$0.75</u>
Outstanding, November 30, 2007	<u>13,680,397</u>	<u>\$0.77</u>

A summary of share purchase warrant activity during the six months ended May 31, 2008 is presented below:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding, November 30, 2007	13,680,397	\$0.77
Expired	<u>(986,332)</u>	<u>\$0.76</u>
Outstanding, May 31, 2008	<u>12,694,065</u>	<u>\$0.77</u>

Mountain Boy Minerals Ltd.
Notes to the Interim Financial Statements
May 31, 2008
(Unaudited – Prepared by Management) – Page 6

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

Commitments: – (cont'd)

Share Purchase Warrants: – (cont'd)

At May 31, 2008, there were 12,694,065 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>
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>	\$0.70	October 23, 2009
<u>12,694,065</u>		

*Expired subsequent to May 31, 2008.

Compensation Units:

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

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding, November 30, 2006	739,553	\$0.52
Issued	<u>507,927</u>	<u>\$0.60</u>
Outstanding, November 30, 2007	<u>1,247,480</u>	<u>\$0.55</u>

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

Commitments: – (cont'd)

Compensation Units: – (cont'd)

A summary of compensation unit activity during the six months ended May 31, 2008 is presented below:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Outstanding, November 30, 2007	1,247,480	\$0.55
Expired	<u>(83,333)</u>	<u>\$0.50</u>
Outstanding, May 31, 2008	<u>1,164,147</u>	<u>\$0.55</u>

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 May 31, 2008, there were 1,164,147 compensation units outstanding as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
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>1,164,147</u>		

*Expired subsequent to May 31, 2008.

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 six months ended May 31, 2008 is presented below:

	Six months ended May 31, 2008		Year ended November 30, 2007	
	<u>Options</u>	Weighted Average Exercise <u>Price</u>	<u>Options</u>	Weighted Average Exercise <u>Price</u>
Outstanding, beginning of period	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 period	<u>6,440,000</u>	\$0.46	<u>4,935,000</u>	\$0.53
Exercisable, end of period	<u>4,996,125</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

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 six months ended May 31, 2008 of \$0.17 was determined using the Black-Scholes option pricing model with the following assumptions:

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

At May 31, 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	\$0.25	June 25, 2009
100,000	\$0.63	July 5, 2009
250,000	\$0.25	September 3, 2009
300,000	\$0.25	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	\$0.25	September 1, 2010
370,000	\$0.25	March 24, 2011
60,000	\$0.60	April 7, 2011
75,000	\$0.70	October 19, 2011
1,161,000	\$0.25	January 26, 2012
350,000	\$0.67	January 26, 2012
250,000	\$0.69	February 12, 2012
270,000	\$0.25	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 3 Share Capital and Contributed Surplus – Note 7 – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan

On May 22, 2008, the Company received disinterested shareholder approval to re-price 2,745,000 share purchase options outstanding at November 30, 2007 exercisable at prices of between \$0.33 and \$0.79 per share to a price of \$0.25 per share. The re-pricing resulted in a stock based compensation charge of \$123,230.

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 six months ended May 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Mineral properties		
Deferred exploration costs		
General and administration	\$ 2,000	\$ -
Geological	28,550	55,015
Supplies and miscellaneous	14,270	-
Consulting fees	9,775	28,500
Management fees	<u>30,000</u>	<u>30,000</u>
	<u>\$ 84,595</u>	<u>\$ 113,515</u>

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

At May 31, 2008, prepaid expenses includes \$19,000 (November 30, 2007: \$5,000) for prepaid rent and management fees and \$40,844 (November 30, 2007: \$8,319) for expense advances to directors of the Company or to companies with directors in common with the Company.

At May 31, 2008, accounts payable and accrued liabilities 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 six months ended May 31, 2008, drilling income included \$762,338 charged to public companies with directors in common with the Company.

During the six months ended May 31, 2008, interest income included \$3,750 charged to a public company with directors in common with the Company.

The amount due from a related company is unsecured, non-interest bearing and has 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 six months ended May 31, 2008:

- a) The Company capitalized amortization on drilling and mining equipment of \$32,126 to mineral properties.
- b) The Company capitalized stock based compensation of \$9,680 to mineral properties.
- c) 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 six months ended May 31, 2007:

- a) The Company received 120,000 common shares pursuant to the sale of a mineral property valued at \$204,000.
- b) The Company issued 850,000 common shares valued at \$647,500 pursuant to the acquisition of mineral properties.

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 May 31, 2008, marketable securities were acquired at a cost of \$105,454 (November 30, 2007: \$104,576).

Note 7 Subsequent Event

On July 28, 2008, the Company announced a non-brokered private placement of 1,000,000 units at \$0.20 per unit. Each unit will contain one common share and one share purchase warrant entitling the holder thereof the right to purchase an additional common share at \$0.30 for two years. This private placement is subject to regulatory approval.