MANTLE RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2007 and 2006

DAVIDSON & COMPANY LLP Chartered Accountants A Partnership of Incorporated Professionals

AUDITORS' REPORT

To the Shareholders of
Mantle Resources Inc.

We have audited the balance sheets of Mantle Resources Inc. as at June 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 June 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.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada Chartered Accountants

October 5, 2007

A Member of ***SC INTERNATIONAL***

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MANTLE RESOURCES INC.

CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30

		2007		2006
ASSETS				
Current				
Cash and cash equivalents	**$**	**9,148,681**	$	4,920,537
Deposits held in trust		**13,000**		–
Receivables		**340,794**		228,089
Prepaid expenses		**711,362**		–
Marketable securities (Note 3)		**–**		576,873
		10,213,837		5,725,499
Other Assets (Note 5)		**25,000**		25,000
Equipment and leasehold improvements (Note 6)		**8,958**		10,244
Resource properties (Note 7)		**30,316,332**		2,659,424
	$	**40,564,127**	$	8,420,167
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	**$**	**1,439,367**	$	463,236
Shareholders' equity				
Capital stock (Note 8)		**47,072,442**		16,507,981
Contributed Surplus (Note 8)		**3,601,781**		1,578,837
Deficit		**(11,549,463)**		(10,129,887)
		39,124,760		7,956,931
	$	**40,564,127**	$	8,420,167

Nature and continuation of operations (Note 1)
Subsequent events (Note 14)

On behalf of the Board:

"Peeyush Varshney", Director

"John Fraser", Director

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

MANTLE RESOURCES INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE YEARS ENDED JUNE 30

		2007		2006
ADMINISTRATION EXPENSES				
Administration	**$**	**35,000**	$	19,500
Amortization		**2,865**		2,662
Consulting		**138,476**		144,971
Flow through taxes		**31,957**		–
Interest and bank charges		**3,311**		1,713
Investor relations		**226,780**		–
Management fees		**105,400**		72,500
Office and miscellaneous		**69,360**		31,666
Professional fees		**114,074**		54,796
Regulatory fees		**18,561**		38,971
Rent		**28,320**		17,664
Stock-based compensation		**2,028,894**		1,591,162
Termination fees		**300,000**		–
Transfer agent fees		**19,417**		12,656
Travel and promotion		**118,660**		89,326
Wages and benefits		**53,903**		29,881
Loss before other items		**(3,294,978)**		(2,107,468)
OTHER ITEMS				
Interest income		**231,342**		85,039
Gain on sale of marketable securities		**12,168**		2,917
Loss on sale of capital asset		**(12,873)**		–
Write-off of capital assets		**(1,485)**		–
Write-off of resource properties (Note 7)		**–**		(73,124)
Write-off of marketable securities		**–**		(323,400)
		229,152		(308,568)
Loss before income tax		**(3,065,826)**		(2,416,036)
Future income tax recovery (Note 9)		**1,646,250**		296,218
Loss for the year		**(1,419,576)**		(2,119,818)
Deficit, beginning of year		**(10,129,887)**		(8,010,069)
Deficit, end of year	**$**	**(11,549,463)**	$	(10,129,887)
Basic and diluted loss per share	**$**	**(0.03)**	$	(0.11)
Weighted average number of shares outstanding		**40,896,007**		19,427,266

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

MANTLE RESOURCES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30

		2007		2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	**$**	**(1,419,576)**	$	(2,119,818)
Items not affecting cash:				
Amortization		**2,865**		2,662
Gain on sale of marketable securities		**(12,168)**		(2,917)
Loss on sale of asset		**12,873**		–
Stock-based compensation		**2,028,894**		1,591,162
Write-off of fixed assets		**1,485**		–
Write-off of resource properties		**3,000**		73,124
Write-off (recovery) of marketable securities		**(1,146)**		323,400
Future income tax recovery		**(1,646,250)**		(296,218)
Changes in non-cash working capital items:				
(Increase) decrease in receivables		**52,567**		(195,029)
(Increase) decrease in prepaid expenses		**(258,526)**		3,741
Increase in deposits held in trust		**(13,000)**		–
Increase in accounts payable and accrued liabilities		**80,220**		6,973
Cash used in operating activities		**(1,168,762)**		(612,920)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds on sale of marketable securities		**79,280**		9,321
Proceeds on sale of capital assets		**17,100**		–
Purchase of marketable securities		**–**		(900,272)
Purchase of equipment		**(1,578)**		(4,698)
Cash acquired upon take-over of Ecstall		**491,916**		–
Other assets		**–**		(25,000)
Resource property costs		**(3,762,158)**		(2,311,786)
Cash used in investing activities		**(3,175,440)**		(3,232,435)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of capital stock, net of issuance costs		**8,572,346**		8,482,463
Cash provided by financing activities		**8,572,346**		8,482,463
Increase in cash and cash equivalents during the year		**4,228,144**		4,637,108
Cash and cash equivalents, beginning of year		**4,920,537**		283,429
Cash and cash equivalents, end of year	**$**	**9,148,681**	$	4,920,537
Cash and cash equivalents				
Cash	**$**	**3,937,427**	$	420,537
Guaranteed Investment Certificate	**$**	**5,211,254**	$	4,500,000

Supplemental disclosure with respect to cash flows (Note 10)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Mantle Resources Inc. (the "Company") is incorporated under the laws of the Province of British Columbia. The Company operates in one business segment, that being the exploration and development of mineral properties in Canada, and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development and upon future profitable production.

These consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

June 30,		**2007**		2006
Working capital	**$**	**8,774,470**	$	5,262,263
Deficit		**(11,549,463)**		(10,129,887)

Effective August 9, 2005, the Company changed its name from Mantle Minerals Inc. to Mantle Resources Inc. and consolidated its share capital on the basis of two old shares to one new share. All share and per share information contained in these financial statements reflect the post-consolidated share numbers.

On February 23, 2007, the Company acquired 96% of the issued and outstanding capital stock of Ecstall Mining Corp ("Ecstall"), a company engaged in the exploration and development of mineral properties. Subsequent to year end, the Company acquired the remaining 4% of the issued and outstanding capital stock of Ecstall, increasing the Company's ownership interest to 100%.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

(b) Equipment and leasehold improvements

Equipment is amortized over their estimated useful lives using the declining-balance method at the following annual rates:

Computer equipment	30%
Furniture, fixtures and office equipment	20%

Leasehold improvements are amortized over the term of the lease using the straight-line method.

In the year of acquisition, one-half of the annual amortization is recorded.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(c) Cash and cash equivalents

The Company considers cash and cash equivalents to include cash on deposit and highly liquid short-term interest bearing variable rate Guaranteed Investment Certificates. Interest earned is recognized immediately in operations.

(d) Marketable securities

Marketable securities are recorded at the lower of cost or market value.

(e) Resource properties

Costs related to the acquisition, exploration and development of mineral properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, the property is written down to its net realizable value.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependant upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

(f) Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not have any significant asset retirement obligations for the years presented.

(g) Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

Effective March 19, 2004, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants requires that, when flow-through expenditures are renounced, a portion of the future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, be recognized as recovery of income taxes in the statement of operations.

(h) Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock using the Black-Scholes option pricing model. Any consideration paid on the exercise of stock options is credited to capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

(i) Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year and does not include outstanding options and warrants.

(j) Income taxes

Income taxes are accounted for using the asset and liability method. Under this method of tax allocation, future tax assets and liabilities are determined based on differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases ("temporary differences") and losses carried forward. Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

(k) Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. MARKETABLE SECURITIES

The Company held common shares of a publicly listed company. The quoted market value of the marketable securities as of June 30, 2007 was $nil (2006 – $576,873) as the Company did not have any marketable securities as on that date.

4. ACQUISITION OF ECSTALL MINING CORPORATION

Effective February 23, 2007, the Company acquired 96% of the issued and outstanding share capital of Ecstall, a junior exploration company, pursuant to its take-over bid made December 22, 2006. The Company acquired an aggregate of 53,533,615 common shares of Ecstall. Pursuant to the Offer, the Company issued to those shareholders who had tendered, 0.41 of one share of the Company for each Ecstall share tendered.

As consideration, the Company issued, 21,948,782 common shares valued at $24,143,660. The acquisition of Ecstall has been accounted for using the purchase method and accordingly, these consolidated financial statements include the results of operations of Ecstall from the date of acquisition.

4. ACQUISITION OF ECSTALL MINING CORPORATION (cont'd…)

The total purchase price of $24,143,660 was allocated as follows:

Cash	$	491,916
Receivables		165,272
Prepaid expenses and deposits		452,836
Equipment		31,459
Resource properties		23,056,144
Accounts payable and accrued liabilities		(53,967)
	$	24,143,660

5. OTHER ASSETS

Other assets comprise a reclamation bond of $25,000 (2006 – $25,000) posted with the Government of British Columbia.

6. EQUIPMENT AND LEASEHOLD IMPROVEMENTS

	2007			2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computers	$ 9,083	$ 4,387	$ 4,696	$ 8,316	$ 2,538	$ 5,778
Equipment and furniture	4,026	1,236	2,790	3,214	640	2,574
Leasehold improvements	2,522	1,050	1,472	2,522	630	1,892
	$ 15,631	$ 6,673	$ 8,958	$ 14,052	$ 3,808	$ 10,244

7. RESOURCE PROPERTIES

Summary of expenditure incurred on various properties during the year ended June 30, 2007

	Akie Property	**Armstrong Brook Gold**	**DA**	**Kechika Regional**	**Mt Alcock**	**West Range**	**Total**
Acquisition Costs:							
Balance June 30, 2005	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Additions	160,688	65,367	7,757	–	–	10,000	243,812
Written-off	–	(65,367)	(7,757)	–	–	–	(73,124)
Balance June 30, 2006	160,688	–	–	–	–	10,000	170,688
Additions	23,720,648	–	70,930	163,661	136,778	–	24,092,017
Balance June 30, 2007	$ 23,881,336	$ –	$ 70,930	$ 163,661	$ 136,778	$ 10,000	$ 24,262,705

7. RESOURCE PROPERTIES (cont'd…)

Summary of expenditure incurred on various properties during the year ended June 30, 2007 (cont'd…)

	Akie Property	Armstrong Brook Gold	DA	Kechika Regional	Mt Alcock	West Range	Total
Deferred Exploration Costs:							
Balance June 30, 2005	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Additions							
Geological Consulting	19,204	–	–	–	–	–	19,204
Drilling	2,494,532	–	–	–	–	–	2,494,532
Balance June 30, 2006	2,513,736	–	–	–	–	–	2,513,736
Additions							
Geological Consulting	57,324	–	–	672	1,352	–	59,348
Drilling	3,428,634	–	–	–	1,185	–	3,429,819
Environmental studies	50,724	–	–	–	–	–	50,724
Balance June 30, 2007	$ 6,050,418	$ –	$ –	$ 672	$ 2,537	$ –	$ 6,053,627
June 30, 2007	**$ 29,931,754**	**$ –**	**$ 70,930**	**$ 164,333**	**$ 139,315**	**$ 10,000**	**$ 30,316,332**

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

DA Property, Northwest Territories

The Company holds an 8.2% interest, subject to a 5% gross overriding royalty ("GOR") on diamonds, a 5% net smelter returns ("NSR") royalty on other minerals, and a 10% net profits interest ("NPI"), in certain mineral claims located in the Northwest Territories.

Armstrong Brook Gold Property, New Brunswick

The Company had an option to earn a 65% interest in Armstrong Brook Gold Property, which was written off in fiscal 2006.

Akie Property, British Columbia

The Company owns a 100% interest in the Akie property, which resulted from Company expenditures and the acquisition of Ecstall (Note 4).

Mt Alcock Property, British Columbia

The Company owns a 100% interest subject to a 10% NSR, in the Mt Alcock property. The Company paid $75,000 and issued 100,000 shares on October 20, 2006 and issued 100,000 shares on July 6, 2007.

West Range Property, British Columbia

The Company owns a 100% interest in the West Range property which was earned by making a $10,000 payment.

7. RESOURCE PROPERTIES (cont'd…)

Kechika Regional, British Columbia

On March 28, 2007, the Company entered into an agreement pursuant to which the Company will have an option to earn an initial 60% interest in Megastar Development Corp. ("Megastar") SEDEX zinc properties located in Northeastern British Columbia. The Company will be the operator and can earn a 60% interest in Megastar's properties as follows:

(i) Payment to Megastar of $50,000 and the issuance of 50,000 shares of the Company upon signing a definitive agreement (paid and issued);
(ii) The issuance of 50,000 shares of the Company nine months from signing a definitive agreement;
(iii) Payment to Megastar of $100,000 and the issuance of 25,000 shares of the Company on or before the first anniversary of the signing of the definitive agreement; and
(iv) Spending $2.25 million in exploration and development over a three-year period.

Upon earning a 60% interest, the Company can increase its interest to 80% by spending an additional $1 million on the properties. The Company can then earn a further 10% (cumulative 90%) by completing a preliminary feasibility study.

During the year ended June 30, 2007, the Company acquired the following properties pursuant to the acquisition of Ecstall Mining Corporation.
(Note 4)

- Kechika South Properties, Omineca Mining Division. The Company owns a 100% interest in two properties,
- Kechika North Properties, Liard Mining Division. The Company owns 100% interest in three properties of which, certain claims are subject to a 0.5% net smelter royalty.

8. CAPITAL STOCK

(a) Authorized and issued

	Number of Shares		Amount		Contributed Surplus
Authorized					
Unlimited common shares without par value					
Issued					
As at June 30, 2005	11,705,102	$	8,237,411	$	–
Resource properties	300,000		72,000		–
Exercise of warrants	4,455,033		974,157		–
Exercise of options	72,500		26,825		(12,325)
Private placements	9,837,500		7,905,000		–
Commission on private placement	108,727		135,909		–
Share issuance costs	–		(547,103)		–
Stock-based compensation	–		–		1,591,162
Tax benefit renounced to flow-through share subscribers	–		(296,218)		–

8. CAPITAL STOCK (cont'd…)

(a) Authorized and issued (cont'd…)

	Number of Shares		Amount	Contributed Surplus
As at June 30, 2006	26,478,862		16,507,981	1,578,837
Exercise of options (iii)	35,000		12,950	(5,950)
Exercise of warrants (ii)	7,403,679		2,351,616	–
Acquisition of property (iv, v, vi)	170,000		135,300	–
Private placement (i, vii)	7,185,000		6,899,300	–
Ecstall take-over bid (viii)	21,948,782		24,143,660	–
Share issuance costs	–		(685,569)	–
Stock-based compensation	–		–	2,028,894
Tax benefit renounced to Flow-through share subscribers	–		(1,646,250)	–
As at June 30, 2007	63,221,323	$	47,718,988	$ 3,601,781
Less: treasury shares (viii)	(919,220)		(646,546)	–
	62,302,103	$	47,072,442	$ 3,601,781

During the year ended June 30, 2007:

(i) the Company completed a non-brokered private placement on April 10, 2007 of 3,500,000 units at a price of $1.15 per unit for gross proceeds of $4,025,000. Each unit consists of one common share and one-half share purchase warrant of the Company. Each whole warrant is exercisable at a price of $1.75 until April 10, 2009.

An aggregate of $70,725 was paid as finders' fees and another $23,465 was paid in regulatory costs on this private placement.

(ii) an aggregate of 7,403,679 warrants were exercised at a price ranging from $0.20 per share to $1.10 per share and a total of 7,403,679 common shares were issued for total proceeds of $2,351,616.

(iii) 35,000 options were exercised at $0.20 per share. In addition, a reallocation of $5,950 from contributed surplus to share capital was recorded on the exercise of these options.

(iv) 100,000 shares were issued at a value of $0.55 per share towards the acquisition of the Mt Alcock Property.

(v) 50,000 shares were issued at a value of $1.07 per share towards an agreement with Megastar Development Corp.

(vi) 20,000 shares were issued at a value of $1.34 per share towards an agreement with Dwayne Edward Kress.

(vii) the Company entered into a financing arrangement with Lundin Mining Corp. ("Lundin"), pursuant to which Lundin subscribed, by way of a non-brokered private placement, for 3,685,000 units of the Company at a price of $0.78 per unit for gross proceeds of $2,874,300. Each unit consists of one common share and one common share purchase warrant. Each warrant shall entitle the purchaser to purchase, at any time within 24 months from closing, one common share of the Company at a price of $0.78.

8. CAPITAL STOCK (cont'd…)

(a) Authorized and issued (cont'd…)

(viii) pursuant to the Company's take-over bid, as described in Note 4, the Company issued a total of 21,948,782 common shares of the Company at a value of $24,143,660. The Company incurred $567,020 in share issuance costs in relation to the take-over bid.

As a result of the acquisition of Ecstall, common shares of Ecstall previously owned by the Company were converted into 919,220 common shares of the Company and have been recorded as treasury shares.

The Company paid $24,360 in filing and regulatory costs for various share issuances during the year.

During the year ended June 30, 2006, the Company completed the following private placements:

(i) A non-brokered private placement of 2,000,000 flow-through units and 937,500 non-flow-through units at a price of $0.40 per unit for total gross proceeds of $1,175,000. Each of the flow-through and non-flow-through units consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase an additional share for a period of one year at a price of $0.50 per share.

An aggregate of $55,000 was paid as finders' fees on this private placement.

(ii) A non-brokered private placement of 2,500,000 flow-through units at a price of $0.80 per unit for gross proceeds of $2,000,000 and 1,400,000 non-flow-through units at a price of $0.70 per unit for gross proceeds of $980,000. Each of the flow-through and non-flow-through units consisted of one common share and one-half non-flow-through share purchase warrant. Each flow-through whole warrant entitles the holder to purchase an additional share at a price of $1.00 per share and each non-flow-through whole warrant entitles the holder to purchase an additional share at a price of $0.90 per share, all expiring December 23, 2007.

An aggregate of $193,334 was paid as finders' fees on this private placement. In addition, an aggregate of 150,105 agents' warrants were issued at an exercise price of $0.85 per share for a two year period.

(iii) A brokered private placement of 3,000,000 flow-through units at a price of $1.25 per unit for total gross proceeds of $3,750,000. Each of the flow-through units consisted of one common share and one-half non-flow-through share purchase warrant. Each whole warrant entitles the holder to purchase an additional share for a period of one year at a price of $1.50 per share.

The Company paid to the agent a commission of $51,591 and issued 108,727 non flow through units of the Company to the agent, which have the same terms as the private placement. In addition, the Company granted the agent 210,000 agent's options exercisable at $1.35 per share expiring February 23, 2007.

The Company also incurred an additional $111,269 in share issuance costs in relation to the above private placements.

During the year ended June 30, 2006, 4,455,033 warrants were exercised comprising of 4,179,033 at a price of $0.20 per share, 275,000 at a price of $0.50 per share and 1,000 agent's warrants at a price of $0.85. A total of 4,455,033 common shares were issued for proceeds of $ 974,157.

During the year ended June 30, 2006, 72,500 options were exercised at $0.20 per share and 72,500 common shares were issued for gross proceeds of $14,500. In addition, a reallocation of $12,325 from contributed surplus to share capital was recorded on the exercise of these options.

8. CAPITAL STOCK (cont'd…)

(b) Stock options

The Company maintains a 10% rolling stock option plan whereby the number of shares allotted and reserved for future issuances under the plan will be equal to 10% of the issued and outstanding shares of the Company on a "rolling" basis. The term of any options granted under the Plan is fixed by the Board of Directors and may not exceed ten years from date of grant.

The number of options granted to a consultant in a 12 month period must not exceed 2% of the issued shares of the Issuer from the date of grant. Options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than 1/4 of the options vesting in any three month period.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Balance June 30, 2005	15,625	$	0.20
Expired	(15,625)		(0.20)
Granted	2,675,000		0.69
Exercised	(72,500)		(0.20)
Balance June 30, 2006	2,602,500		0.70
Granted	2,105,000		1.07
Cancelled / Expired	(635,000)		(0.94)
Exercised	(35,000)		(0.20)
Balance June 30, 2007	4,037,500	$	0.86

Stock options outstanding and exercisable at June 30, 2007 are summarized as follows:

Number of Shares	Exercise Price	Expiry Date	Exercisable
672,500	$0.20	July 4, 2010	672,500
100,000	$0.30	August 25, 2010	100,000
100,000	$0.64	October 13, 2010	100,000
760,000	$0.81	January 9, 2011	760,000
300,000	$1.35	February 24, 2011	300,000
600,000	$0.70	November 14, 2016	600,000
350,000	$0.70	November 14, 2011	350,000
100,000	$1.00	December 28, 2008	79,455
1,005,000	$1.40	April 10, 2012	46,230
50,000	$1.21	May 18, 2012	12,184
4,037,500			3,020,369

During the year, under the fair value based method $2,028,894 (2006 – $1,591,162) in stock-based compensation expense was recorded in the statements of operations and deficit for stock options granted to directors, officers, employees and consultants of the Company.

8. CAPITAL STOCK (cont'd…)

(b) Stock options (cont'd…)

The fair value of share options used to calculate compensation expense has been estimated using the Black-Scholes option pricing model with the following assumptions:

	2007	2006
Risk free interest rate	4.01%	3.62%
Expected dividend yield	0%	0%
Stock price volatility	180%	253%
Expected life of options	6 years	5 years

The weighted average fair value of options granted during the year ended June 30, 2007 is $1.02 (2006 – $0.66) per share.

(c) Warrants

As at June 30, 2007, the Company had outstanding share purchase warrants and agents' warrants, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
885,000	$1.00	December 23, 2007
650,000	$0.90	December 23, 2007
28,974	$0.85	December 23, 2007
3,685,000	$0.78	December 4, 2008
1,750,000	$1.75	April 10, 2009
92,250	$0.73	January 30, 2008

Warrant transactions and the number of warrants outstanding are as follows:

	Number of Shares		Weighted Average Exercise Price
Balance June 30, 2005	10,000,000	$	0.20
Warrants granted	5,123,219		0.54
Warrants exercised	(4,455,033)		(0.22)
Balance June 30, 2006	10,668,186		0.57
Private placement	5,435,000		1.09
Ecstall warrants (0.41 Mantle warrant for each Ecstall warrant)	1,944,303		1.35
Warrants expired	(3,552,586)		(1.36)
Warrants exercised	(7,403,679)		(0.32)
Balance June 30, 2007	7,091,224	$	1.05
Number of warrants currently exercisable	7,091,224	$	1.05

9. INCOME TAXES

(a) A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2007	2006
Loss before income tax recovery	$ (3,065,826)	$ (2,416,036)
Expected income tax recovery at statutory date	$ (1,076,718)	$ (896,833)
Non-deductible expenses	818,309	787,854
Unrecognized (recognized benefits of non-capital losses carried forward)	(1,387,841)	(187,239)
Total income taxes (recovery)	$ (1,646,250)	$ (296,218)

Details of future income tax assets are as follows:

	2007	2006
Equipment	$ 22,958	$ 1,440
Mineral property costs	(203,081)	1,079,000
Non-capital losses carried forward	1,112,031	782,000
Capital losses	62,760	–
Share issuance costs	478,167	132,396
	1,472,835	1,994,836
Less: Valuation allowance	(1,472,835)	(1,994,836)
	$ –	$ –

During the year ended June 30, 2007, the Company issued 3,750,000 common shares for gross proceeds of $4,687,000. The flow-through agreement requires the Company to renounce certain deductions for Canadian exploration expenditures incurred on the Company's resource properties. Future income taxes of $1,646,250 on the exploration expenditures to be renounced to shareholders were applied against capital stock.

The Company has non-capital losses of approximately $3,587,000 which may be carried forward and applied against taxable income in future years. These losses, if unutilized, will expire through 2027. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been reflected in these financial statements and have been offset by a valuation allowance.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

June 30		**2007**		2006
Cash paid during the period for interest	$	–	$	–
Cash paid during the period for income tax	$	–	$	–

Significant non-cash transactions for the year ended June 30, 2007 included:

(a) Upon the exercise of stock options, $5,950 (2006 - $12,325) was allocated to contributed surplus.

(b) 170,000 common shares issued at a value of $135,300 in consideration for the acquisition of resource properties (Note 7).

(c) Included in accounts payable is $1,190,706 (2006 - $348,762) in resource property expenditures.

(d) 21,948,782 (0.41 of the Company’s share for each Ecstall share tendered) common shares issued at a deemed value of $1.10 pursuant to its take-over bid with Ecstall (Note 4).

Significant non-cash transactions for the year ended June 30, 2006 included:

(a) 300,000 common shares issued at an aggregate deemed value of $72,000 for the acquisition of a resource property (Note 7).

(b) 108,727 common shares issued at a deemed value of $135,909 for commission on private placement.

11. TRANSACTIONS WITH RELATED PARTIES

During the year ended June 30, 2007:

(a) the Company paid or accrued $100,000 (2006 – $72,500) for management fees and $35,000 (2006 – $19,500) for administrative fees to a company controlled by a director and an officer of the Company.

(b) the Company paid or accrued $46,623 (2006 - $10,500) for consulting and geological services fees, included in resource properties, to a company controlled by a director of the Company.

(c) the Company paid director’s fees of $20,000 (2006 - $nil) to a director of the Company.

(d) the former President of Ecstall was paid $ 300,000 under an agreement which he had entered with Ecstall which agreement was duly approved by the Board of Ecstall.

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

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables, marketable securities and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of these financial statements approximate their carrying value, unless otherwise noted.

13. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of resource properties in Canada.

14. SUBSEQUENT EVENTS

Subsequent to the year ended June 30, 2007,

(a) the Company completed a private placement of up to 3,500,000 flow-through shares at a price of $1.50 per share for gross proceeds of up to $5,250,000 and of 550,000 shares at a price of $1.25 per share for gross proceeds of $687,500. The securities issued are subject to a four month hold period expiring December 14, 2007.

The Company paid an aggregate of $239,850 as finder's fees on a portion of the private placement.

(b) the Company acquired the remaining 59,241 shares of Ecstall by issuing a total of 24,289 shares of the Company as consideration.

(c) the Company granted in an aggregate of 3,075,000 stock options to directors, officers, investor relations and consultants at a price between $1.00 per share and $1.26 per share expiring between July 3, 2010 and September 17, 2012. Of the granted stock options, 372,939 stock options are subject to shareholder approval at the Company's next Annual General Meeting scheduled on November 21, 2007.