INTERNATIONAL MONTORO RESOURCES INC.
(An Exploration Stage Company)

Financial Statements

August 31, 2007

INTERNATIONAL MONTORO RESOURCES INC.
(An Exploration Stage Company)

August 31, 2007

CHARTERED
ACCOUNTANTS
MacKay LLP

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Auditors' Report

To the Shareholders of
International Montoro Resources Inc.
(An Exploration Stage Company)

We have audited the balance sheet of International Montoro Resources Inc. as at August 30, 2007 and the statements of operations and deficit, cash flows, and schedule mineral property interests and exploration costs for the year 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 audit.

We conducted our audit 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 August 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at August 31, 2006 and for the year then ended were audited by another auditor who expressed an opinion without reservation on those financial statements in their report dated December 13, 2006.

"MacKay LLP"

Chartered Accountants

Vancouver, Canada.
December 6, 2007

INTERNATIONAL MONTORO RESOURCES INC.
(An Exploration Stage Company)

Balance Sheets
August 31, 2007 and August 31, 2006

	August 31, 2007	August 31, 2006
ASSETS		(note 11)
Current		
Cash	$ 878,710	$ 116,708
Goods and services tax receivable	17,890	6,941
Marketable securities (Note 3)	49,500	-
Prepaid expenses	12,185	23,967
	958,285	147,616
Mineral Property Interests and Deferred Exploration Costs (Note 4)	1,967,907	706,013
	$ 2,926,192	$ 853,629
LIABILITIES		
Current		
Accounts payable	$ 109,440	$ 10,398
Owing to related parties (Note 5)	9,398	10,005
	118,838	20,403
SHARE CAPITAL AND DEFICIT		
Share capital (Note 7)	6,302,839	3,911,022
Contributed surplus (Note 7)	294,224	65,663
Deficit	(3,789,709)	(3,143,459)
	2,807,354	833,226
	$ 2,926,192	$ 853,629

Contingencies (Note 4)

Subsequent Events (Note 9)

Commitments (Notes 4 and 10)

Approved by the Directors

"Gary Musil"
Director

"Bruce E. Bried"
Director

INTERNATIONAL MONTORO RESOURCES INC.
(An Exploration Stage Company)

Statements of Operations and Deficit
Years Ended August 31, 2007 and 2006

	August 31, 2007	August 31, 2006
Administrative expenses		
Bank charges and interest	$ 1,018	$ 1,824
Consulting and finder's fees	75,390	8,300
Filing fees and transfer agent	42,584	28,640
Management fees (Note 5)	38,500	42,000
Office and miscellaneous	21,300	11,382
Professional services	39,063	38,248
Rent	9,540	6,435
Salaries and benefits	22,054	-
Stock based compensation (Note 7)	256,056	42,068
Telephone	1,106	1,243
Travel and promotion	101,834	36,470
Loss from operations	608,445	216,610
Other Items		
Interest income	(5,820)	-
Write down of mineral interests	-	70,400
Loss on write-down of marketable securities	43,625	-
Loss before income taxes	646,250	287,010
Future income tax recovery (Note 6)	-	(53,057)
Net loss for the year	646,250	233,953
Deficit, beginning of the year	3,143,459	2,909,506
Deficit, end of the year	$ 3,789,709	$ 3,143,459
Loss per share – basic and diluted	$ 0.05	$ 0.04
Weighted average number of shares outstanding	12,187,348	6,538,926

INTERNATIONAL MONTORO RESOURCES INC.
(An Exploration Stage Company)

Statements of Cash Flows
Year Ended August 31, 2007 and 2006

		August 31, 2007		August 31, 2006 (note 11)
CASH PROVIDED (USED) BY				
Operating activities				
Net loss for the period	$	(646,250)	$	(233,953)
Items no requiring an outlay of cash				
Stock-based compensation		256,056		42,068
Loss on write-down of marketable securities		43,625		-
Write-down of mineral project		-		70,400
Future income tax recovery		-		(53,057)
		(346,569)		(174,542)
Changes in non-cash working capital items				
Goods and services tax receivable		(10,949)		(24,851)
Prepaid expenses		11,782		
Accounts payable		21,894		(14,471)
Exploration advances payable		-		(3,500)
		(323,842)		(217,364)
Financing activities				
Owing to related parties		(607)		(23,357)
Loans payable		-		(18,595)
Share capital issued for cash		1,761,362		633,650
Share issuance costs		(41,040)		(25,570)
		1,719,715		566,128
Investing activities				
Accounts payable related to exploration		77,148		-
Mineral property interests and deferred exploration costs		(711,019)		(232,832)
		(633,871)		(232,832)
Change in cash for the year		762,002		115,932
Cash, beginning of year		116,708		776
Cash, end of year	$	878,710	$	116,708
Supplemental Information				
Interest paid	$	-	$	1,473

Supplemental cash flow information (Note 8)

INTERNATIONAL MONTORO RESOURCES INC.
(An Exploration Stage Company)

Statements of Mineral Property Interests and Exploration Costs
Years Ended August 31, 2007 and 2006

EXPENDITURES FOR THE YEAR	August 31, 2007	August 31, 2006
PROPERTIES IN GOOD STANDING		
Malachite Project (New Brunswick)		
Acquisition costs	$ 2,332	$ 11,212
Geological and geophysical	1,875	-
	4,207	11,212
Red Lake Project (Ontario)		
Acquisition costs	-	336
Administration and travel	265	8,707
Assays	-	353
Drilling	-	45,785
Geological and geophysical	-	7,875
	265	63,056
Crackingstone Project (Saskatchewan)		
Acquisition costs	7,500	17,500
Administration and travel	11,118	2,942
Assays	-	410
Airborne surveys	8,835	-
Geological and geophysical	398	3,750
Linecutting	54,069	-
	81,920	24,602
Central Mineral Belt Project (Newfoundland)		
Acquisition costs	8,088	32,500
Airborne surveys	16,925	-
Administration and travel	1,466	4,722
Geological and geophysical	4,375	51,740
Less option payment	(72,500)	-
	(41,646)	88,962
Cup Lake Project (British Columbia)		
Acquisition costs	851,134	214,500
Administration and travel	10,965	-
	862,099	214,500
Serpent River Project (Ontario)		
Acquisition costs	149,000	-
Administration and travel	33,497	-
Drilling	160,472	-
Geological and geophysical	17,000	-
Road construction and repair	8,500	-
	$ 368,469	$ -

INTERNATIONAL MONTORO RESOURCES INC.
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Statements of Mineral Property Interests and Exploration Costs - continued
Years Ended August 31, 2007 and 2006

	August 31, 2007	August 31, 2006
Orbit Lakes Project (Saskatchewan)		
Acquisition costs	$ 32,205	$ -
Less option payment	(45,625)	-
	$ (13,420)	$ -
EXPENDITURES FOR THE YEAR	1,216,894	402,332
DEFERRED COSTS BEGINNING OF YEAR	706,013	374,081
WRITTEN DOWN DURING THE YEAR		
GAMACHE-UNGAVA PROJECT (QUEBEC)	-	(70,400)
DEFERRED COSTS END OF YEAR	**$ 1,967,907**	**$ 706,013**
SUMMARY OF PROJECT COSTS		
MALACHITE PROJECT (NEW BRUNSWICK)	$ 184,702	$ 180,495
RED LAKE PROJECT (ONTARIO)	197,719	197,454
CRACKINGSTONE PROJECT (SASKATCHEWAN)	106,521	24,602
CENTRAL MINERAL BELT PROJECT (NEWFOUNDLAND)	47,317	88,962
CUP LAKE PROJECT (BRITISH COLUMBIA)	1,076,599	214,500
ORBIT LAKES PROJECT (SASKATCHEWAN)	(13,420)	-
SERPENT RIVER PROJECT (ONTARIO)	368,469	-
	$ **1,967,907**	$ **706,013**

1. GOING CONCERN CONSIDERATIONS

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. At August 31, 2007, the Company had not yet achieved profitable operations, has a working capital surplus of $839,447 and accumulated losses of $3,789,709 since its inception, and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern.

Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. ACCOUNTING POLICIES

a. Mineral Interests and Deferred Exploration Costs

The Company is engaged in the exploration and development of mineral resource properties and records mineral interests at cost or at an ascribed amount if the consideration is common shares. The Company includes in costs the lease and option payments made on properties that are held under lease and option agreements. Costs and recoveries relating to exploration and development projects are deferred when it is probable that those costs are recoverable from future operations.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Management reviews capitalized costs on its mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or sale of the property.

Exploration costs renounced due to Flow-through Share Subscription Agreements remain capitalized, however, for corporate income tax purposes, the Company has no right to claim these costs as tax deductible expenses.

The amounts shown for mineral interests and deferred exploration costs represent accumulated or minimal costs and do not represent present or future values. The properties and carrying values are subject to periodic review for permanent impairment. The recoverability of these amounts is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development and upon subsequent profitable production. The recorded costs are subject to measurement uncertainty and it is reasonably possible, based on existing knowledge, that changes in future conditions could require a material change in the recognized amount.

Certain of the Company's exploration and development activities related to mineral properties are conducted jointly with others. The accounts reflect only the Company's proportionate interest in such activities.

The Company records mineral exploration tax credits on an accrual basis.

2. ACCOUNTING POLICIES (continued)

b. Asset Retirement Obligations

Asset retirement obligations are recognized for the expected obligations related to the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. An asset retirement obligation is recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made with a corresponding asset retirement cost recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value.

c. Estimates and Fair Values

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Although these estimates are based on management's best knowledge of current events and actions the Company may undertake in the future, actual results ultimately may differ from the estimates.

d. Financial Instruments

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements, together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable, the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise, only available information pertinent to fair value has been disclosed.

e. Environmental Issues

It is not possible to be certain that all aspects of environmental issues affecting the Company, if any, have been fully determined or resolved.

f. Temporary Investments

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

g. Income Taxes

The Company accounts for income taxes whereby the cost (benefit) of current and future income taxes is recognized as income tax expense in the determination of results of operations for the period. Future income tax liabilities (assets) are the amount of income taxes arising from taxable temporary differences between the tax bases of an asset or liability and its carrying amount in the balance sheet and losses carried forward for income tax purposes. Income tax liabilities and assets are recognized when they are more likely than not to be realized and are measured using the income tax rates and laws that are expected to apply at the time of settlement or realization.

h. Flow-Through Common Shares

For income tax purposes, exploration expenditures funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Share capital is reduced and future income tax liability is increased by the estimated cost of the renounced exploration expenditures. Drawdowns of future income tax liabilities resulting from the timing differences on exploration expenditures renounced to investors are credited to share capital.

2. ACCOUNTING POLICIES (continued)

i. Loss per Share

Basic loss per share is calculated by dividing the loss for the year by the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding used in the calculation of diluted loss per share assumes that the deemed proceeds received from the exercise of stock options, share purchase warrants and their equivalents would be used to repurchase common shares of the Company at the average market price during the period.

Existing stock options and share purchase warrants have not been included in the computation of diluted loss per share as to do so would be anti-dilutive. Accordingly, basic and diluted loss per share are the same.

j. Stock-Based Compensation Plans

The Company has adopted an incentive stock option plan which is described in note 7e.

All stock-based awards are measured and recognized using the fair-value method, as determined by the Black-Scholes option pricing model. Awards that the Company has the ability to settle with stock are recorded as equity, whereas awards that the Company is required to, or has the practice of settling in cash are recorded as liabilities. Compensation expense is recorded in the statement of operations over the vesting period.

k. Share Issue Costs

Share issue costs incurred on the issue of the Company's shares are charged directly to share capital.

3. MARKETABLE SECURITIES

		August 31, 2007		August 31, 2006
Ultra Uranium Corp.(37,500 shares, market value $18,000)	$	18,000	$	-
Crosshair Exploration & Mining Corp. (25,000 shares, market value $31,500)		31,500		-
	$	**49,500**	$	-

4. MINERAL PROPERTY INTERESTS AND DEFERRED EXPLORATION COSTS

The Company has acquired mineral interests in various properties located in Canada.

a. Malachite Project (New Brunswick)

The Company acquired a 100% interest in the project for $27,000 and a contingent payment of $40,000 should the Company dispose of any portion of the properties to a major producing mining company, 300,000 common shares (issued for $33,000) and exploration and staking expenditures of $124,702 on the properties.

4. MINERAL PROPERTY INTERESTS AND DEFERRED EXPLORATION COSTS (continued)

b. Red Lake Project (Ontario)

The Company acquired a 50% interest in the project for $15,500, 300,000 common treasury shares (issued for $25,000) and exploration expenditures of $15,000 on the property. The property is subject to a 2% net smelter royalty and a 1% buy-out for consideration of $500,000.

The Company acquired a 50% interest in additional claim blocks in the project for $5,000, 90,000 common shares (issued for $7,000) and exploration expenditures of $2,500. The property is subject to a 2% net smelter royalty.

The Company acquired a 50% interest in certain patented claim mineral rights for $5,000 and 100,000 common shares (issued for $10,000). The property is subject to a 3% net smelter royalty.

The Company and a public company with common directors have entered into a 50:50 joint venture for all the Red Lake properties and mineral rights.

The Company together with its joint venture partner have entered into an option agreement with International Alliance Resources Inc. ("Alliance"), whereby Alliance can acquire a 51% interest in the Shaver Lake Claims.

c. Gamache – Ungava Project (Quebec)

The Company entered into an option agreement to acquire 25% interest in the project for $160,400 ($70,400 paid through the issuance of 704,000 common shares). Management has determined that the payment of the balance of the purchase consideration of $90,000, due December 31, 2005 was not warranted and has abandoned its interest in the property in the year ended August 31, 2006.

d. South Trend – Ungava Project (Quebec)

The Company entered into an option agreement to acquire a 100% interest in the project. Subsequently, the Company has granted an option to a third party to acquire its interest in the property. The property is subject to a 3% net smelter royalty. The third party has incurred in excess of $450,000 in exploration expenditures and is entitled to a 100% interest in the property. The Company has retained a 1% net smelter interest.

e. Crackingstone River Project (Saskatchewan)

The Company has entered into an agreement to acquire a 50% interest in a 750 hectare claim block in northern Saskatchewan near Uranium City. Terms of the agreement include cash payment of $15,000 (paid $10,000) and issuance of 50,000 shares (issued for $12,500). The property is subject to a 2% net smelter royalty.

The Company and a public company with common directors have entered into a 50:50 joint venture for this project.

The Company and its joint venture partner have entered into an agreement to acquire a 100% interest (50% Montoro) in an adjoining 232 hectare claim block for $5,000 ($2,500 paid by Montoro).

4. MINERAL PROPERTY INTERESTS AND DEFERRED EXPLORATION COSTS (continued)

f. Central Mineral Belt Project (Newfoundland)

The Company has entered into an agreement to acquire a 50% interest in three claim blocks (128 units of approximately 4,000 hectares) in the Central Mineral Belt Uranium District, Labrador. Terms of the agreement include cash payments totaling $30,000 (paid $15,000) and issuance of 100,000 shares (issued for $25,000). The property is subject to a 2% net smelter royalty with a one percent buy-out for $500,000.

The Company and a public company with common directors have entered into a 50:50 joint venture for this project.

In April 2007 the Company and its joint venture partner staked an additional one claim block (11units) adjacent to its eastern (Stormy Lake) group.

The Company, together with its joint venture partner, entered into an option agreement with Crosshair Exploration & Mining Corp. ("Crosshair"), whereby Crosshair can acquire a 75% interest in the Central Mineral Belt (Stormy Lake & Partridge River) Labrador claims by incurring $800,000 in exploration expenditures, issuing to the Companies up to 175,000 common shares (received 25,000 shares) over a three-year period and assuming cash payments to the vendor.

g. Cup Lake Project (British Columbia)

The Company has entered into an agreement to acquire a 100% interest in two uranium prospect claims located in the Greenwood Mining District of British Columbia. Terms of the agreement include a cash payment of $75,000 (paid) and issuance of 300,000 units (issued for $120,000). Finder's fees in the amount of $7,500 cash and 30,000 units (issued for $12,000) have also been paid. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable for an additional share at an exercise price of $0.40 in the first year and $0.50 in the second year.

The Company has entered into an agreement to acquire a 100% interest in nine additional claims in the Cup Lake area. Terms of the agreement include the issuance of a total of 6,000,000 common shares at prescribed intervals up to December 1, 2008 (issued 2,000,000 for $600,000); staged cash payments of $1,000,000 (paid $250,000) to December 1, 2009; and minimum exploration expenditures of $800,000 over four years to December 1, 2010.

h. Orbit Lakes Project (Saskatchewan)

The Company has a 50% interest in 11,109 hectares staked in an adjoining claim block to the Crackingstone Project in northern Saskatchewan.

The Company and a public company with common directors have entered into a 50:50 joint venture for this project.

The Company and its joint venture partner have entered into an option agreement with Ultra Uranium Corp. ("Ultra"), whereby Ultra can acquire a 65% interest in the Orbit Lake claims by making cash payments totaling $150,000, issuing 175,000 common shares of Ultra (received 37,500 shares) and completing $2 million in exploration expenditures over three years, with a minimum of $300,000 in exploration to occur in the first year.

Upon earning its 65% interest, Ultra will also have the right to acquire an interest in the adjoining Crackingstone uranium property located in the Uranium City, Saskatchewan area.

4. MINERAL INTERESTS AND DEFERRED EXPLORATION COSTS (continued)

i. Serpent River Project (Ontario)

The Company has acquired a 100% interest in ten mining claims in the Sault Ste. Marie Mining Division, Elliot Lake area, in Northern Ontario. Terms of the agreement include the issuance of a total 500,000 common shares (100,000 issued for $40,000) and $500,000 in cash payments at prescribed intervals up to December 12, 2010 (paid $100,000). In addition, there is a 2.0% net smelter return relating to the acquisition. The Company may at any time purchase 1.0% of the NSR for $1.5 million. A finders fee of a total of 50,000 common shares (10,000 issued for $4,000) and $50,000 cash (paid $5,000) is also payable.

j. Commitments

In order for the Company to maintain its interest in its mineral properties, it will be required to make the following option payments:

Malachite	$	40,000	Should the Company dispose of any portion of the property to a major producing mining company
Crackingstone	$	5,000	by April 17, 2008
Central Mineral Belt	$	15,000	by April 19, 2008
Cup Lake	$	750,000	by December 1, 2009
Serpent River	$	400,000	by December 12, 2010

5. RELATED PARTY TRANSACTIONS AND MANAGEMENT

The Company shares office facilities and has common management and directorships with a number of public and private corporations. The Company is charged for office rentals and administrative services on a proportional cost basis. Charges of $23,099 (2006 - $10,635) were made in the period by related companies. Management believes that the methods of cost allocations and resultant costs are reasonable.

The Company has entered into an agreement with a director to pay $3,500 per month for management fees. During the year a total of $38,500 (2006 - $42,000) was paid. The agreement expires on February 1, 2008.

Amounts owing to related parties totaling $9,398 (2006 - $10,005) are unsecured, have no fixed terms of repayment and are non-interest bearing, accordingly, fair value cannot be determined.

6. INCOME TAXES

Income tax expense varies from the amount that would be computed from applying the combined federal and provincial income tax rate to loss before taxes as follows:

	August 31, 2007	August 31, 2006
Net loss for the year	$ (646,250)	$ (287,010)
Statutory Canadian corporate tax rate	34.12%	34.12%
Anticipated tax expense (recovery)	(220,501)	(97,928)
Effect of tax rate change	90,614	14,354
Unrecognized items for tax purposes	90,873	30,517
Non-capital losses expired	19,339	-
Change in valuation allowance	19,675	-
Actual income tax recovery	$ -	$ (53,057)

The significant components of the Company’s future tax assets are as follows:

	August 31, 2007	August 31, 2006
Exploration and development deductions	$ 385,920	$ 614,625
Share issue costs	14,934	-
Non-capital loss carry forwards	305,270	236,045
Net capital loss carry forwards	3,131	-
	709,255	850,670
Valuation allowance	(709,255)	(850,670)
Net future tax assets	$ -	$ -

The Company has available non-capital losses for Canadian income tax purposes which may be carried forward to reduce taxable income in future years. If not utilized the non-capital losses in the amount of $984,743 expire as follows:

2008	$ 42,435
2009	75,192
2010	89,029
2014	161,649
2015	92,804
2026	174,020
2027	349,614
	$ 984,743

At August 31, 2007, the Company has unclaimed resource and other deductions that do not expire in the amount of $3,212,811 (2006 - $1,950,919) which may be deducted against future taxable income on a discretionary basis.

In addition, the Company has available capital losses for Canadian income tax purposes totaling $10,100 which may be carried forward indefinitely to reduce capital gains in future years.

In addition, the Company has share issue costs totaling $48,174 which have not been claimed for income tax purposes.

Tax benefits have not been recorded due to uncertainty regarding their utilization.

7. SHARE CAPITAL

a. Authorized: Unlimited common shares without par value

b. Issued and Outstanding

	Shares	Value
Balance August 31, 2005	21,687,624	$ 3,186,499
Consolidation 5 old for 1 new	(17,350,099)	-
Shares for mineral interests	480,000	169,500
Shares issued for cash, private placement	3,000,000	360,000
Shares issued for cash, private placement (flowthrough shares)	1,036,667	155,500
Shares issued for cash, private placement of units	472,600	118,150
Shares issued for finders fees	72,000	-
Less share issue costs	-	(25,570)
Future income taxes on renounced resource-related expenditures (flow-through shares)	-	(53,057)
Balance August 31, 2006	9,398,792	3,911,022
Shares issued on the exercise of warrants	2,288,734	495,287
Shares issued for cash, private placement of units	3,264,000	1,224,800
Shares issued on the exercise of options	205,000	41,275
Shares for mineral interests	2,110,000	644,000
Shares issued for finders fees	72,000	18,000
Transfer from contributed surplus	-	27,495
Less share issue costs	-	(59,040)
Balance August 31, 2007	17,338,526	$ 6,302,839

c. Share Issue Commitments - Share Purchase Warrants

August 31, 2006	Issued	(Exercised)	August 31, 2007	Terms
2,018,334	-	(1,913,334)	105,000	$0.30 and 2 warrants to March 3, 2008
300,000	-	-	300,000	$0.50 and 1 warrant to June 28, 2008
482,600	-	(375,400)	107,200	$0.40 and 1 warrant to July 21, 2008
-	1,292,000	-	1,292,000	$0.30 and 1 warrant to January 19, 2008 $0.40 and 1 warrant to January 19, 2009
	478,878	-	478,878	$0.65 and 1 warrant to June 26, 2008 $0.90 and 1 warrant to June 26, 2009
	440,922	-	440,922	$0.65 and 1 warrant to July 17, 2008 $0.90 and 1 warrant to July 14, 2009
	122,300	-	122,300	$0.65 and 1 warrant to August 1, 2008 $0.90 and 1 warrant to August 1, 2009
2,800,934	2,334,100	(2,288,734)	2,846,300	

7. SHARE CAPITAL(Continued)

c. Share Issue Commitments - Share Purchase Warrants (continued)

August 31, 2005	Issued	(Exercised)	August 31, 2006	Terms
156,800	-	(156,800)	-	$0.50 to October 26, 2005
253,600	-	(253,600)	-	$0.60 to January 18, 2006
61,000	-	(61,000)	-	$0.60 to March 1, 2007
53,000	-	(53,000)	-	$0.775 October 26, 2008
-	2,018,334	-	2,018,334	$0.20 to March 3, 2007 increasing to $0.30 to March 3, 2008
-	300,000	-	300,000	$0.40 to June 28, 2007 increasing to $0.50 to June 28, 2008
-	482,600	-	482,600	$0.30 to July 21, 2007 increasing to $0.40 to July 21, 2008
524,400	2,800,934	(524,400)	2,800,934	

d. Incentive Stock Options

The Company has adopted an incentive stock option plan (the “Plan”). The essential elements of the Plan provide that the aggregate number of shares of the Company’s capital stock issuable pursuant to the options granted under the Plan may not exceed 10% of the number of issued shares of the Company at the time of granting of the options. Options granted under the Plan will have a maximum term of five years. The exercise price of options granted under the Plan will not be less than the discounted market price of the common shares (defined as the last closing market price per share of the Company’s common shares on the trading day immediately preceding the day on which the Company announces the grant of the options, less the maximum discount permitted under TSX Venture Exchange policies), or such other price as may be agreed to by the Company and accepted by the TSX Venture Exchange. Options granted under the plan vest immediately, except for consultants conducting investor relations activities which will become vested with the right to exercise one-fourth of the option upon the conclusion of each three month period subsequent to the date of the grant of the option.

Details of directors, employee and consultant share purchase options are as follows:

	Number of Shares	Weighted Average Exercise Price
Balance August 31, 2005	796,500	$ 0.11
Consolidated at 1:5	(637,200)	0.11
Granted	370,000	0.16
Exercised or expired	(99,300)	0.60
Balance August 31, 2006	430,000	0.20
Granted	1,230,000	0.31
Exercised or expired	(265,000)	0.27
Balance August 31, 2007	1,395,000	$ 0.28

7. SHARE CAPITAL(Continued)

d. Incentive Stock Options (continued)

August 31, 2006	Issued	(Expired) (Exercised)	August 31, 2007	Terms
60,000	-	(60,000)	-	$0.50 to January 30, 2007
370,000	-	(105,000)	265,000	$0.155 to January 31, 2008
-	500,000	(100,000)	400,000	$0.25 to October 31, 2008
-	730,000	-	730,000	$0.35 to July 31, 2009
430,000	1,230,00 0	(265,000)	1,395,000	

August 31, 2005	Issued	(Expired) (Exercised)	August 31, 2006	Terms
59,300	-	(59,300)	-	$0.60 to January 20, 2006
100,000	-	(40,000)	60,000	$0.50 to January 20, 2007
-	370,000	-	370,000	$0.155 to January 31, 2008
159,300	370,000	(99,300)	430,000	

e. Stock-Based Compensation

The Company has elected to measure compensation costs using the fair value-based method for employee and non-employee stock options. Compensation costs are determined based on the fair value of the options at the grant date using the Black-Scholes option-pricing model.

The fair values of options granted during the current year was estimated at grant date using the Black-Scholes option pricing model with the following weighted average assumptions:

	2007	2006
Expected volatility	171.73%	154.00%
Risk-free interest rate	4.44%	3.86%
Expected life	2 years	2 years
Expected dividend yield	0%	0%

Using the above assumptions the fair value of options granted and vested during the year was $256,056 (2006 - $42,068).

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

7. SHARE CAPITAL(Continued)

f. Contributed surplus

	2007	2006
Opening Balance	$ 65,663	$ 23,595
Exercise of options	(27,495)	-
Arising from stock-based compensation	256,056	42,068
	$ 294,224	$ 65,663

8. SUPPLEMENTAL INFORMATION

Disaggregation of certain administration expenses for the periods ended August 31, 2007 and 2006 is:

	2007	2006
Office and Miscellaneous		
Related party administration charges	$ 6,000	$ 4,200
Office supplies, courier and miscellaneous	15,300	7,182
	$ 21,300	$ 11,382
Professional Services		
Accounting and audit	$ 14,355	$ 9,685
Legal	24,708	28,563
	$ 39,063	$ 38,248
Travel and Promotion		
Promotion	$ 80,974	$ 24,631
Shareholder communication	11,368	8,785
Travel	9,492	3,054
	$ 101,834	$ 36,470

The Company incurred non-cash financing and investing activities during the years ended August 31, 2007 and 2006 as follows:

	2007	2006
Non-cash financing activities:		
Issuance of share capital for:		
Mineral properties	$ 644,000	$ 480,000
Share issue costs	18,000	-
Share issue costs	(18,000)	-
	$ 644,000	$ 480,000
Non-cash investing activities:		
Acquisition of mineral properties	$ (550,875)	$ (480,000)
Acquisition of marketable securities	(93,125)	-
	$ (644,000)	$ 480,000

9. SUBSEQUENT EVENTS

a. Exercise of Options

Subsequent to August 31, 2007, the Company issued 25,000 shares pursuant to the exercise of options at $0.25 for total proceeds of $6,250.

b. Grant of Options

Subsequent to August 31, 2007, the Company granted a total of 360,000 options with a fair value of $54,257, at prices between $0.35 and $0.50 for two years.

c. Termination of Options

Subsequent to August 31, 2007, 25,000 options at $0.25 were cancelled.

d. On November 16, 2007 the Company announced that it had engaged CHF Investor Relations ("CHF") to provide investor relations and market-making services for an initial period of twelve months ending November 14, 2008. CHF will be paid a monthly fee of $7,500 plus allowable disbursements. Additionally, subject to regulatory approval and the dictates of the Company's stock option plan, CHF will be granted incentive stock options to purchase 130,000 common shares at a price of $0.40 per share and another 130,000 shares at a price of $0.50 per share, valid for a period of two years. The transaction is awaiting regulatory approval.

10. COMMITMENT

The Company entered into Flow-through Share Subscription Agreements during the year ended August 31, 2007 whereby it is committed to incur on or before December 31, 2008 and renounce to the subscribers, a total of $562,100 (of which $208,114 had been incurred to August 31, 2007) of qualifying Canadian Exploration Expenses as described in the Income Tax Act of Canada. Commencing March 1, 2008, the Company will be liable to pay a tax of approximately 7% per annum, calculated monthly on the unspent portion of the commitment.

11. COMPARATIVE FIGURES

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