

**INTERNATIONAL MONTORO RESOURCES INC.**  
**(An Exploration Stage Company)**

Financial Statements

May 31, 2008

Unaudited  
(with comparative audited figures for May 31, 2007)

Notice to Reader:

The attached financial statements have been prepared by the Management of International Montoro Resources Inc. and have not been reviewed by the auditors of International Montoro Resources Inc.

**INTERNATIONAL MONTORO RESOURCES INC.**  
**(An Exploration Stage Company)**

Balance Sheets  
 May 31, 2008 and August 31, 2007  
 (Unaudited)

	<u>May 31 2008</u>	<u>August 31 2007</u>
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 255,962	\$ 878,710
Goods and services tax receivable	13,624	17,890
Marketable securities (Note 3)	30,250	49,500
Prepaid expenses	<u>16,240</u>	<u>12,185</u>
	316,076	958,285
<b>Capital assets (Note 4)</b>	1,591	-
<b>Mineral Interests and Deferred Exploration Costs (Note 5)</b>	<u>3,567,595</u>	<u>1,967,907</u>
	<u>\$ 3,885,262</u>	<u>\$ 2,926,192</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable	\$ 5,682	109,440
Owing to related parties (Note 6)	176,031	9,398
Share subscription	<u>276,750</u>	<u>-</u>
	461,463	118,838
<b>SHARE CAPITAL AND DEFICIT</b>		
<b>Share capital (Note 7)</b>	7,264,182	6,302,839
<b>Contributed surplus (Note 7)</b>	322,510	294,224
<b>Deficit</b>	<u>(4,162,893)</u>	<u>(3,789,709)</u>
	3,423,799	2,807,354
	<u>\$ 3,885,262</u>	<u>\$ 2,926,192</u>

Approved by the Directors: "Gary Musil" \_\_\_\_\_  
 Director

"Roger Agyagos" \_\_\_\_\_  
 Director

**INTERNATIONAL MONTORO RESOURCES INC.**  
**(An Exploration Stage Company)**

Statements of Operations and Deficit  
Three and nine month periods ended May 31, 2008 and 2007  
(Unaudited)

	<u>2008</u>		<u>2007</u>	
	Three months ended May 31	Nine months ended May 31	Three months Ended May 31	Nine months ended May 31
<b>Administrative expenses</b>				
Amortization	64	129	-	-
Bank charges and interest	106	677	418	685
Consulting	13,250	33,500	22,840	52,340
Filing fees and transfer agent	6,673	18,227	4,242	19,093
Management fees	11,500	35,500	10,500	31,500
Office and miscellaneous	2,492	10,436	7,010	26,220
Professional services	2,902	6,767	2,170	5,145
Rent	2,475	7,305	2,385	7,155
Salaries and benefits	7,334	24,333	-	-
Stock based compensation	37,681	62,303	-	50,304
Telephone	952	1,639	798	774
Travel and promotion	53,954	159,493	16,965	75,186
	<u>139,383</u>	<u>360,309</u>	<u>69,328</u>	<u>268,402</u>
<b>Loss from operations</b>				
	<u>139,383</u>	<u>360,309</u>	<u>69,328</u>	<u>268,402</u>
<b>Other items:</b>				
Interest income	(501)	(6,375)	(937)	(937)
Unrealized loss on securities	19,250	19,250	-	-
	<u>(501)</u>	<u>(6,375)</u>	<u>(937)</u>	<u>(937)</u>
<b>Net loss for the period</b>	(158,132)	(373,184)	(68,391)	(267,465)
<b>Deficit, beginning of period</b>	(4,004,761)	(3,789,709)	(3,342,533)	(3,143,459)
<b>Deficit, end of period</b>	<u>\$ (4,162,893)</u>	<u>\$ (4,162,893)</u>	<u>\$ (3,410,924)</u>	<u>\$ (3,410,924)</u>
<b>Loss per share</b>	<u>\$ 0.008</u>	<u>\$ 0.020</u>	<u>\$ 0.005</u>	<u>\$ 0.024</u>
<b>Weighted Average number of shares</b>	<u>20,528,526</u>	<u>19,017,249</u>	<u>13,077,330</u>	<u>11,027,957</u>

**INTERNATIONAL MONTORO RESOURCES INC.**  
**(An Exploration Stage Company)**

Statements of Cash Flow  
Three and nine month periods ended May 31, 2008 and 2007  
(Unaudited)

<b>CASH PROVIDED (USED) BY</b>	<b>2008</b>		<b>2007</b>	
	Three months ended May 31	Nine months ended May 31	Three months ended May 31	Nine months ended May 31
<b>Operating activities</b>				
Net loss for the period	\$ (158,132)	\$ (373,184)	\$ (68,391)	\$ (267,465)
Item not requiring an outlay of cash				
Amortization	64	129	-	-
Stock based compensation	37,681	62,303	-	50,304
Unrealized loss on securities	19,250	19,250		
	<u>(101,137)</u>	<u>(291,502)</u>	<u>(68,391)</u>	<u>(217,161)</u>
Changes in non-cash working capital items				
Goods and services tax receivable	24,104	4,266	9,913	8,240
Prepaid expenses	(1,351)	(4,055)	-	-
Accounts payable	(12,838)	(103,757)	(530)	12,342
	<u>(91,222)</u>	<u>(395,048)</u>	<u>(59,008)</u>	<u>(196,579)</u>
<b>Financing activities</b>				
Owing to related parties	160,133	166,633	-	-
Share capital issued for cash	-	287,326	76,000	781,761
Share subscription	279,750	279,750	55,600	55,600
	<u>439,883</u>	<u>733,709</u>	<u>131,600</u>	<u>837,361</u>
<b>Investing activities</b>				
Capital assets	-	(1,720)	-	-
Mineral interests and deferred exploration	(178,661)	(959,689)	(43,015)	(284,494)
	<u>(178,661)</u>	<u>(961,409)</u>	<u>(43,015)</u>	<u>(284,494)</u>
<b>Change in cash for the period</b>	170,000	(622,748)	29,577	356,288
<b>Cash, beginning of period</b>	<u>85,962</u>	<u>878,710</u>	<u>443,419</u>	<u>116,708</u>
<b>Cash, end of period</b>	<u>\$ 255,962</u>	<u>\$ 255,962</u>	<u>\$ 472,996</u>	<u>\$ 472,996</u>

**INTERNATIONAL MONTORO RESOURCES INC.**  
**(An Exploration Stage Company)**

Statements of Mineral Interests and Exploration Costs  
 Nine Months Ended May 31, 2008 and 2007  
 (Unaudited)

	<b>May 31, 2008</b>	<b>May 31, 2007</b>
	<hr/>	<hr/>
<b>PROPERTIES IN GOOD STANDING</b>		
<b>Crackingstone Project (Saskatchewan)</b>		
Acquisition costs	5,000	7,500
Administration and travel	47,110	11,088
Assays and sampling	49,062	-
Airborne surveys	3,282	8,835
Drilling	111,897	-
Geological and geophysical	23,532	398
Linecutting	-	54,069
	<hr/>	<hr/>
	239,883	81,890
<b>Central Mineral Belt Project (Labrador)</b>		
Acquisition costs	(275)	8,088
Airborne surveys	-	16,925
Administration and travel	-	1,466
Geological and geophysical	-	4,375
	<hr/>	<hr/>
	(275)	30,854
<b>Cup Lake Project (British Columbia)</b>		
Acquisition costs	852,348	1,044
Administration and reports	36	4,025
	<hr/>	<hr/>
	852,384	5,069
<b>Serpent River Project (Ontario)</b>		
Acquisition costs	140,000	149,000
Administration and travel	37,452	26,880
Assays and sampling	19,206	-
Airborne surveys	45,838	-
Drilling	260,300	-
Geological and geophysical	4,900	-
	<hr/>	<hr/>
	507,696	175,880
<b>Orbit Lakes Project (Saskatchewan)</b>		
Acquisition costs	-	32,205
	<hr/>	<hr/>
	-	32,205
<b>Red Lake Project (Ontario)</b>		
Administration and travel	-	265
	<hr/>	<hr/>
	-	265
<b>Malachite Project (New Brunswick)</b>		
Acquisition costs	-	2,332
	<hr/>	<hr/>
	-	2,332

**INTERNATIONAL MONTORO RESOURCES INC.**  
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Statements of Mineral Interests and Exploration Costs  
 Nine Months Ended May 31, 2008 and 2007  
 (Unaudited)

	<u>May 31,</u> <u>2008</u>	<u>May 31,</u> <u>2007</u>
<b>EXPENDITURES FOR THE PERIOD</b>	1,599,688	328,495
DEFERRED COSTS BEGINNING OF PERIOD	1,967,907	706,013
<b>DEFERRED COSTS END OF PERIOD</b>	<b>\$ 3,567,595</b>	<b>\$ 1,034,508</b>
 <b>SUMMARY OF PROJECT COSTS</b>		
MALACHITE PROJECT (NEW BRUNSWICK)	\$ 184,702	\$ 182,827
RED LAKE PROJECT (ONTARIO)	197,719	197,719
CRACKINGSTONE PROJECT (SASKATCHEWAN)	346,403	106,492
CENTRAL MINERAL BELT PROJECT (NEWFOUNDLAND)	47,042	119,816
CUP LAKE PROJECT (BRITISH COLUMBIA)	1,928,984	219,569
ORBIT LAKES PROJECT (SASKATCHEWAN)	(13,420)	32,205
SERPENT RIVER PROJECT (ONTARIO)	876,165	175,880
	<u><b>\$ 3,567,595</b></u>	<u><b>\$ 1,034,508</b></u>

**INTERNATIONAL MONTORO RESOURCES INC.**  
**(A Development Stage Company)**  
**Notes to the Financial Statements**  
**Unaudited**

**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. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At May 31, 2008, the Company had not yet achieved profitable operations, has a working capital deficit of \$145,387 accumulated losses of \$4,162,893 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. It is suggested that these financial statements be read in conjunction with the Company's August 31, 2007 annual audited financial statements.

**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 the others. The accounts reflect only the Company's proportionate interest in such activities.

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

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**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 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. 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 renounce exploration expenditures. Drawdowns of future income tax liabilities resulting from the timing differences on exploration expenditures renounced to investors are credited to share capital.

g. 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 operation over the vesting period.



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**3. MARKETABLE SECURITIES**

	<u>May 31 2008</u>	<u>August 31 2007</u>
Ultra Uranium Corp. (37,500 shares)	\$ 8,250	\$ 18,000
Crosshair Exploration and Mining Corp. (25,000 shares)	22,000	31,500
	<u>\$ 30,250</u>	<u>\$ 49,500</u>

**4. CAPITAL ASSETS**

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2008 Net Book Value</u>	<u>2007 Net Book Value</u>
Computer equipment	\$ 1,720	\$ 129	\$ 1,591	\$ nil

**5. MINERAL 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.

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.

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**5. MINERAL INTERESTS AND DEFERRED EXPLORATION COSTS (CONTINUED)**

c. 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.

d. 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 \$15,000) 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 together with 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).

f. Central Mineral Belt Project (Labrador)

The Company has entered into an agreement to acquire a 50% interest in three claim blocks (128 units 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. The Company and its joint venture partner have decided not to earn any further interest in the CMB properties at this time and have earned 75% (each as to 37-1/2%) into these claims.

In April 2007 the Company and its joint venture partner staked an additional one claim block (11 units) 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. Crosshair has decided not to continue with this project and all interest reverts to the Company and its joint venture partner.

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**5. MINERAL INTERESTS AND DEFERRED EXPLORATION COSTS (CONTINUED)**

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 4,000,000 for \$1,200,000); staged cash payments of \$1,000,000 (paid \$500,000) 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 (received \$25,000 each), issuing 175,000 common shares of Ultra (received 37,500 shares each) and completing \$2 million in exploration expenditures over three years, with a minimum of \$300,000 (incurred by Ultra) 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.

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 (200,000 issued for \$80,000) and \$500,000 in cash payments at prescribed intervals up to December 12, 2010 (paid \$200,000). 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
Cup Lake	\$750,000	by December 1, 2009

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Serpent River \$400,000 by December 12, 2010

**6. 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 \$18,148 (2007 - \$17,126) were made in the period by related companies. Management believes that the methods of cost allocations and resultant costs are reasonable.

The Company and a public company related through common directors are 50:50 joint venture partners in the Crackingstone, Saskatchewan properties. The related company is acting as the operator and incurs the expenditures for the project and bills the Company 50% cost plus 5% administration fee. Charges of \$230,196 (2007 - \$nil) were incurred in the period. Amounts owing to related parties are unsecured, have no fixed terms or repayment and are non-interest bearing, accordingly, fair value cannot be determined.

The Company has entered into an agreement with a company a director to pay \$4,500 per month for management fees. The agreement expires on February 1, 2010.

**7 SHARE CAPITAL**

- a. Authorized: Unlimited common shares without par value
- b. Issued and Outstanding

	<u>SHARES</u>	<u>VALUE</u>
Balance August 31, 2007	17,338,526	\$ 6,302,839
Shares issued to the exercise of options	290,000	47,325
Shares issued to the exercise of warrants	800,000	240,000
Shares for mineral interests	2,100,000	640,000
Transfer from contributed surplus	-	34,018
Balance May 31, 2008	<u>20,528,526</u>	<u>\$ 7,264,182</u>

- c. Share Issue Commitments - Share Purchase Warrants

<u>August 31</u> <u>2007</u>	<u>Issued</u>	<u>(Expired)</u> <u>(Exercised)</u>	<u>May 31</u> <u>2008</u>	<u>Terms</u>
105,000	-	(105,000)	-	\$ .30 and 2 warrants to March 3, 2008
300,000	-	-	300,000	\$ .50 and 1 warrant to June 28, 2008
107,200	-	-	107,200	\$ .40 and 1 warrant to July 21, 2008
1,292,000	-	(800,000)	492,000	\$ .40 and 1 warrant to January 19, 2009
478,878	-	-	478,878	\$ .65 and 1 warrant to June 26, 2008
				\$ .90 and 1 warrant to June 26, 2009
440,922	-	-	440,922	\$ .65 and 1 warrant to July 17, 2008
				\$ .90 and 1 warrant to July 14, 2009
122,300	-	-	122,300	\$ .65 and 1 warrant to August 1, 2008
				\$ .90 and 1 warrant to August 1, 2009
<u>2,846,300</u>	<u>-</u>	<u>(905,000)</u>	<u>1,941,300</u>	

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**7. SHARE CAPITAL (CONTINUED)**

d. Incentive Stock Options

The Company has 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 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. Option 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.

d. Incentive Stock Options (continued)

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

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>
Balance August 31, 2007	1,395,000	\$ .28
Granted	910,000	.29
Exercised or expired	<u>(315,000)</u>	<u>.18</u>
Balance May 31, 2008	<u>1,990,000</u>	<u>\$ .30</u>

<b>Aug 31 2007</b>	<b>Granted</b>	<b>(Expired) (Exercised)</b>	<b>May 31 2008</b>	<b>Terms</b>
265,000	-	(265,000)	-	\$.155 to January 31, 2008
400,000	-	(50,000)	350,000	\$.25 to October 31, 2008
730,000	-	-	730,000	\$.35 to July 31, 2009
-	100,000	-	100,000	\$.35 to October 22, 2009
-	130,000	-	130,000	\$.40 to November 15, 2009
-	130,000	-	130,000	\$.50 to November 15, 2009
-	550,000	-	550,000	\$.20 to April 16, 2010
<u>1,395,000</u>	<u>910,000</u>	<u>(315,000)</u>	<u>1,990,000</u>	

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 period was estimated at a grant date using the Black-Scholes option pricing model with expected volatility of 96.35% - 97.98%, risk-free interest rate between 3.23% and 4.23% over an expected life of two years with no dividend yield.

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Using the above assumptions the fair value of options granted and vested during the period was \$62,303 (2007 - \$50,304).

**7. SHARE CAPITAL (CONTINUED)**

e. Stock-Based Compensation (continued)

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.

f. Contributed surplus

	May 31 2008	August 31 2007
Opening balance	\$ 294,224	\$ 65,663
Exercise of options	(34,017)	(27,495)
Arising from stock-based compensation	62,303	256,056
	\$ 322,510	\$ 294,224

**8. SUPPLEMENTAL INFORMATION**

Disaggregation of certain administration expenses for the periods ended May 31, 2008 and 2007 is:

	<u>2008</u>	<u>2007</u>
Office and Miscellaneous		
Related party administration charges	\$ 4,500	\$ 9,971
Office supplies, courier and miscellaneous	5,936	16,249
	\$ 10,436	\$ 26,220
Professional Fees		
Accounting and audit	\$ 3,497	\$ 1,415
Legal	3,270	3,730
	\$ 6,767	\$ 5,145
Travel and Promotion		
Promotion	\$ 129,486	\$ 57,056
Shareholder communication	9,883	10,007
Travel	20,124	8,123
	\$ 159,493	\$ 75,186

**9. SUBSEQUENT EVENTS**

- a. Subsequent to May 31, 2008, the Company granted a total of 200,000 incentive share options exercisable at \$0.20 for three years.
- b. Subsequent to May 31, 2008, a total of 407,200 share purchase warrants expired unexercised.

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**9. SUBSEQUENT EVENTS (CONTINUED)**

- c. Subsequent to May 31, 2008, the Company closed the first tranche of a non-brokered private placement financing for gross proceeds of \$490,750. A total of 2,705,000 non flow-through units at \$0.15 per unit, each unit consisting of one common share and one non-transferable common share purchase warrant were issued. One warrant will entitle the holder thereof to purchase one additional common share of the Company for a period of 180 days at a price of \$0.30 per share. For the following 365 days, two share purchase warrants will be required to purchase one additional share of the Company at a price of \$0.30 per share. A total of 425,000 flow-through units at \$0.20 per unit, consisting of one flow-through common share and one non-transferable common share purchase warrant were issued. The warrant terms and price are the same as those attached to the non flow-through units indicated above. Finders fees of \$23,800 in cash were paid and 48,000 brokers warrants were issued on the above first tranche.
- d. The exercise price of 1,042,100 share purchase warrants issued as part of a unit private placement completed in three tranches on June 26, 2007, July 17, 2007 and August 1, 2007, have been reduced from \$0.65 in the first year of the warrants and \$0.90 per share in the second year of the warrants to \$0.35 per share for the remaining term of the warrants, subject to an accelerated exercise period, and subject to regulatory approval.

In accordance with TSX Venture Exchange policy, the expiry date of the warrants will be accelerated to shorten the exercise period to a period of 30 days, if for 10 consecutive trading days, the closing price of Montoro's common shares exceeded the revised exercise price of \$0.35. The 30-day exercise period will commence seven calendar days after the 10<sup>th</sup> premium trading day. In the event that the expiry date is not accelerated, the warrants will expire on the original expiry dates of June 26, 2009, July 17, 2009 and August 1, 2009 accordingly.

- e) 478,878 warrants at an exercise price of \$0.65 were unexercised on June 26, 2008 and are now priced at \$0.90 until June 26, 2009; and 440,922 warrants at an exercise price of \$0.65 were unexercised on July 17, 2008 and are now priced at \$0.90 until July 17, 2009 subject to regulatory approval of the price change as indicated in (d) above.
- f) The Company retained the services of The Richmond Club Corp. of Toronto to provide further investor exposure. The Richmond Club will receive a monthly fee of \$1,450 and were granted 200,000 stock options at \$0.20 for three years, as indicated in (a) above. The term of the contract is 18 months.