

Financial Statements

BENTON RESOURCES CORP.

(A Development Stage Enterprise)

June 30, 2008 and 2007

BENTON RESOURCES CORP.
(A Development Stage Enterprise)

June 30, 2008

Auditors' Report	1
Balance Sheets	2
Statements of Operations, Comprehensive Income and Deficit	3
Statements of Cash Flows	4
Notes to the Financial Statements	5



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Auditors' Report

To the Shareholders of
[Benton Resources Corp.](#)

We have audited the balance sheets of [Benton Resources Corp.](#) as at June 30, 2008 and 2007 and the statements of operations, comprehensive income 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Thunder Bay, Canada
October 21, 2008

Chartered Accountants
Licensed Public Accountants

BENTON RESOURCES CORP.
(A Development Stage Enterprise)

BALANCE SHEETS

As at June 30	2008 \$	2007 \$
ASSETS		
Current		
Cash	1,103,901	6,703,785
Temporary investments (note 4)	16,516,953	-
Accounts and other receivables	465,198	316,466
Prepaid expenses	18,054	-
Refundable security deposits (note 17)	188,842	-
	18,292,948	7,020,251
Long-term investments (note 5)	408,000	-
Property and equipment, net (note 6)	265,135	15,483
Mineral properties and deferred development expenditures (note 7)	11,208,044	6,611,707
	30,174,127	13,647,441

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities

Current

Accounts payable and accrued liabilities	344,127	317,710
Future income tax liability	1,222,735	1,992,573

Shareholders' Equity

Capital Stock (note 8)

Share capital	27,859,432	13,834,676
Warrants	4,766,024	801,363
Contributed Surplus	1,820,412	897,497
Deficit	(5,838,603)	(4,196,378)
	28,607,265	11,337,158
	30,174,127	13,647,441

Ability to continue as a going concern (note 1)

Approved by the Board:

“Stephen Stares” President, Chief Executive Officer and Director

“Clint Barr” Chief Financial Officer and Director

See accompanying notes to financial statements

BENTON RESOURCES CORP.
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**STATEMENTS OF OPERATIONS, COMPREHENSIVE
INCOME AND DEFICIT**

Year ended June 30	2008 \$	2007 \$
EXPENSES		
Advertising and promotion (note 13)	437,830	528,033
Compensation costs (note 13)	725,097	519,659
Consulting fees (note 13)	148,018	56,174
Flow through Part XII.6 tax	29,897	-
General and administrative	527,781	330,817
Professional fees	160,313	191,576
Stock exchange and filing fees	78,424	74,875
Amortization expense	78,593	5,250
	2,185,953	1,706,384
Loss before the following:	2,185,953	1,706,384
Write-down of mineral properties (note 7(o))	(54,954)	(34,532)
Interest income	588,524	45,534
Adjustment to fair market value for held for trading investments	(107,480)	-
Administration fees on mineral properties	31,837	14,573
Net loss before taxes	1,728,026	1,680,809
Recovery of future income taxes (note 12(a))	1,264,776	12,500
Net loss being comprehensive loss for the year	463,250	1,668,309
Deficit - Beginning of Year	4,196,378	1,912,004
	4,659,628	3,580,313
Financing costs – cash commission & expenses (note 8(d))	1,127,478	406,474
Recovery of future income taxes	(375,497)	-
Financing costs – broker’s warrants (note 8(d))	426,994	209,591
Deficit - End of Year	5,838,603	4,196,378
Net Loss Per Share (note 11)	0.01	0.05
Weighted Average Shares Outstanding (note 11)	62,081,992	34,701,822

See accompanying notes to financial statements

BENTON RESOURCES CORP.
(A Development Stage Enterprise)

STATEMENTS OF CASH FLOWS

Year ended June 30	2008 \$	2007 \$
CASH FLOWS FROM (USED IN):		
OPERATING ACTIVITIES		
Net loss for the period	(463,250)	(1,668,309)
Recovery of future income taxes	(1,264,776)	(12,500)
Write-down of mineral properties	54,954	34,532
Unrealized change in fair market value of investments	107,480	-
Amortization expense	78,593	5,250
Compensation and other expenses paid through stock options	877,392	611,398
Increase in accounts receivable	(5,383)	-
Increase in prepaid expenses	(18,054)	-
Increase in refundable security deposits	(188,842)	-
Increase in accounts payable and accrued liabilities	35,899	22,786
Cash flows used in operating activities	(785,987)	(1,006,843)
FINANCING ACTIVITIES		
Proceeds from private placements	16,068,167	4,699,995
Proceeds from the exercise of share purchase warrants	2,200,662	5,892,938
Proceeds from the exercise of stock options	2,250	71,125
Financing costs – cash commissions and expenses	(1,127,478)	(406,474)
Cash flows from financing activities	17,143,601	10,257,584
INVESTING ACTIVITIES		
Deferred developmental expenditures	(5,033,189)	(2,943,449)
Purchase of capital assets	(328,245)	(526)
Purchase of fixed income investments	(16,443,233)	-
Increase in accounts receivable	(143,349)	(113,608)
Increase (decrease) in accounts payable and accrued liabilities	(9,482)	73,871
Cash flows used in investing activities	(21,957,498)	(2,983,712)
Increase (decrease) in cash	(5,599,884)	6,267,029
Cash - beginning of period	6,703,785	436,756
Cash - end of period	1,103,901	6,703,785

See accompanying notes to financial statements

BENTON RESOURCES CORP.
(A Development Stage Enterprise)

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2008

1. NATURE OF OPERATIONS AND ABILITY TO CONTINUE AS A GOING CONCERN:

Benton Resources Corp. (the "Company") was incorporated on July 10, 2003 under the laws of British Columbia and is a development stage public company whose shares began trading on the TSX Venture Exchange in April of 2005.

The accompanying financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP") applicable to a going concern. The appropriateness of using the going concern basis is dependent upon, among other things, future profitable operations, the ability to realize assets and discharge liabilities in the normal course of business in the foreseeable future and the ability of the Company to raise additional capital. Specifically, the recovery of the Company's investment in resource properties and related deferred expenditures is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to develop the properties and establish future profitable production from the properties, or from the proceeds of their disposition. The Company has not earned any revenues to date and is considered to be in the development stage.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Mineral Properties and Deferred Developmental Expenditures

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production or written-down if the properties are allowed to lapse, are abandoned, are impaired or continued development is not deemed appropriate in the foreseeable future.

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of mineral properties. The carrying value of an individual property is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts and any excess will be recorded as a gain. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

Revenue Recognition

Operator fees on mineral properties are earned based on an agreed upon percentage of development expenses incurred on specific properties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued) . . .

Land Reclamation Costs

During the course of acquiring and exploring potential properties, the Company must comply with government regulated environmental evaluation, updating and reclamation requirements. The fair value of the liability is recorded when it is incurred and the corresponding increase to the assets is capitalized as deferred costs until such time as the properties are put into commercial production, at which time the costs incurred will be charged to operations on a unit-of-production basis over the estimated mine life. Upon abandonment or sale of a property all deferred costs relating to the property will be expensed in the year of such abandonment or sale.

General and Administrative Expenses

The Company charges all general and administrative expenses not directly related to development activities to operations as incurred.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the related reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of impairment of assets, resource property values, useful lives for depreciation and amortization and determination of fair value for stock based transactions. Actual results could differ from those reported. Management believes that the estimates are reasonable.

Income Taxes

The Company accounts for income taxes using the asset and liability method of accounting which focuses on the amounts of income taxes payable or receivable that will arise if an asset is realized or a liability is settled for its carrying amount. The resulting future income tax asset or liability is recorded based on substantively enacted income tax rates. In the case of unused tax losses, income tax reductions and certain items that have a tax basis but cannot be identified with an asset or liability on the balance sheet, the recognition of future income tax assets is determined by reference to the more likely than not realization of such benefits at the balance sheet date.

Flow-Through Financing

During the year ended June 30, 2008 the Company issued flow-through common shares pursuant to a private placement (see note 8(d)). Under this arrangement, shares are issued which transfer the tax deductibility of mineral property development expenditures to investors. Proceeds received on the issuance of these shares have been credited to share capital and the related development costs will be capitalized to mining and resource properties in the year in which they are incurred.

The entire amount of flow-through financing received was renounced to the investors. Accordingly, as the actual expenditures are incurred, they will carry no tax deductibility and the result will be amounts subject to tax. Future income tax liabilities resulting from these tax differences are recorded in the year in which the expenditures are renounced when the forms are filed with the Canada Revenue Agency and share capital is reduced, provided there is reasonable assurance that the expenditures will be made. Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property development expenditures within a two year period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued) . . .

Stock-Based Compensation

The Company uses the fair value-based method of accounting for stock-based compensation awards based on the Black-Scholes option pricing model with the portion of the fair value of the granted option related to vesting for the period charged to expense with the offset to contributed surplus. On the exercise of stock options, consideration received and the accumulated contributed surplus attributed to the portion exercised is credited to share capital.

Note 13 provides details on stock-based compensation and other stock-based payments

Property and Equipment

Purchased property and equipment are recorded at cost. Amortization is provided using the declining balance method using annual rates as follows:

Computer Equipment	30-55%
Computer Software	100%
Furniture and Equipment	20%
Exploration Camps	30%

Risk Management

The Company is engaged primarily in the mineral exploration field and manages related industry risk issues directly. The Company is at risk for environmental issues.

The Company is not exposed to significant credit concentration risk or interest rate risk.

The Company's functional currency is the Canadian dollar. All current development occurs within Canada. There is no significant foreign exchange risk to the Company.

Loss Per Share

Loss per share is calculated on the basis of weighted average number of shares outstanding during the year. Diluted earnings per share are computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the exercise of warrants and stock options, if dilutive. For warrants and stock options, the number of additional common shares is calculated by assuming that outstanding warrants and stock options were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. Diluted loss per share has not been presented as the result is anti-dilutive.

For the years ended June 30, 2008 and June 30, 2007, potentially dilutive common shares (relating to options and warrants outstanding at year end) totaling 18,738,150 (2007 – 11,965,661) were not included in the computation of loss per share because their effect was anti-dilutive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (continued) . . .

Asset Retirement Obligation

CICA 3110, “Asset Retirement Obligations” requires companies to record the fair value of an asset retirement obligation as a liability in the period in which it incurred a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The obligation is measured initially at fair value using discounted future cash flows and the resulting costs are capitalized into the carrying amount of the related asset. In subsequent periods, the liability will be adjusted for any changes in the amount of timing of the underlying future cash flows. Capitalized asset retirement costs are depreciated on the same basis as the related asset and the discounted accretion of the liability is included in determining the results of operations.

The Company has only performed preliminary exploratory work on its mineral properties and has not incurred significant reclamation obligations.

Impairment of Long-lived Assets

The Company periodically evaluates the future recoverability of its long-lived assets. In the situation that events and circumstances indicate impairment is probable, impairment losses or write-downs are measured as the difference between the carrying amount and the fair value. If fair value cannot be determined through market observation or using an undiscounted cash flow technique, then the entire carrying amount is written off.

3. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION:

Financial instruments

Effective July 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”) relating to financial instruments.

These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

Financial instruments - recognition and measurement (CICA Handbook Section 3855)

These standards set out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company’s balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any of the Company’s outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to July 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depend on their initial classification:

Held for trading financial instruments are measured at fair value. All gains and losses are included in net loss in the period in which they arise.

Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.

3. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION (continued) . . .

Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.

All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period in which they arise.

In accordance with this new standard, the Company has classified its financial instruments at the date of adoption as follows:

Cash, temporary investments and long term investments are classified as held-for-trading. Accounts and other receivables and refundable security deposits are classified as loans and receivables and accounts payable are classified as other financial liabilities.

The Company is not exposed to significant credit concentration risk or interest rate risk. The Company's functional currency is the Canadian dollar. All current exploration occurs within Canada. There is no significant foreign exchange risk to the Company.

Hedging (CICA Handbook Section 3865)

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

Comprehensive income (CICA Handbook Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

Equity (CICA Handbook Section 3251)

The company has prospectively adopted CICA Handbook section 3251, Equity, regarding the presentation of equity and changes in equity. These recommendations require separate presentation of the components of equity, including retained earnings, accumulated other comprehensive income, contributed surplus, share capital and reserves, and the changes therein.

Capital Disclosures (CICA Handbook Section 1535)

The Company has adopted CICA Handbook section 1535, Capital Disclosures in the current period. This section requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance.

There was no effect on opening equity as of July 1, 2007 as a result of applying these new standards.

Assessing Going Concern (CICA Handbook Section 1400)

The AcSB amended CICA Handbook Section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. The standard became effective for fiscal years beginning on or after January 1, 2008 and will become applicable to the Company as of July 1, 2008. The effect of this future accounting change will increase disclosures in future financial statements.

3. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION (continued) . . .

Financial Instruments – Disclosures (CICA Handbook Section 3862)

The CICA has issued this new handbook section which will affect disclosures in the Company's financial statements beginning on July 1, 2008. The new standards describe the required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks. The Company anticipates that the new standards will increase disclosures in future financial statements.

Financial Instruments – Presentation (CICA Handbook Section 3863)

The CICA has issued this new handbook section which will affect disclosures in the Company's financial statements beginning on July 1, 2008. This new section establishes the standards for presentation of the financial instruments and non-financial derivatives. It carries forward the presentation related requirements of Section 3861 "Financial Instruments – Disclosure and Presentation". The Company anticipates that the new standards will increase disclosures in future financial statements.

4. TEMPORARY INVESTMENTS:

	June 30, 2008	June 30, 2007
Discount note	3,969,837	-
Senior deposit notes	5,606,160	-
Banker's acceptances	5,497,511	-
Guaranteed investment certificates	1,443,445	-
	<u>\$ 16,516,953</u>	<u>\$ -</u>

These funds are available for exploration purposes upon the request of the Company.

The discount notes have maturity dates ranging from August 27, 2008 to September 10, 2008 and interest rates ranging from 3.019% to 3.397%.

The senior deposit notes have maturity dates ranging from June 8, 2010 to September 27, 2010 and interest rates ranging from 4.93% to 5.13%.

The banker's acceptances have maturity dates ranging from July 14, 2008 to November 12, 2008 and interest rates ranging from 3.078% to 4.43%.

The guaranteed investment certificates have maturity dates ranging from March 22, 2009 to March 23, 2010 and interest rates ranging from 3.30% to 4.16%.

5. LONG-TERM INVESTMENTS:

	2008		2007	
	Market \$	Cost \$	Market \$	Cost \$
Equities				
Canadian entities	408,000	589,200	-	-

The equity investment consists of 120,000 common shares of Marathon PGM Corporation ("Marathon") valued at the June 30, 2008 closing price of \$3.40 per common share. These shares were received pursuant to an option agreement with Marathon (see note 6) and carry with them a trading restriction until July 28, 2008. The closing price of the shares on the date the agreement was executed was \$4.91 per common share. Marathon is listed on the TSX under the symbol "MAR".

6. PROPERTY AND EQUIPMENT:

	2008			2007		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer Equipment	\$ 38,127	\$ 20,746	\$ 17,381	\$ 21,971	\$ 13,874	\$ 8,097
Furniture and Equipment	53,239	9,657	43,582	11,379	3,993	7,386
Computer Software	72,922	36,461	36,461	-	-	-
Exploration Camps	197,307	29,596	167,711	-	-	-
Total	\$ 361,595	\$ 96,460	\$ 265,135	\$ 33,350	\$ 17,867	\$ 15,483

7. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES:

Mineral property acquisition, exploration and development expenditures are deferred until the properties are placed into production, sold, impaired or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following commencement of production or written-down if the properties are allowed to lapse, are impaired or are abandoned. The deferred costs associated with each property is as follows:

<u>2008</u>	<u>Opening balance</u>	<u>Expenditures</u>	<u>Recoveries and write downs</u>	<u>Ending balance</u>
Bermuda/Redstone/Bamoos Copper PGE Property	4,473,618	1,969,004	(589,200)	5,853,422
Saganaga Lake Property	266,368	56,822	-	323,190
Nipigon Uranium Property	83,302	66	-	83,368
Flying Loon Property	611,644	1,300	-	612,944
Goodchild and South Goodchild Property	220,196	545,136	(533,333)	231,999
Armit Lake Property	361,048	875,917	-	1,236,965
Kingurutik Lake Nickel Property	395,294	304,424	(107,357)	592,361
Q-9 Gold Property	37,200	65,024	-	102,224
Sibley Basin Property	37,022	343,287	(366,282)	14,027
Bark Lake Property	-	484,056	-	484,056
Swayze Property	-	235,715	(119,542)	116,173
Hope Brook Property	-	560,253	-	560,253
Rim Property	-	400,775	-	400,775
Other Properties	126,015	525,226	(54,954)	596,287
Total	\$6,611,707	\$6,367,005	\$(1,770,668)	\$11,208,044

<u>2007</u>	<u>Opening balance</u>	<u>Expenditures</u>	<u>Recoveries and write downs</u>	<u>Ending balance</u>
Bermuda/Redstone/Bamoos Copper PGE Property	2,900,577	1,573,041	-	4,473,618
Saganaga Lake Property	253,439	27,929	(15,000)	266,368
Nipigon Uranium Property	92,121	34,081	(42,900)	83,302
Flying Loon Property	307,347	304,297	-	611,644
Goodchild and South Goodchild Property	62,883	207,313	(50,000)	220,196
Bottle Bay Uranium Property	6,350	-	(6,350)	-
Mainville Uranium Property	15,492	5,712	(21,204)	-
Armit Lake Property	14,381	346,667	-	361,048
Kingurutik Lake Nickel Property	-	395,294	-	395,294
Q-9 Gold Property	-	37,200	-	37,200
Uchi Lake Nickel Property	-	3,620	(3,620)	-
Sibley Basin Property	-	271,666	(234,644)	37,022
Other Properties	-	129,373	(3,358)	126,015
Total	\$3,652,590	\$3,336,193	\$(377,076)	\$6,611,707

7. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...

(a) Bermuda/Bamoos/Claw Lake/Four Dams/Copper PGE Properties

Pursuant to an asset purchase and sale and royalty agreement (the "Acquisition Agreement") dated December 15, 2003 between the Company and Stephen Stares, a Director and Shareholder, the Company acquired, subject to a 1% net smelter royalty (NSR), a 100% interest in the Bermuda Property, located in the Seeley Lake area of the Thunder Bay Mining Division in Ontario, Canada approximately 215 km east-northeast of the City of Thunder Bay and 12 km north of the Town of Marathon. The Bermuda Property consists of 17 contiguous mineral claims comprising 210 units (approx. 3,400 hectares). Consideration for the acquisition of the Bermuda Property was 2,000,000 Vendors' Special Warrants, exchangeable for common shares, allocated as to 500,000 Vendor Special Warrants to each of Stephen Stares, Michael Stares, Wayne Reed and Paul Degagne at an agreed price of \$0.10 each. The Acquisition Agreement includes an area of interest clause of one kilometre from the outside boundary of the Bermuda Property.

The Bamoos Property consists of a mining lease comprised of 16 units contiguous to the south boundary of the Bermuda Property and the north boundary of Marathon PGM Corp's Property. Pursuant to an option agreement dated May 25, 2005 and amended June 30, 2005, the Company earned a 100% interest (subject to a 2% net smelter royalty) by spending \$400,000 of exploration expenditures over four years and issuing 300,000 units of the Company's stock. Benton has now completed all expenditures required and has earned 100% interest in the Bamoos project subject to royalties pertaining to the underlying agreement. The Claw Lake/Four Dams portion of the BCF property consists of 11 staked claims.

During the year, the Company signed an agreement to enter into an Option and Joint Venture Agreement with Marathon PGM Corporation ("Marathon") on the eastern portion of the Bermuda property named the Bamoos/Claw Lake/Four Dams Property ("BCF"). Under the terms of the agreement, the Company will allow Marathon to earn a 60% interest in the BCF property by (i) issuing to the Company 120,000 common shares of Marathon, (ii) spending \$1.5 million in each of the first four option years and an additional \$2 million on or before the fifth anniversary year, and (iii) issuing to the Company cash payments of \$500,000 per year for the first three years totaling \$1.5 million. In addition, any ore mined on the property during the earn in period would entitle the Company to a 2% NSR royalty payable by Marathon.

The Bermuda West (Redstone) property consists of mining rights for 37 leases and 21 staked claims located in the Seeley Lake, Martinet, Grain, and Foxtrap Lake Townships. Pursuant to a purchase agreement with Redstone Resources Inc. (owned 100% by Newmont Mining Corporation) dated April 20, 2005, the Company acquired a 100% interest in these properties from the vendor for the sum of \$100,000. The vendor will retain a 2.0% NSR.

(b) Saganaga Lake Property

The Saganaga Lake Property consists of mining rights for 100% of 20 claims totalling 51 units and the Company also has the right to earn 100% in one claim totalling 2 units and 99% of 10 claims under option from Wing Resources in the Saganaga Lake area of Thunder Bay. Pursuant to an option agreement dated September 27, 2005, the Company has the right to acquire a 100% interest in the mining claims by paying the vendor a total of \$100,000 in cash and issue 100,000 shares over a four year period. The vendor will retain a 3% NSR of which the Company will have the right to buy back up to 50% for \$500,000 per 0.5% NSR.

During the previous year, the Company entered into a Participation Agreement (the "Agreement") with Teck Cominco Limited ("Teck Cominco"), whereby Teck Cominco has the exclusive right to earn up to a 70% interest in the Saganaga Lake Property by spending \$8,000,000 by July 31, 2012 and making certain commitments to the Company over the duration of the agreement.

During the year, Teck Cominco elected not to continue the Agreement thus leaving the Company with a 100% interest in the project.

7. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...

(c) Nipigon Uranium Property

The Company has acquired by staking in the Nipigon basin, 60 km east of Thunder Bay, Ontario. In January 2007, the Company completed a Joint Venture Agreement (the "Agreement") with Tri-Gold Resources Corp. ("Tri-Gold"), whereby Tri-Gold had the right and option to earn up to 60% interest in the Nipigon Uranium Project by spending \$500,000 by September 1, 2007 and making certain commitments to the Company over the duration of the agreement.

(d) Flying Loon Property

The Company has acquired by staking a 100% interest in the Flying Loon copper-nickel project. The property consists of 45 claim units located 40 km southeast of the Town of Sioux Lookout, Ontario.

(e) Goodchild and South Goodchild Property

The Company has acquired by staking a 100% interest in the Goodchild copper-nickel project. The property consists of 209 claim units located 10 km north of the Town of Marathon, Ontario.

In the previous period, the Company entered into an option agreement to earn a 100% interest in the South Goodchild Property, which is tied directly onto the south end of the Company's 100% owned Goodchild Property. To earn a 100% interest in the South Goodchild Property, the Company must pay the vendors \$105,000 cash, issue 200,000 shares over 4 years and complete development expenditures of \$200,000. The Company has met the abovementioned obligations to date. The agreement is also subject to a 3% Net Smelter Royalty, of which 2.0% can be purchased by the Company for \$500,000 per each 0.5%.

During the year, a new Participation Agreement was formed with Stillwater Mining ("Stillwater") of Billings, Montana, whereby Stillwater can earn up to 70% interest in the project by completing three separate financings in the Company totalling \$6,000,000 over three years and completing \$24,000,000 in development expenditures on the project over the duration of the agreement at which point Stillwater would have a 70% interest in the project.

(f) Armit Lake Property

The Company has acquired by staking a 100% interest in the Armit Lake property. The property consists of 141 claim units located 25 km northwest of the Town of Savant Lake, Ontario.

(g) Kingurutik Lake Nickel Property (previously NBK Property)

The NBK Project was acquired 100% by staking in late October 2006. The Property is located approximately 60 km north of Voisey Bay Labrador and consists of 488 claim units.

The Company has entered into a Participation Agreement with Teck Cominco whereby the Company and Teck Cominco will form the Kingurutik Lake project by amalgamating and jointly exploring certain of their land positions in Labrador. The project is located approximately 60 km north of the Voisey's Bay copper-nickel deposit and consists of 488 claim units held by the Company, (previously known as the NBK property), and 266 claim units held by Teck Cominco.

Under the terms of the Agreement, Teck Cominco completed a private placement financing with the Company during the previous fiscal year whereby the Company issued 1,000,000 common shares at \$0.70 per share for total proceeds of \$700,000 which resulted in the Company and Teck Cominco each holding a 50% interest in the combined properties. The Company then agreed to fund the initial \$600,000 in exploration work to be carried out by Teck Cominco, which then Teck Cominco has the option to increase its interest in the property to 60% by incurring an additional \$4 million in expenditures over the initial three years with an additional right to increase its interest to 70% by incurring an additional \$7 million in expenditures (for a total of \$11 million) over a further three years.

7. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...

During the year, Teck Cominco notified the Company that it has elected to exercise its option to increase its interest in the project to 60% by incurring the aforementioned expenditures.

Teck Cominco will be the initial operator of all programs on the project.

(h) Q-9 Gold Property

The Q-9 property is located approximately 160 km west of Thunder Bay, Ontario and adjoins the Saganaga Gold property. The project is subject to an asset purchase, sale and royalty agreement (the "Acquisition Agreement") dated May 8, 2006 between the Company and Stares Contracting Corp., a company controlled by Stephen Stares, Director and Officer and Michael Stares, Director of the Company, whereby the Company can earn a 100% interest subject to a 2% NSR in the project by making payments of \$75,000 cash and issuing 200,000 shares over four years. The property was subsequently optioned to Teck Cominco whereby Teck Cominco can earn up to a 70% interest in the Q-9 property by spending \$8,000,000 by December 31, 2013 and making certain commitments to the Company over the duration of the agreement including making cash payments to Stares Contracting Corp. and completing an initial financing into the Company totaling of \$252,000 at a price of \$0.60 per unit, each unit being comprised of one common share plus one warrant exercisable at \$0.70 for 24 months.

During the year, Teck Cominco elected not to continue the Agreement thus leaving the Company with a 100% interest in the project.

(i) Sibley Basin Property

The Company has entered into an agreement with Grandcru Resources Corp. ("Grandcru") whereby Grandcru, a company of which a director of the Company is a director of Grandcru, can earn a 60% interest in the South Sibley Block, Block "B" and Block "D" (collectively the "Property") by spending \$1 million on development. The parties will form a joint venture for the further development of the Property once Grandcru has ceased to increase its interest.

(j) Bark Lake Property

The Company entered into an option agreement with Joseph Hackl Sr. and Joseph Christopher Hackl Jr. whereby the Company has the right to earn a 100% interest in the Bark Lake claims located in Northern Ontario by making cash payments totaling \$59,000 and issuing 40,000 common shares over a three year period. The property is subject to a 2% NSR royalty, half of which can be purchased by the Company for \$1 million.

(k) Swayze Property (Tooms/Heenan/Kenogaming)

During the year, the Company entered into a 50%/50% Joint Venture agreement with Pacific Northwest Capital Corp. ("PFN") to explore the Swayze Nickel Project. The Swayze Property is situated in the Swayze Greenstone Belt, approximately 100km south-west of Timmins, Ontario and incorporates approximately fifty Townships. Under the terms of the agreement, the Company and PFN agree to bear all expenditures equally and participate in a single purpose, unincorporated Joint Venture for the purpose of carrying out all mineral exploration for a three year period, totaling a minimum of \$1,200,000 in aggregate expenditures.

The Company acts as the operator of the project and is responsible for carrying out all exploration activities.

The Company has an underlying option agreement dated September 17, 2007 on the claims encompassing the Heenan Lake portion of the joint venture with two arms length individuals. The agreement calls for cash option payments totaling \$100,000 over 4 years of which 50% will be paid by PFN. These payments entitle the Company to acquire a 100% interest in the property subject to a 2% NSR in favour of the optioners half of which may be purchased by the Company at its option for \$750,000.

7. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...

In addition, the Company has purchased a 100% interest in the claims encompassing the Tooms township portion of the joint venture with two arms length individuals. The amount paid was \$14,000 subject to a 2% NSR half of which can be purchased back by the Company for \$1 million. PFN will also reimburse the Company for 50% of this cost.

(l) Hope Brook Property

During the year, the Company acquired through staking and option, a large land package consisting of 799 claims that includes the past producing Hope Brook Gold Mine located on the southwest coast of Newfoundland. The Company has staked the gold-bearing trend that hosts the Hope Brook deposit for approximately 30 kilometers and has entered into an option agreement with Quinlan Prospecting (Q.P.) of Newfoundland to acquire 3 separate claim blocks, one of which includes the Hope Brook gold deposit. To earn a 100% interest in the 3 claim blocks, the Company will make cash payments to Q.P. totaling \$170,000 and issue 200,000 shares over 4 years. As well, the Company paid a finder's fee to Alexander Stares, brother of Stephen and Michael Stares, for being introduced to the project, of 25,000 shares and 25,000 share purchase warrants exercisable for 24 months at a price of \$1.00. As well, the 3 claim blocks are subject to a 2% NSR royalty payable to Q.P. with an advance royalty payment of \$10,000 owing per year to a maximum of \$100,000 commencing on the Company having exercised the option to acquire the 3 claim blocks. The Company has the right to purchase one half of the 2% NSR royalty for \$1 million.

(m) Rim Property

During the year, the Company acquired through staking 1,823 claims in Northern Labrador. The property is located nearly 100km south of Voisey's Bay and adjacent to the Pants Lake Intrusion.

(n) Other Properties

Included in Other Properties are the following: Delta Property, Rex Lake Property, Cheeseman Lake Property, Whitton Lake Property, Gem Property, Pikitigushi Property, Linklater Lake Property, Blackett Lake Property, Edar Lake Property, Portage Lake Property and miscellaneous properties.

(o) Write Down of Mineral Properties

<u>Property Name</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
	\$	\$
Bottle Bay Uranium Property	-	6,350
Mainville Uranium Property	-	21,204
Uchi Lake Nickel Property	-	3,620
Kenogaming Township Property	-	3,358
Other properties	54,954	-
Total	<u>54,954</u>	<u>34,532</u>

7. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...

(p) Recoveries and Earn-ins

During the period the Company received payments on its properties. The earn-in amounts received which were recorded as a reduction in the carrying cost of the associated property were as follows:

<u>Property Name</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>
	\$	\$
BCF Property	589,200	-
Kingurutik Lake Nickel Property	107,357	-
Nipigon Uranium Property	-	42,900
Sibley Basin Property	366,282	234,644
Saganaga Lake Property	-	15,000
Goodchild and South Goodchild Property	533,333	50,000
Swayze Property	119,542	-
Total	<u>1,715,714</u>	<u>342,544</u>

8. CAPITAL STOCK:

(a) Share Capital

Authorized:
Unlimited common shares

Issued:
68,128,959 common shares

Details of share capital transactions for the years ended June 30, 2008 and June 30, 2007 are as follows:

	<u>Number of Shares</u> #	<u>Amount</u> \$
Balance, June 30, 2006	23,121,470	4,406,024
Issued pursuant to private placements	11,352,606	4,699,995
Less: value ascribed to warrants issued in private placements	-	(1,110,323)
Less: valuation adjustment arising from tax effect of flow-through common share renunciation	-	(770,190)
Common shares issued upon exercise of warrants	14,708,507	5,892,938
Reclassified from exercise of warrants	-	572,623
Common shares issued upon exercise of stock options	227,500	71,125
Reclassified from exercise of stock options	-	22,284
Common shares in connection with property option agreements	<u>150,000</u>	<u>50,200</u>
Balance, June 30, 2007	49,560,083	13,834,676
Issued pursuant to private placements	12,960,322	16,601,500
Less: value ascribed to warrants issued in private placements	-	(4,286,400)
Less: valuation adjustment arising from tax effect of flow-through common share renunciation	-	(870,435)
Less: value of private placements allocated to mineral properties	-	(533,333)
Common shares issued upon exercise of warrants	5,402,304	2,200,662
Reclassified from exercise of warrants	-	709,722
Common shares issued upon exercise of stock options	6,250	2,250
Reclassified from exercise of stock options	-	590
Common shares in connection with property option agreements	<u>200,000</u>	<u>200,200</u>
Balance, June 30, 2008	<u>68,128,959</u>	<u>27,859,432</u>

(b) Share Purchase Warrants

Details of share purchase warrant transactions for the years ended June 30, 2008 and June 30, 2007 are as follows:

	<u># of Warrants</u>	<u>Weighted Average Exercise Price</u>
Balance, June 30, 2006	12,553,311	\$0.39
Issued during the period to investors	7,059,928	\$0.45
Issued during the period to agents	1,363,974	\$0.41
Expired during the period	(120,545)	\$0.40
Exercised during the period	(14,708,507)	\$0.40
Balance, June 30, 2007	6,148,161	\$0.42
Issued during the period to investors	9,600,000	\$1.60
Issued during the period to agents	816,900	\$1.25
Issued during period in connection with property agreements	25,000	\$1.00
Expired during the period	(325,857)	\$0.47
Exercised during the period	(5,402,304)	\$0.41
Balance, June 30, 2008	<u>10,861,900</u>	<u>\$1.54</u>

The changes in share purchase warrants for the years ended June 30, 2008 and June 30, 2007 are as follows:

	<u>Amount</u>
	\$
Balance, June 30, 2006	239,961
Issued in connection with private placements to investors	1,110,323
Issued in connection with private placements to agents	209,591
Less: valuation adjustment arising from tax effect of flow-through common share renunciation	(185,122)
Reclassified to capital stock upon exercise	(572,623)
Reclassified to contributed surplus upon expiration of warrants	(767)
Balance, June 30, 2007	801,363
Issued in connection with private placements to investors	4,286,400
Issued in connection with private placements to agents	426,994
Issued in connection with property agreements	7,102
Reclassified to capital stock upon exercise	(709,722)
Reclassified to contributed surplus upon expiration of warrants	(46,113)
Balance, June 30, 2008	<u>4,766,024</u>

The fair value of the 9,600,000 warrants received by investors during the year have been estimated at \$4,286,400. The fair value of the 816,900 warrants received by agents during the year have been estimated at \$426,994. The fair value of the 25,000 warrants issued in connection to a property agreement during the year have been estimated at \$7,102. For all types of warrants, the fair values have been estimated using the Black-Scholes option pricing model and the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 4.27% and an expected life of (i) 18 months for the warrants issued to both investors and agents and; (ii) 2 years for the warrants issued in connection with a property agreement. The value of the investor and agent warrants reduced the proceeds attributed to share capital and are recognized under capital stock as share purchase warrants while the value of the warrants with respect to the property agreement were capitalized in mineral properties and deferred development expenditures.

As at June 30, 2008 and June 30, 2007, the following share purchase warrants were outstanding:

Expiry Dates	2008 # of Warrants	2007 # of Warrants
Year ending June 30, 2008	-	5,728,161
Year ending June 30, 2009	10,836,900	420,000
Year ending June 30, 2010	25,000	-
	<u>10,861,900</u>	<u>6,148,161</u>

(b) Share Purchase Warrants (continued...)

For the purpose of the information disclosed above, the warrants expiring during the year ended June 30, 2008 have expiry dates ranging from October 12, 2007 to June 12, 2008 with an exercise price ranging from \$0.29 to \$0.47.

For the purpose of the information disclosed above, the warrants expiring during the year ending June 30, 2009 have expiry dates ranging from January 9, 2009 to April 16, 2009 with an exercise price ranging from \$0.70 to \$1.60.

For the purpose of the information disclosed above, the warrants expiring during the year ending June 30, 2010 have an expiry date of February 21, 2010 with an exercise price of \$1.00.

(c) Stock Options

Details of stock option transactions for the years ended June 30, 2008 and June 30, 2007 are as follows:

	<u># of Options</u>	<u>Weighted Average Exercise Price</u>
Balance, June 30, 2006	3,465,000	\$0.34
Exercised during the year	(227,500)	\$0.31
Cancelled during the year	(20,000)	\$0.43
Granted during the year	2,600,000	\$0.51
Balance, June 30, 2007	5,817,500	\$0.42
Exercised during the year	(6,250)	\$0.36
Granted during the year	2,065,000	\$0.71
Balance, June 30, 2008	7,876,250	\$0.50

The change in contributed surplus for the years ended June 30, 2008 and June 30, 2007 is as follows:

	<u>Amount</u>
	\$
Balance, June 30, 2006	307,616
Stock-based compensation for the year	611,398
Reclassified from expiration of warrants	767
Reclassified to capital stock upon exercise of options	(22,284)
Balance, June 30, 2007	897,497
Stock-based compensation for the year (note 13)	877,392
Reclassified from expiration of warrants	46,113
Reclassified to capital stock upon exercise of options	(590)
Balance, June 30, 2008	1,820,412

As at June 30, 2008 and June 30, 2007, the following stock options were outstanding:

Expiry Dates	Exercise Price	2008 # of Options	2007 # of Options
November 21, 2008	\$0.40	200,000	200,000
April 13, 2010	\$0.30	1,200,000	1,200,000
March 29, 2011	\$0.36	2,030,000	2,036,250
February 7, 2012	\$0.50	2,281,250	2,281,250
May 29, 2012	\$1.08	100,000	100,000
August 17, 2012	\$1.18	50,000	-
November 16, 2012	\$0.93	25,000	-
March 14, 2013	\$0.70	1,890,000	-
May 12, 2013	\$0.70	100,000	-
		7,876,250	5,817,500

(d) Private Placements

Private Placement #1

During the period, the Company completed a private placement with Stillwater Mining Corporation, in which the Company received \$1.6 million. The private placement consisted of 1,290,322 common shares at a value of \$1.24 a share.

Private Placement #2

During the period, the Company completed a \$15,001,500 bought deal private placement. The private placement consisted of 1) 9,600,000 units issued at \$1.25 each, with each unit consisting of one common share and one common share purchase warrant, each warrant entitling the holder to acquire one common share at a price of \$1.60 for a period of eighteen months from the closing date; and 2) 2,070,000 flow-through shares issued at \$1.45 each.

In accordance with the terms of the offering, a cash commission of 7% of the gross proceeds was paid and the Company issued 816,900 compensation warrants to the Underwriters entitling the holder thereof to acquire one common share of the Company at a price of \$1.25 until April 16, 2009.

(e) Stock Option Plan

The Company has a Stock Option Plan (the “Plan”) for directors, officers, employees and consultants. The Plan permits the granting of options to purchase 12,982,321 common shares. The Plan provides that:

- i) any options granted pursuant to the Plan shall expire no later than five year after the date of grant;
- ii) any options granted pursuant to the Plan shall be non-assignable and non-transferable;
- iii) the number of common shares issuable pursuant to the Plan to any one person in any 12 month period shall not exceed 5% of the outstanding common shares;
- iv) the number of common shares issuable pursuant to the Plan to any one consultant in any 12 month period may not exceed 2% of the outstanding common shares;
- v) the number of common shares issuable pursuant to the Plan to persons employed in investor relation activities may not exceed 2% of the outstanding common shares in any 12 month period.
- vi) the Plan provides that options shall expire and terminate 30 days following the date the optionee ceases to be an employee, director or officer of, or consultant to, the Company, provided that if such termination is as a result of death of the optionee, the optionee’s personal representative shall have one year to exercise such options.
- vii) The number of common shares: (1) reserved for issuance to insiders of the Company may not exceed 20% of the issued and outstanding common shares; and (2) which may be issued to insiders within a one year period may not exceed 20% of the issued and outstanding common shares.

9. RELATED PARTY TRANSACTIONS:

The Company paid or accrued the following amounts to related parties during the years ended June 30, 2008 and June 30, 2007:

Payee	Description of Relationship	Nature of Transaction	2008 Amount (\$)	2007 Amount (\$)
Stares Contracting Corp.	Company controlled by Stephen Stares, Director and Officer and Michael Stares, Director	Payments for equipment rentals, supply of labour and reimbursement of expenses capitalized in deferred development expenditures and for office costs included in general and administrative expenses	1,008,078	842,550
Michael & Stephen Stares	Directors and Officer	Reimbursement of expenses capitalized in deferred development expenditures and for promotional activities included in advertising and promotion expenses	2,037	3,660
Clint Barr	Director and Officer	Reimbursement of expenses capitalized in deferred development expenditures, for promotional activities included in advertising and promotion expenses and salaries	122,964	33,439
Barr Geological Consulting	Company controlled by Clinton Barr, Director and Officer	Payments for geological services, equipment rentals and reimbursement of expenses capitalized in deferred development expenditures and for promotional activities included in advertising and promotion expenses	74,940	138,812
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Director and Officer	Legal fees charged/accrued during the period	85,925	151,061
Cindy Stares	Spouse of Stephen Stares, Director and Officer	Bookkeeping services	15,157	15,678
Stares Prospecting	Company controlled by Alexander Stares, Brother of Stephen and Michael Stares	Prospecting services	94,160	9,403
Newfie Shores	Partnership controlled by Stephen Stares, Director and Officer, and Michael Stares, Director	Payments for cabin rentals capitalized in deferred development expenditures	14,509	-

9. RELATED PARTY TRANSACTIONS (continued)...

The purchases from and fees charged by the related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable and accrued liabilities is \$nil (2007 - \$14,561) to Barr Geological Consulting, \$6,117 (2007 - \$3,558) to Clint Barr, \$67,551 (2007 - \$43,042) to Stares Contracting Corp., \$34 (2007 - \$10,103) to Stephen Stares, \$5,006 (2007 - \$nil) to Gordon J. Fretwell Law Corporation, \$234 (2007 - \$nil) to Cindy Stares and \$nil (2007 - \$9,403) to Stares Prospecting. The repayment terms are similar to the repayment terms of non-related party trade payables.

10. FINANCIAL INSTRUMENTS:

The Company's financial instruments consist of cash, temporary investments, long-term investments, accounts and other receivables, refundable security deposits 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 risk arising from these financial instruments.

Fair Value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for cash, temporary investments, long-term investments, accounts and other receivables, refundable security deposits and accounts payable and accrued liabilities reflected on the balance sheet approximate fair market value because of the limited term of these instruments.

11. LOSS PER SHARE:

Basic loss per share figures are calculated using the weighted average number of common shares outstanding. The weighted average number of shares issued and outstanding for the year ended June 30, 2008 is 62,081,992 (June 30, 2007 - 34,701,822).

Fully diluted loss per share figures are calculated after taking into account all stock options and warrants granted. Exercise of the outstanding warrants and options would be anti-dilutive with respect to loss per share calculations, and therefore fully-diluted loss per share is not presented.

12. INCOME TAXES:

(a) Provision for Current Income Taxes

The provision for (recovery of) income taxes differs from the amount that would have resulted by applying Canadian federal and provincial statutory tax rates of 34.8% (June 30, 2007 – 36.1%).

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
	\$	\$
Loss before taxes	(1,728,027)	(1,680,809)
<u>Income tax expense reconciliation</u>		
Expected income tax expense (recovery) calculated using statutory rates	(601,353)	(607,108)
Tax effect of the following items:		
Non-deductible stock based compensation	305,332	220,759
Non-deductible expenses and other items	30,191	2,900
Non-deductible write-down of mineral properties	19,124	12,466
Adjustment to fair market value of held for trading investments	37,403	-
Change in effective tax rates	(401,019)	-
Recognized benefit of future tax assets	(654,454)	-
Expected income tax expense (recovery) calculated for tax purposes	(1,264,776)	(370,983)
Valuation allowance	-	358,483
Income tax recovery	<u>(1,264,776)</u>	<u>(12,500)</u>
Income tax recovery consists of:		
Current income taxes	-	-
Future income taxes	(1,264,776)	(12,500)
	<u>(1,264,776)</u>	<u>(12,500)</u>

(b) Future Tax Balances

The tax effect of temporary differences that give rise to future income tax assets and future income tax liabilities at the combined Canadian federal and provincial statutory tax rates are as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
	\$	\$
Future tax assets (liabilities) – long term		
Share issue costs	375,497	204,575
Non-capital losses	929,450	796,446
Property and equipment	25,870	-
Deferred development expenditures	(2,456,402)	(1,992,573)
Valuation allowance	(97,150)	(1,001,021)
Net future income tax liability	<u>(1,222,735)</u>	<u>(1,992,573)</u>

12. INCOME TAXES (continued)...

(c) Income Tax Information

The company has common share issue costs of approximately \$1,294,816 and non-capital losses of approximately \$3,205,000 available to reduce taxable income in future years. These non-capital losses expire as follows:

<u>Year of Loss</u>	<u>Amount \$</u>	<u>Available To</u>
2004	58,000	2014
2005	277,000	2015
2006	669,000	2026
2007	1,201,000	2027
2008	1,000,000	2028
	<u>3,205,000</u>	

The benefit of the share issue costs and \$2,870,000 of the loss carry forwards have been recognized for accounting purposes.

13. STOCK-BASED COMPENSATION AND COSTS:

Stock options granted to directors, officers and employees vested during the years ended June 30, 2007 and June 30, 2008 are as follows:

<u>Grant Date</u>	<u># of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
April 13, 2005	170,492	\$0.30	April 13, 2010
February 7, 2007	1,326,025	\$0.50	February 7, 2012
	<u>1,496,517</u>		

<u>Grant Date</u>	<u># of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
February 7, 2007	787,328	\$0.50	February 7, 2012
November 16, 2007	18,999	\$0.93	November 16, 2012
March 14, 2008	912,783	\$0.70	March 14, 2013
May 12, 2008	37,532	\$0.70	May 12, 2013
	<u>1,756,642</u>		

The Company applies the fair value method of accounting for stock-based compensation awards to employees and officers and accordingly \$725,097 (2007 - \$519,659) is recorded as compensation expense and under capital stock as contributed surplus for the 1,756,642 (2007 - 1,496,517) options vesting to employees during the year.

For the purposes of the above calculations for the options granted February 7, 2007, the fair value of each option is \$0.38 and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 4.0% and an expected life of approximately 5 years.

For the purposes of the above calculations for the options granted November 16, 2007, the fair value of each option is \$0.71 and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 4.17% and an expected life of approximately 5 years.

For the purposes of the above calculations for the options granted March 14, 2008, the fair value of each option is \$0.43 and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.98% and an expected life of approximately 5 years.

13. STOCK-BASED COMPENSATION AND COSTS (continued)...

For the purposes of the above calculations for the options granted May 12, 2008, the fair value of each option is \$0.44 and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 3.00% and an expected life of approximately 5 years.

Stock options granted to non-employees vested during the years ended June 30, 2007 and June 30, 2008 are as follows:

<u>Grant Date</u>	<u># of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
October 18, 2005	30,137	\$0.30	October 18, 2007
November 21, 2006	171,070	\$0.40	November 21, 2008
February 7, 2007	92,514	\$0.50	February 7, 2012
May 29, 2007	25,422	\$1.08	May 29, 2012
	<u>319,143</u>		

<u>Grant Date</u>	<u># of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
November 21, 2006	28,930	\$0.40	November 21, 2008
February 7, 2007	54,930	\$0.50	February 7, 2012
May 29, 2007	67,231	\$1.08	May 29, 2012
August 17, 2007	43,118	\$1.18	August 17, 2012
March 14, 2008	73,023	\$0.70	March 14, 2013
	<u>267,232</u>		

The Company applies the fair value method of accounting for stock-based compensation awards to non-employees and accordingly \$5,577 (2007 - \$35,565) is recorded as advertising and promotion expense, \$146,718 (2007 - \$56,174) as consulting fees, and \$152,295 (2007 - \$91,739) under capital stock as contributed surplus for the 267,232 (2007 - 319,143) options vesting to non-employees during the year.

For the purposes of the above calculations for the options granted November 21, 2006, the fair value of each option is \$0.19 and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 4.0% and an expected life of approximately 2 years.

For the purposes of the above calculations for the options granted February 7, 2007 and May 29, 2007, the fair value of each option is \$0.38 and \$0.82 respectively and was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 4.0% and an expected life of approximately 5 years.

For the purposes of the above calculations for the options granted August 17, 2007, the fair value of each option was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 4.25% and an expected life of approximately 5 years.

For the purposes of the above calculations for the options granted March 14, 2008, the fair value of each option was estimated on the grant date using the Black-Scholes option pricing model, with the following assumptions: dividend yield of 0%, expected volatility of 100%, a risk-free interest rate of 2.98% and an expected life of approximately 5 years.

14. SUPPLEMENTAL CASH FLOW INFORMATION:

The following transactions did not result in cash flows and have been excluded from financing and investing activities:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Non-cash financing activities		
Common shares issued for non-cash consideration	\$200,200	\$50,200
Warrants issued for non-cash consideration	7,102	-
Non-cash investing activities		
Mineral properties financed through common share issuance	\$(200,200)	\$(50,200)
Mineral properties financed through warrant issuance	(7,102)	-
Common shares received pursuant to property option agreement for non-cash consideration	589,200	-
Increase in long term investments	(589,200)	-

15. CAPITAL DISCLOSURES:

CICA Handbook Section 1535 requires disclosure of an entity's objectives, policies and process for managing capital, qualitative data about what an entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

The Company's objectives when managing capital are as follows:

- i) To safeguard the Company's ability to continue as a going concern;
- ii) To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties;
- iii) To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustment to it, based on the general economic conditions, its short term working capital requirements, and its planned exploration and development program expenditure requirement. The capital structure of the Company is composed of working capital and shareholders' equity. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

There were no changes in the Company's approach to managing capital during the period.

16. SUBSEQUENT EVENTS:

- (i) Subsequent to June 30, 2008, 1,290,322 common shares were issued in conjunction with a \$2.0 million private placement with Stillwater Mining Corporation.
- (ii) Subsequent to June 30, 2008, the Company announced its intent to make a normal course issuer bid (the "Bid") to purchase through the facilities of the TSX Venture Exchange (the "Exchange") certain of its outstanding common shares. The number of common shares to be purchased through the Exchange during the period of the Bid from August 26, 2008 to August 26, 2009 will not exceed 3,000,000 common shares. The actual number of shares that may be purchased and the timing of any such purchases will be determined by the Company. All shares purchased under the Bid will be cancelled.

17. REFUNDABLE SECURITY DEPOSITS:

Refundable security deposits of \$188,842 represents security deposits paid to the Government of Newfoundland and Labrador in connection with mineral property claims located in the Province of Newfoundland. These refundable security deposits are refundable to the Company upon submission by the Company of a report covering the first year work requirements, which meets the requirements of the Government of Newfoundland and Labrador.

18. COMMITMENTS:

The Company leases automobiles under various operating leases, which have expiry dates ranging from April 2011 to May 2011. The future minimum annual fiscal lease payments over the term of the leases is as follows:

2009	\$ 13,460
2010	\$ 13,460
2011	\$ 11,733

19. COMPARATIVE FIGURES:

Certain financial statement line items from prior year have been reclassified to conform with the current year's presentation. These reclassifications had no effect on the net loss, loss per share and accumulated deficit as previously presented.