

**NOTICE TO SHAREHOLDERS  
FOR THE NINE MONTHS ENDED MARCH 31, 2008**

**BENTON RESOURCES CORP.**

(A Development Stage Enterprise)

**Responsibility for Financial Statements**

The accompanying financial statements for Benton Resources Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the June 30, 2007 audited financial statements. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended March 31, 2008.

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**BENTON RESOURCES CORP.**  
(A Development Stage Enterprise)

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March 31, 2008

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**BENTON RESOURCES CORP.**  
(A Development Stage Enterprise)

**BALANCE SHEETS**  
(Prepared by Management)

As at	March 31, 2008 \$ (Unaudited)	June 30, 2007 \$ (Audited)
<b>ASSETS</b>		
Cash	1,766,623	6,703,785
Temporary investments (note 4)	18,441,787	-
Accounts and other receivables	616,538	316,466
Prepaid expenses	11,190	-
	<b>20,836,138</b>	<b>7,020,251</b>
Refundable security deposits (note 15)	167,342	-
Property and equipment, net (note 5)	63,360	15,483
Mineral properties and deferred development expenditures (note 6)	10,497,138	6,611,707
	<b>31,563,978</b>	<b>13,647,441</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	778,158	317,710
Future income tax liability	3,076,715	1,992,573
<b>Shareholders' Equity</b>		
Capital Stock (note 7)		
Share capital	26,783,508	13,834,676
Warrants	6,031,763	801,363
Contributed Surplus	1,577,685	897,497
Deficit	(6,683,851)	(4,196,378)
	<b>27,709,105</b>	<b>11,377,158</b>
	<b>31,563,978</b>	<b>13,647,441</b>

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

**BENTON RESOURCES CORP.**  
(A Development Stage Enterprise)

**STATEMENTS OF OPERATIONS AND DEFICIT**  
(Prepared by Management – Unaudited)

	<b>Three Months Ended March 31, 2008 \$</b>	<b>Three Months Ended March 31, 2007 \$</b>	<b>Nine Months Ended March 31, 2008 \$</b>	<b>Nine Months Ended March 31, 2007 \$</b>
<b>EXPENSES</b>				
Advertising and promotion (note 11)	85,974	107,900	240,827	241,640
Compensation costs (note 11)	333,032	314,394	551,772	328,796
Consulting fees (note 11)	80,279	69,851	243,299	139,285
Flow through Part XII.6 tax	11,712	63	28,141	6,975
General and administrative	128,809	74,690	367,073	209,674
Professional fees	19,513	38,361	118,896	128,387
Stock exchange and filing fees	27,410	20,619	62,936	58,324
Amortization expense	20,131	1,313	26,855	3,938
	706,860	627,191	1,639,799	1,117,019
Operating loss	706,860	627,191	1,639,799	1,117,019
Interest income	204,683	11,428	409,001	17,077
Investment income	173,911	-	329,504	-
Administration fees on mineral properties	2,781	-	28,298	-
<b>Net loss before taxes</b>	<b>325,485</b>	<b>615,763</b>	<b>872,996</b>	<b>1,099,942</b>
Recovery of future income taxes (note 10)	-	-	-	(18,000)
<b>Net loss for the period</b>	<b>325,485</b>	<b>615,763</b>	<b>872,996</b>	<b>1,081,942</b>
<b>Deficit - Beginning of Period</b>	<b>6,358,366</b>	<b>2,831,248</b>	<b>4,196,378</b>	<b>1,912,004</b>
	6,683,851	3,447,011	5,069,374	2,993,946
Financing costs – cash commission & expenses (note 7(d))	-	-	1,614,477	453,245
<b>Deficit - End of Period</b>	<b>6,683,851</b>	<b>3,447,011</b>	<b>6,683,851</b>	<b>3,447,191</b>
<b>Net Loss Per Share (note 9)</b>	<b>0.01</b>	<b>0.02</b>	<b>0.01</b>	<b>0.04</b>
<b>Weighted Average Shares Outstanding (note 9)</b>				

See accompanying notes to financial statements

**BENTON RESOURCES CORP.**

(A Development Stage Enterprise)

**STATEMENTS OF CASH FLOWS****(Prepared by Management – Unaudited)**

	<b>Three Months Ended March 31, 2008 \$</b>	<b>Three Months Ended March 31, 2007 \$</b>	<b>Nine Months Ended March 31, 2008 \$</b>	<b>Nine Months Ended March 31, 2007 \$</b>
<b>CASH FLOWS FROM (USED IN):</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	(325,485)	(615,763)	(872,986)	(1,081,942)
Recovery of future income taxes	-	-	-	(18,000)
Amortization expense	20,131	1,313	26,855	3,938
Compensation and other expenses paid through stock options	375,449	358,731	680,188	378,017
Unrealized investment income	(173,911)	-	(329,504)	-
Decrease (increase) in accounts receivable	11,582	(39,461)	(300,072)	116,649
Decrease (increase) in prepaid expenses	4,206	-	(11,190)	-
Increase (decrease) in accounts payable and accrued liabilities	641,948	(43,912)	460,448	(160,961)
Decrease (increase) in refundable security deposits	(44,092)	-	(167,342)	-
Cash flows used in operating activities	509,828	(339,092)	(513,613)	(762,299)
<b>FINANCING ACTIVITIES</b>				
Proceeds from private placements	-	700,000	16,601,500	4,699,995
Proceeds from the exercise of share purchase warrants	1,028,309	1,937,414	1,967,572	2,194,343
Financing costs – cash commissions and expenses	-	-	(1,127,476)	(406,474)
Cash flows from financing activities	1,028,309	2,637,414	17,441,596	6,487,864
<b>INVESTING ACTIVITIES</b>				
Deferred developmental expenditures	(1,116,997)	(386,186)	(3,678,129)	(1,769,886)
Purchase of fixed income investments	(142,812)	-	(18,112,283)	-
Purchase of capital assets	(52,913)	-	(74,733)	(526)
Cash flows used in investing activities	(1,312,722)	(386,186)	(21,865,145)	(1,770,412)
Increase (decrease) in cash	225,415	1,912,136	(4,937,162)	3,955,153
Cash - beginning of period	1,541,208	2,479,773	6,703,785	436,756
Cash - end of period	1,766,623	4,391,909	1,766,623	4,391,909

Supplemental Cash Flow Information (Note 14)

See accompanying notes to financial statements

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**BENTON RESOURCES CORP.**  
(A Development Stage Enterprise)

**NOTES TO THE FINANCIAL STATEMENTS**  
(Prepared by Management – Unaudited)

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March 31, 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.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends on its ability to develop profitable operations and to continue to raise adequate financing.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The management of the Company has prepared these unaudited financial statements for the nine months ended March 31, 2008 in accordance with generally accepted accounting principles in Canada. These financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2007. The policies and methods used in these interim financial statements are the same as those of the June 30, 2007 audited financial statements, unless otherwise noted.

The disclosures in these interim financial statements do not conform in all respects to generally accepted accounting principles in Canada for annual financial reporting.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the nine months ended March 31, 2008 are not indicative of the results that may be expected for the full year ending June 30, 2008.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year except as otherwise noted. Outlined below are those policies considered particularly significant.

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

### 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 is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts. 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.

### 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 likely realization of such benefits at the balance sheet date.

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

### Flow-Through Financing

During the year ended June 30, 2008 the Company issued flow-through common shares pursuant to a private placement (see note 7(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 charged 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 as a reduction of share capital, 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.

### 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. On the exercise of stock options, consideration received and the accumulated contributed surplus is credited to share capital.

Note 11 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%
Furniture and Equipment	20%
Computer Software	100%

### 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.

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

### Asset Retirement Obligation

The Company has adopted CICA 3110, "Asset Retirement Obligations" which 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.

There was no material impact on the financial statements resulting from the adoption of Section 3110 in the current or prior periods presented, as 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. Impairment losses or write-downs are measured as the difference between the carrying amount and the fair value of the asset and are recorded in the event the net book value of such assets are determined to be not recoverable based on the estimated undiscounted future cash flows attributable to these assets.

## **3. CHANGES IN ACCOUNTING POLICIES:**

### Financial instruments

Effective January 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, financial assets, 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.

### **3. CHANGES IN ACCOUNTING POLICIES (continued) . . .**

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.

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 as follows:

Cash, temporary investments, accounts and other receivables and accounts payable are classified as held-for-trading, which are measured at fair market value.

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.

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

**4. TEMPORARY INVESTMENTS:**

	March 31, 2008	June 30, 2007
Cash	71,055	-
Discount note	2,094,064	-
Senior deposit notes	5,699,056	-
Banker's acceptances	7,457,291	-
Guaranteed investment certificates	1,029,572	-
Commercial paper (RBC Dexia)	2,090,749	-
	<u>\$ 18,441,787</u>	<u>\$ -</u>

These funds are available for exploration purposes upon the request of the Company. All investments have been made in R1H investment rated securities only.

The discount note has a maturity date of June 18, 2008 and an interest rate of 3.52%.

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 May 9, 2008 to November 12, 2008 and interest rates ranging from 3.887% to 4.65%.

The guaranteed investment certificates have maturity dates ranging from March 22, 2009 to March 23, 2010 and interest rates ranging from 4.15% to 4.16%.

The commercial paper has a maturity date of April 10, 2008 and an interest rate of 3.95%.

**5. PROPERTY AND EQUIPMENT:**

	March 31, 2008			June 30, 2007		
	Accumulated			Accumulated		
	Cost	Amortization	Net	Cost	Amortization	Net
Computer Equipment	\$ 25,997	\$ 16,527	\$ 9,470	\$ 21,971	\$ 13,874	\$ 8,097
Furniture and Equipment	22,779	5,956	16,823	11,379	3,993	7,386
Computer Software	59,307	22,240	37,067	-	-	-
Total	<u>\$ 108,083</u>	<u>\$ 44,723</u>	<u>\$ 63,360</u>	<u>\$ 33,350</u>	<u>\$ 17,867</u>	<u>\$ 15,483</u>

## 6. 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>For the nine months ended March 31, 2008</u>	<u>Opening balance</u>	<u>Expenditures</u>	<u>Recoveries and write downs</u>	<u>Ending balance</u>
Bermuda/Bamoos/Claw Lake/Four Dams/ Copper PGE Property	4,473,618	1,383,088	-	5,856,706
Bermuda West (Redstone) Property	-	73,579	-	73,579
Saganaga Lake Property	266,368	46,831	-	313,199
Nipigon Uranium Property	83,302	66	-	83,368
Flying Loon Property	611,644	1,300	-	612,944
Goodchild and South Goodchild Property	220,196	519,706	-	739,902
Armit Lake Property	361,048	451,828	-	812,876
Kingurutik Lake Nickel Property	395,294	304,424	(106,614)	593,104
Q-9 Gold Property	37,200	40,131	-	77,331
Sibley Basin Property	37,022	341,230	(366,281)	11,971
Bark Lake Property	-	473,790	-	473,790
Hope Brook Property	-	233,435	-	233,435
Other Properties	126,015	554,533	(65,615)	614,933
Total	<u>\$6,611,707</u>	<u>\$4,423,941</u>	<u>\$(538,510)</u>	<u>\$10,497,138</u>

<u>For the year ended June 30, 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	<u>\$3,652,590</u>	<u>\$3,336,193</u>	<u>\$(377,076)</u>	<u>\$6,611,707</u>

## **6. 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 unpatented mineral claims comprising 210 units (approx. 3,400 hectares). Consideration for the acquisition of the Bermuda Property was 2,000,000 Vendors' Special Warrants 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. Each unit consists of one share and one warrant, exercisable for two years. The warrant entitles the vendor to purchase one common share of the Company at a price per share equal to \$0.29 for a period of two years from issuance. Benton has now completed all expenditures required and has earned 100% interest in the Bamoos project subject to royalties pertaining to the underlying agreement. In addition the vendor has exercised all warrants. The Claw Lake/Four Dams portion of the BCF property consists of 11 staked claims.

During the period ended March 31, 2008, 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.

### **(b) Bermuda West (Redstone) Property**

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.

## **6. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...**

### **(c) Saganaga Lake Property**

The Saganaga Lake Property consists of mining rights for 100% of 20 claim units totalling 51 units and the Company also has the right to earn 100% in one claim totalling 2 units and 99% of 10 claim units 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 year ended June 30, 2007, 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 period ended March 31, 2008, Teck Cominco elected not to continue the Agreement thus leaving the Company with a 100% interest in the project.

### **(d) Nipigon Uranium Property**

The Company has acquired by staking several large airborne radiometric uranium anomalies 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 has the rights 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.

### **(e) 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.

### **(f) 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.

During the year ended June 30, 2007, 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. 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 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 period, a new Joint Venture was formed with Stillwater Mining ("Stillwater") of Billings, Montana, whereby Stillwater can earn up to 70% interest in the project by financing Benton \$6,000,000 over 2 years and completing \$24,000,000 in development expenditures on the project over the duration of the agreement.

### **(g) 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.

## **6. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...**

### **(h) 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 consist 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.

During the period ended March 31, 2008, 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.

### **(i) 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 make the 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 period ended March 31, 2008, Teck Cominco elected not to continue the Agreement thus leaving the Company with a 100% interest in the project.

### **(j) 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.

## 6. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...

### (k) 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.

### (l) Hope Brook Property

During the period ended March 31, 2008, 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 favourable 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) Other Properties

Included in Other Properties are the following: Delta Property, RIM Property, Rex Lake Property, Swayze JV Properties (Tooms Property, Heenan Property, Kenogaming 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.

### (n) Write Down of Mineral Properties

<u>Property Name</u>	<u>March 31, 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
Total	<u>-</u>	<u>34,532</u>

## 6. MINERAL PROPERTIES AND DEFERRED DEVELOPMENT EXPENDITURES (continued)...

### (o) 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:

Property Name	March 31, 2007 \$	June 30, 2007 \$
Kingurutik Lake Property	106,614	-
Nipigon Uranium Property	-	42,900
Sibley Basin Property - Grandcru Joint Venture	366,281	234,644
Saganaga Lake Property	-	15,000
Goodchild Property	-	50,000
Other Properties	65,615	-
Total	<u>538,510</u>	<u>342,544</u>

## 7. CAPITAL STOCK:

### (a) Share Capital

Authorized:  
Unlimited common shares

Issued:  
67,606,709 common shares

Details of share capital transactions for the year ended June 30, 2007 and the nine months ended March 31, 2008 are as follows:

	Number of Shares #	Amount \$
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	-	(4,924,552)
Less: valuation adjustment arising from tax effect of flow-through common share renunciation	-	(1,084,141)
Common shares issued upon exercise of warrants	4,886,304	1,967,572
Reclassified from exercise of warrants	-	188,253
Common shares in connection with property option agreements	<u>200,000</u>	<u>200,200</u>
Balance, March 31, 2008	<u>67,606,709</u>	<u>26,783,508</u>

## 7. CAPITAL STOCK (continued)...

### (b) Share Purchase Warrants

Details of share purchase warrant transactions for the year ended June 30, 2007 and the nine months ended March 31, 2008 are as follows:

	# of Warrants	Weighted Average Exercise Price
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
Exercised during the period	(4,886,304)	\$0.39
Issued during the period to investors	9,600,000	\$1.60
Issued during the period to agents	816,900	\$1.25
Issued during the period in connection with property agreements	25,000	\$1.00
Balance, March 31, 2008	11,703,757	\$1.20

The changes in share purchase warrants for the year ended June 30, 2007 and the nine months ended March 31, 2008 are as follows:

	Amount \$
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	4,924,552
Issued in connection with private placements to agents	486,999
Issued in connection with property agreements	7,102
Reclassified to capital stock upon exercise	(188,253)
Balance, March 31, 2008	6,031,763

As at June 30, 2007 and March 31, 2008, the following share purchase warrants were outstanding:

Expiry Dates	2008 # of Warrants	2007 # of Warrants
Year ending June 30, 2008	841,857	5,728,161
Year ending June 30, 2009	10,861,900	420,000
	11,703,757	6,148,161

For the purpose of the information disclosed above, the warrants expiring during the year ending June 30, 2008 have expiry dates ranging from October 12, 2007 to June 12, 2008 with an exercise price ranging from \$0.40 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 17, 2009 with an exercise price ranging from \$0.70 to \$1.60.

## 7. CAPITAL STOCK (continued)...

### (c) Stock Options

Details of stock option transactions for the year ended June 30, 2007 and the nine months ended March 31, 2008 are as follows:

	# of Options	Weighted Average Exercise Price
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
Granted during the period	50,000	\$1.18
Granted during the period	25,000	\$0.93
Granted during the period	1,890,000	\$0.70
Balance, March 31, 2008	7,782,500	\$0.49

The change in contributed surplus for the year ended June 30, 2007 and the nine months ended March 31, 2008 is as follows:

	Amount \$
Balance, June 30, 2006	307,616
Stock-based compensation for period (note 11)	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 period (note 11)	680,188
Balance, March 31, 2008	1,577,685

As at June 30, 2007 and March 31, 2008, the following stock options were outstanding:

Expiry Dates	Exercise Price	March 31, 2008 # of Options	June 30, 2007 # of Options
November 21, 2008	\$0.40	200,000	200,000
April 30, 2010	\$0.30	1,200,000	1,200,000
March 29, 2011	\$0.36	2,036,250	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	-
		7,782,500	5,817,500

## 7. CAPITAL STOCK (continued)...

### (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 10% of the issued and outstanding common shares; and (2) which may be issued to insiders within a one year period may not exceed 10% of the issued and outstanding common shares.

## 7. CAPITAL STOCK (continued)...

### (f) Shares in Escrow

A total of 5,279,998 common shares issued as a result of an April 12, 2005 public offering were subject to an escrow agreement. These shares were held by certain principal owners, directors and certain officers of the Company.

In accordance with the agreement, the escrowed shares are subject to a three-year Surplus Security Escrow Agreement and are scheduled to be released from escrow following the exchange notice date of April 13, 2005 as follows (4,399,999 shares released as of March 31, 2008):

Release Dates	Percentage to be Released	Number of Escrowed Shares to be Released
April 13, 2008	16.67%	879,999
<b>TOTAL</b>	<b>16.67%</b>	<b>879,999</b>

## 8. RELATED PARTY TRANSACTIONS:

The Company paid or accrued the following amounts to related parties during the nine months ended March 31, 2008 and March 31, 2007:

Payee	Description of Relationship	Nature of Transaction	2008 Amount (\$) (Unaudited)	2007 Amount(\$) (Unaudited)
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	818,596	487,397
Clint Barr, Michael & Stephen Stares	Directors and Officers	Reimbursement of expenses capitalized in deferred development expenditures and for promotional activities included in advertising and promotion expenses	89,016	29,437
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	88,964	102,984
Gordon J. Fretwell Law Corporation	Company controlled by Gordon Fretwell, Director and Officer	Legal fees charged/accrued during the period	110,920	84,666
Stares Prospecting	Company controlled by Alexander Stares, Brother of Stephen and Michael Stares	Prospecting services	94,160	-

**8. RELATED PARTY TRANSACTIONS (continued)...**

Cindy Stares	Spouse of Stephen Stares, Director and Officer	Bookkeeping services	10,704	-
Newfie Shores	Partnership controlled by Stephen Stares, Director and Officer, and Michael Stares, Director	Payments for cabin rentals capitalized in deferred development expenditures	11,275	-

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.

During fiscal year 2007, the Company entered into an option agreement with Stares Contracting Corp. to acquire a 100% interest in the Q-9 Gold Property (note 6(h)). The transaction was recorded at the exchange amount, which is the amount established and agreed to by the related parties.

During the year ended June 30, 2007, the Company entered into a Joint Venture agreement with a company, which a director of the Company is also on the Board of Directors of the Joint Venture Company (note 6(i)).

During the period, the Company paid a finder's fee to Alexander Stares, brother of Stephen and Michael Stares, Directors, for being introduced to the Hope Brook property project. The finder's fee consisted of 25,000 shares and 25,000 share purchase warrants exercisable for 24 months at a price of \$1.00.

Included in accounts payable and accrued liabilities is \$nil (March 31, 2007 - \$14,723) to Barr Geological Consulting, \$6,818 (March 31, 2007 - \$4,499) to Clint Barr, \$8,911 (March 31, 2007- \$4,500) to Gordon J. Fretwell Law Corporation, \$63,019 (March 31, 2007 - \$35,037) to Stares Contracting Corp., \$nil (March 31, 2007 - \$232) to Stephen Stares and \$924 (March 31, 2007 - \$nil) to Newfie Shores. The repayment terms are similar to the repayment terms of non-related party trade payables.

**9. 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 nine months ended March 31, 2008 is 60,191,679 (March 31, 2007 – 30,696,879).

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.

**10. INCOME TAXES:**

The estimated taxable income for the period ended is \$Nil. Based upon the level of historical taxable income, it cannot be reasonably estimated at this time if it is more likely than not that the Company will realize the benefits from future income tax assets or the amounts owing from future income tax liabilities.

Consequently, the future recovery or loss arising from differences in tax values and accounting values have been reduced by an estimated taxable temporary difference valuation allowance. The estimated taxable temporary difference valuation allowance will be adjusted in the period that it is determined that it is more likely than not that some portion or all of the future tax assets or future tax liabilities will be realized.

## 11. STOCK-BASED COMPENSATION AND COSTS:

Stock options granted to directors and officers vested during the nine months ended March 31, 2008:

Grant Date	# of Options	Exercise Price	Stock Price at Grant Date	Expiry Date
February 7, 2007	699,567	\$0.50	\$0.50	February 7, 2012
November 16, 2007	14,834	\$0.93	\$0.87	November 16, 2012
March 14, 2008	515,987	\$0.70	\$0.59	March 14, 2013
	<u>1,230,388</u>			

The Company applies the fair value method of accounting for stock-based compensation awards to employees and officers and accordingly \$551,772 is recorded as compensation expense and under capital stock as contributed surplus for the 1,230,388 options vesting to employees during the period.

For the purposes of the above calculations for the options granted February 7, 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 4.0% 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 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 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 3.75% and an expected life of approximately 5 years.

Stock options granted to non-employees vested during the nine months ended March 31, 2008:

Grant Date	# of Options	Exercise Price	Stock Price at Grant Date	Expiry Date
November 21, 2006	28,930	\$0.40	\$0.37	November 21, 2008
February 7, 2007	48,807	\$0.50	\$0.50	February 7, 2012
May 29, 2007	58,427	\$1.08	\$1.08	May 29, 2012
August 17, 2007	37,933	\$1.18	\$1.18	August 17, 2012
March 14, 2008	41,279	\$0.70	\$0.59	March 14, 2013
	<u>215,376</u>			

The Company applies the fair value method of accounting for stock-based compensation awards to non-employees and accordingly \$5,577 is recorded as advertising and promotion expense, \$122,839 is recorded as consulting fees and \$128,416 is recorded under capital stock as contributed surplus for the 215,376 options vesting to non-employees during the period.

For the purposes of the above calculations for the options granted November 21, 2006, 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 4.0% 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 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.

## 11. STOCK-BASED COMPENSATION AND COSTS (continued)...

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 3.75% and an expected life of approximately 5 years.

## 12. COMMITMENTS:

The Company leases an automobile under an operating lease, which expires May 2011. The future minimum annual lease payments over the term of the leases is as follows:

2007	\$ 6,216
2008	\$ 6,216
2009	\$ 6,216
2010	\$ 2,591

## 13. 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.

## 14. SUPPLEMENTAL CASH FLOW INFORMATION:

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

	March 31, 2008	June 30, 2007
Common shares issued for non-cash consideration	\$200,200	\$50,200
Warrants issued for non-cash consideration	25,000	-
Mineral properties financed through common share issuance	(200,200)	(50,200)
Mineral properties financed through warrant issuance	(25,000)	-

## 15. REFUNDABLE SECURITY DEPOSITS:

Refundable security deposits of \$167,342 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.

**16. RESPONSIBILITY FOR FINANCIAL STATEMENTS:**

The accompanying financial statements for the Company have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the June 30, 2007 audited financial statements. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended March 31, 2008.