Financial Statements
(Expressed in Canadian dollars)

# INTERNATIONAL WAYSIDE GOLD MINES LTD.

(An Exploration Stage Company)

Years ended February 29, 2008 and February 28, 2007

**BDO Dunwoody LLP**
Chartered Accountants

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# AUDITORS' REPORT

To the Shareholders of
**International Wayside Gold Mines Ltd.**
**(An Exploration Stage Company)**

We have audited the balance sheets of International Wayside Gold Mines Ltd. (an exploration stage company) as at February 29, 2008 and February 28, 2007 and the statements of loss, deficit and cash flows for the years ended February 29, 2008 and February 28, 2007. We have also audited the statement of comprehensive loss for the year ended February 29, 2008. 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 February 29, 2008 and February 28, 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, British Columbia
June 18, 2008

# INTERNATIONAL WAYSIDE GOLD MINES LTD.

(An Exploration Stage Company)
Balance Sheets
(Expressed in Canadian dollars)

February 29, 2008 and February 28, 2007

| | 2008 | 2007 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 24,795 | $ - |
| Amounts receivable and advances | 100,513 | 19,333 |
| Prepaid expenses (note 7(a)) | 104,440 | 2,000 |
| | 229,748 | 21,333 |
| Deferred financing costs | - | 112,282 |
| Reclamation deposits | 294,500 | 299,500 |
| Investments (note 4) | 7,590 | 19,320 |
| Due from related parties (note 7(a)) | 266,544 | 136,292 |
| Property and equipment (note 5) | 329,870 | 359,094 |
| Mineral properties (note 6) | 8,584,089 | 8,359,089 |
| | $ 9,712,341 | $ 9,306,910 |
| **Liabilities and Shareholders' Equity (Deficiency)** | | |
| Current liabilities: | | |
| Bank indebtedness | $ - | $ 6,972 |
| Accounts payable and accrued liabilities | 875,368 | 1,035,449 |
| Due to related parties (note 7(b)) | 1,036,109 | 1,598,760 |
| Convertible notes (note 9) | - | 3,385,969 |
| | 1,911,477 | 6,027,150 |
| Asset retirement obligation (note 8) | 103,191 | 93,810 |
| | 2,014,668 | 6,120,960 |
| Shareholders' equity: | | |
| Capital stock (note 10) | 45,945,511 | 38,995,104 |
| Equity portion of convertible note (Note 9) | - | 1,342,682 |
| Contributed surplus (note 11) | 7,718,636 | 4,094,424 |
| Subscription payable, net of issuance cost (note 16) | 498,800 | - |
| Accumulated other comprehensive loss (note 13) | (11,730) | - |
| Deficit | (46,453,544) | (41,246,260) |
| | 7,697,673 | 3,185,950 |
| | $ 9,712,341 | $ 9,306,910 |

Going concern (note 1), Commitments (note 6), Subsequent events (notes 10 (e) and 16), Contingencies (note 15)

See accompanying notes to financial statements.

Approved on behalf of the Board:

____________________ Director  ____________________ Director

# INTERNATIONAL WAYSIDE GOLD MINES LTD.

(An Exploration Stage Company)
Statements of Loss and Deficit and Other Comprehensive Loss
(Expressed in Canadian dollars)

Years ended February 29, 2008 and February 28, 2007

| | 2008 | 2007 |
|---|---|---|
| Expenses: | | |
| Accounting, audit and legal (note 7 (c)) | $ 233,192 | $ 40,438 |
| Amortization | 50,355 | 55,781 |
| Automobile | 4,307 | 5,745 |
| Bank charges, interest and commissions | 27,469 | 49,848 |
| Exploration (see schedule of exploration expenses) | 866,317 | 1,654,171 |
| Interest on convertible notes (note 9) | 157,060 | 75,216 |
| Loan bonus and finders' fees (see note 7(c)) | - | 40,000 |
| Amortization of deferred financing fee (note 9) | - | 58,012 |
| Accretion of convertible note discount (note 9) | 1,390,388 | 504,521 |
| Management fees (note 7(c)) | 120,000 | 90,000 |
| Office and administration (note 10 (c)) | 80,737 | 150,747 |
| Rent | 25,570 | 26,187 |
| Shareholder communications and advertising | 208,186 | 441,581 |
| Telephone | 27,603 | 35,185 |
| Transfer agent and filing fees | 116,218 | 55,477 |
| Stock-based compensation (note 10(d)) | 1,217,750 | 459,403 |
| Wages, consulting fees and benefits | 544,174 | 708,555 |
| | 5,069,326 | 4,450,867 |
| Loss before the following | (5,069,326) | (4,450,867) |
| Gain on sale of investment | - | 5,737 |
| Write-down of investments (note 4) | - | (19,320) |
| Interest income | 13,174 | 4,038 |
| Commitment fee (note 15) | (38,850) | - |
| **Net loss for the year** | (5,095,002) | (4,460,412) |
| Deficit, beginning of year: | (41,246,260) | (36,785,848) |
| Adjustment due to adoption of new accounting pronouncement (note 3) | (112,282) | - |
| Deficit, end of year | $ (46,453,544) | $ (41,246,260) |
| Basic and diluted loss per share | $ (0.08) | $ (0.12) |
| Weighted average number of shares outstanding | 66,168,545 | 36,767,154 |

| **Statement of other comprehensive loss** | | |
|---|---|---|
| **Net loss for the year** | $(5,095,002) | $(4,460,412) |
| Unrealized loss on available-for-sale securities (note 4) | (11,730) | - |
| **Comprehensive loss** | $(5,106,732) | $(4,460,412) |

See accompanying notes to financial statements.

# INTERNATIONAL WAYSIDE GOLD MINES LTD.

(An Exploration Stage Company)
Statements of Cash Flows
(Expressed in Canadian dollars)

Years ended February 29, 2008 and February 28, 2007

| | 2008 | 2007 |
|---|---|---|
| Cash provided by (used in): | | |
| Operations: | | |
| Loss for the year | $ (5,095,002) | $ (4,460,412) |
| Items not involving cash: | | |
| Amortization | 50,355 | 55,781 |
| Loan Bonus | - | 40,000 |
| Interest and finance fees on convertible loan | 157,060 | - |
| Stock-based compensation | 1,217,750 | 459,403 |
| Write-down of investments | - | 19,320 |
| Gain on sale of investment | - | (5,737) |
| Amortization of deferred financing fee | - | 58,012 |
| Accretion of convertible debt | 1,390,388 | 504,521 |
| Accretion of asset retirement obligation | 9,381 | 4,467 |
| | (2,270,068) | (3,324,645) |
| Changes in non-cash operating working capital: | | |
| Amounts receivable | (81,180) | 39,942 |
| Prepaid expenses | (102,440) | - |
| Accounts payable and accrued liabilities | (160,082) | (441,641) |
| Cash used in operations | (2,613,770) | (3,726,344) |
| Investing: | | |
| Reclamation deposits | 5,000 | (155,000) |
| Due from related parties | (130,252) | (72,952) |
| Purchase of property and equipment | (21,131) | (63,667) |
| Expenditures on mineral properties, net of recoveries | - | (4,200,000) |
| Cash used in investing | (146,383) | (4,491,619) |
| Financing: | | |
| Proceeds on sale of investment | - | 5,735 |
| Due to related parties | (562,651) | 339,477 |
| Deferred financing costs | - | (278,484) |
| Proceeds from convertible notes | 179,952 | 4,748,556 |
| Settlement fees relating to convertible notes | (285,330) | - |
| Issuance of capital stock for cash, net of issuance costs | 2,961,149 | 2,682,556 |
| Subscription payable, net of issuance costs | 498,800 | - |
| Bank indebtedness | (6,972) | 6,972 |
| Cash provided by financing | 2,784,948 | 7,504,812 |
| Increase (decrease) in cash and cash equivalents | 24,795 | (713,151) |
| Cash and cash equivalents, beginning of year | - | 713,151 |
| Cash and cash equivalents, end of year | $ 24,795 | $ - |
| Supplemental cash flow information: | | |
| Taxes paid | - | - |
| Non-cash operating, investing and financing activities: | | |
| Issuance of capital stock for mineral properties | 225,000 | 261,632 |
| Issuance of shares to settle debts | 4,800,238 | 518,800 |
| Asset retirement obligation increase | 9,381 | 93,810 |
| Issuance of shares for loan bonus | - | 40,000 |

See accompanying notes to financial statements.

# INTERNATIONAL WAYSIDE GOLD MINES LTD.

(An Exploration Stage Company)
Statement of Property Exploration Costs – Schedule 1
(Expressed in Canadian dollars)

Years ended February 29, 2008 and February 28, 2007

| | 2008 | 2007 |
|---|---|---|
| Exploration and development expenditures: | | |
| Administration fees (note 7(c)) | $ 41,044 | $ 79,101 |
| Assaying | 13,959 | 61,429 |
| Assessment and tax | 27,118 | - |
| Accretion of asset retirement obligation (note 8) | 9,381 | 4,467 |
| Consulting | 55,687 | 299,684 |
| Engineering | - | 24,304 |
| Environmental | 30,556 | 88,207 |
| Land fees and permitting | 34,647 | 67,363 |
| Exploration | 200,530 | 583,283 |
| Equipment rentals (note 7(c)) | 393,433 | 236,345 |
| Mine and field supplies | 37,682 | 180,273 |
| Travel | 22,280 | 29,715 |
| Property exploration costs | $ 866,317 | $ 1,654,171 |

See accompanying notes to financial statements.

## 1. Going concern:

The Company was incorporated on February 12, 1970 under the laws of the Province of British Columbia and its principal business activities are the exploration and development of mineral properties in British Columbia, with its principal property being the Cariboo Gold Project (note 6(b)).

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. At February 29, 2008, the Company has a working capital deficiency of $1,681,729, (2007 - $6,005,817), has incurred losses during the years ended February 29, 2008 and February 28, 2007and has an accumulated deficit of $46,453,544 (2007 - $41,246,260). The Company has not generated any cash from operating activities since inception with the exception of the proceeds from a bulk sampling program. The Company's continuing operations and the ability of the Company to discharge its liabilities and fulfill its commitments as they come due is dependent upon the continued support of its related parties, the ability of the Company to continue to obtain equity financing and, ultimately, on locating economically recoverable ore reserves in its mineral properties and attaining and maintaining profitable operations. If the Company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require the restatement of assets and liabilities on a liquidation basis, which would differ significantly from the going concern basis.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether its mineral properties contain ore reserves that are economically recoverable. The underlying value and the recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable ore reserves in its mineral properties, the ability of the Company to obtain the necessary financing to complete development, confirmation of the Company's interest in the underlying mineral claims and leases and upon future profitable production from or the proceeds from the disposition of its mineral properties.

## 2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Cash equivalents and reclamation deposits:

Cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a term to maturity of three months or less at acquisition, that are readily convertible to specified amounts of cash.

Reclamation deposits are term deposits placed in the name of the Government of the Province of British Columbia as collateral for possible reclamation activities on the Company's mineral properties in connection with permits required for exploration activities. As they are restricted from general use, they are excluded from current assets.

**2. Significant accounting policies** (continued)**:**

(c) Property and equipment:

Property and equipment is recorded at cost. Amortization is provided, once the assets are in use, over their estimated useful lives on a declining-balance basis at rates between 5% and 20% per annum.

Additions during the year are depreciated at one-half of the annual rate. The costs of repair and replacement of routine nature items are charged to income while any expenditures which improve or extend the useful lives of the assets, are capitalized. No depreciation is taken in the year of disposition.

(d) Mineral properties:

Exploration expenditures are expensed while acquisition expenditures are capitalized.

Consistent with prior periods, mineral property acquisition costs include the cash consideration paid and the fair value of common shares issued on acquisition, based on the trading price of the shares on the date of the agreement to issue the shares.

Recoveries for option payments or shares received are recorded on receipt, as the payments or shares received under the agreement are made at the sole discretion of the optionee. Proceeds from the sale of minerals recovered during the exploration stage are recorded when title to the minerals passes, the proceeds are reasonably determinable and the collectibility is assured.

Amounts shown for mineral properties represent costs incurred to date, less write-downs, and do not necessarily reflect present or future values.

(e) Stock-based compensation:

The Company has a stock-based compensation plan which is described in note 10(d). Stock options are recorded at their fair value on the date of grant as compensation expense, and agents' options and warrants issued in connection with common share placements are recorded at their fair value on the date of issue as share issuance costs. The Company measures stock based compensation at the measurement date, based on the estimated fair value of the award over the requisite service period or the period the options are earned. For non-employee options, options are re-valued at each balance sheet date. On the exercise of stock options and agents' options and warrants, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus. The Company uses the Black-Scholes option pricing model to estimate the fair value of stock-based compensation.

(f) Share capital:

The Company records proceeds from share issuances net of issue costs. Shares issued for consideration other than cash are valued at the quoted market price on the date the agreement to issue the shares was reached.

**2. Significant accounting policies** (continued)**:**

(g) Income taxes:

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases (temporary differences), and loss carry forwards. Future income tax assets and liabilities are measured using the substantively enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantially enacted. A valuation allowance is recorded to reduce future income tax assets recognized by the amount of any future income tax benefits that, based on available evidence, are not expected to be realized.

(h) Loss per share:

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted loss per share. The treasury stock method assumes that for purposes of determining the weighted average shares outstanding for the calculation of dilutive per share amounts, the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price for the period. However, in the Company’s case, diluted loss per share does not differ from basic loss per share as the effect of outstanding options and warrants would be anti-dilutive.

(i) Asset retirement obligations:

The company may incur liability for costs associated with the eventual retirement of tangible long-lived assets (for example, reclamation costs). The liability for such costs exists from the time the legal obligation first arises, not when the actual expenditures are made in the future. Such obligations will be measured initially at their fair value using discounted present value methodology. The resulting amount will be added to the cost of the related asset and to the Company's liabilities, and will be adjusted in later periods for changes in the amount and timing of the expected cash expenditures. The amount added to the asset will be amortized in the same manner as the asset. The liability will be increased in each accounting period by the amount of the implied interest ("accretion") inherent in the use of discounted present value methodology, and the increase will be charged against earnings or capitalized as appropriate.

(j) Use of estimates:

The preparation of financial statements 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 reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of recoverability of mineral property costs, useful lives for amortization, determination of reclamation obligations and assumptions used in determining the fair value of non-cash stock-based compensation. Actual results could differ from those estimates.

## 2. Significant accounting policies (continued):

**(**k**)** Flow-through shares:

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related exploration expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

The Company follows the recommendations of the Emerging Issues Committee (“EIC”) of the Canadian Institute of Chartered Accountants (“CICA”) with respect to flow-through shares, as outlined in EIC-146. The application of EIC-146 requires the recognition of the foregone tax benefit on the date the Company renounces the tax credits associated with the exploration expenditures, provided there is reasonable assurance that the expenditures will be made.

## 3. Changes in Accounting Policies and Presentation

***(a) Financial Instruments***

Effective March 1, 2007, the Company adopted the new Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3855, Financial Instruments Recognition and Measurement; Section 3865, Hedges; Section 1530, Comprehensive Income; and Section 3861, Financial Instruments – Disclosure and Presentation (the “Financial Instrument Standards”).

The Financial Instrument Standards require that adjustments to the carrying value of financial assets and liabilities be recorded within retained earnings or, in the case of available-for-sale assets, accumulated other comprehensive income on transition. On March 1, 2007, the Company designated as available for sale assets its investment in marketable securities in the amount of $19,320. This classification resulted in no change in the cumulative adjustment to comprehensive income (loss) as the securities were recorded at market values at February 28, 2007. The fair value re-measurement for the year ended February 29, 2008 resulted in a loss in market value of $11,730 that was recorded in the statement of other comprehensive loss (note 4).

The Company no longer defers financing costs separately on its balance sheet and instead records all security issuance costs immediately in net income. The resultant impact of this change was a reduction in 2007 deferred financing costs of $112,282 and a corresponding increase to opening deficit of the same amount. The adoption of this new pronouncement has been accounted for retroactively without restatement.

The principal changes resulting from the adoption of the Financial Instrument Standards are as follows:

Under the new standards, financial assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification as held-to-maturity, loans and receivables, available-for-sale, held-for-trading, or other financial liabilities as described below. The classification is not changed subsequent to initial recognition.

***3.*** **Changes in Accounting Policies and Presentation** (continued):

*(a) Financial Instruments- continued*

*Held-to-maturity and Loans and Receivables*
Financial instruments that have a fixed maturity date, where the Company intends and has the ability to hold to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Loans and receivables are measured at amortized cost using the effective interest method.

*Available-for-sale*
Financial assets classified as available-for-sale are carried at fair value (where determinable based on market prices of actively traded securities) with changes in fair value recorded in other comprehensive income. Available-for-sale securities are written down to fair value through earnings whenever it is necessary to reflect an other-than-temporary impairment. Transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are added to its fair value.

*Held-for-trading*
Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. These instruments are measured at fair value with the change in the fair value recognized in income.

*Other financial liabilities*
Other financial liabilities are initially measured at fair value and subsequently measured at amortized cost, with any resulting premium or discount from the face value being amortized to income or expense using the effective interest method.

The following is a summary of the accounting model the Company has elected to apply to each of its significant categories of financial instruments outstanding:

| | |
|---|---|
| Cash | Held-for-trading |
| Restricted cash | Held-for-trading |
| Amounts receivable and advances | Loans and receivables |
| Due from related party | Loans and receivables |
| Available-for-sale securities | Available-for-sale |
| Accounts payable and accrued liabilities | Other financial liabilities |
| Due to related party | Other financial liabilities |
| Convertible Notes | Other financial liabilities |

**Derivatives and Hedge Accounting**

The Company currently does not have derivative instruments and accordingly is not impacted by CICA Handbook Section 3865, Hedges.

**Comprehensive Income**

Comprehensive income is composed of the Company's earnings and other comprehensive income. Other comprehensive income includes unrealized gains and losses on available-for-sale securities, all net of income taxes. Cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss which is presented as a new category in shareholders' equity.

**3. Changes in Accounting Policies and Presentation** (continued):

***b) Recent Accounting Pronouncements***

In January 2007, the CICA published section 3031 of the Handbook, “Inventories”, which prescribes the accounting treatment for inventories. Effective March 1, 2008, this Section prescribes the accounting treatment for inventories and provides guidance on the determination of costs and its subsequent recognition as an expense.

In February 2007, the CICA issued Handbook Section 1535, “Capital Disclosures” which is effective for fiscal years beginning on or after October 1, 2007. This standard requires disclosure of information that enables users of the Company’s financial statements to evaluate the entity’s objectives, policies and processes for managing capital.

In February 2007, the CICA issued Handbook Section 3862, “Financial Instruments – Disclosure” (“Section 3862”) and Handbook Section 3863, Financial Instruments – Presentation (“Section 3863”), which are effective for fiscal years beginning on or after October 1, 2007. The objective of Section 3862 is to provide financial statement disclosure to enable financial statement users to evaluate the significance of financial instruments on the Company’s financial position and performance and the nature and extent of risks arising from financial instruments that the Company is exposed to during the reporting period and at the balance sheet date, and how the Company is managing those risks. The purpose of Section 3863 is to enhance the financial statement user’s understanding of the significance of financial instruments to the Company’s financial position, performance and cash flows.

CICA 3064, Goodwill and Intangible Assets, will replace CICA 3062, “Goodwill and Other Intangible Assets”, and results in withdrawal of CICA 3450, Research and Development Costs, EIC-27, Revenues and Expenditures during the Pre-Operating Period and amendments to Accounting Guideline (AcG) 11, Enterprises in the Development Stage and CICA 1000, Financial Statement Concepts.

International Financial Reporting Standard -“IFRS” - The CICA plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Company's financial statements has yet to be determined.

Effective March 1, 2008, the Company is required to adopt the Accounting Standards Board (AcSB) amendments to Section 1400. The amended Section 1400 includes requirements for management to assess an entity’s ability to continue as a going concern and to disclose material uncertainties related to events or conditions that may cast doubt upon the entity’s ability to continue as a going concern.

While the Company is still evaluating the impact of these new standards, we currently believe the adoption of CICA 1400, 1535, 3064, 3862 and IFRS standards are expected to have a significant impact on the presentation and disclosure financial statements. CICA 3031 standard is not expected to have a significant effect on the Company’s financial statements.

(Expressed in Canadian dollars)

**4. Available for sale securities:**

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Number of shares | Carrying value | Quoted market price | Number of shares | Carrying value | Quoted market price |
| Lions Gate Energy Inc. | 138,000 | $19,320 | $7,590 | 138,000 | $ 19,320 | $ 19,320 |
| | | $ 19,320 | $ 7,590 | | $ 19,320 | $ 19,320 |

The Company receives shares of other companies pursuant to mineral property option agreements. Lions Gate Energy Inc. (“LG") is related by virtue of certain common directors.

The fair value of the securities is marked-to-market based on the closing price of the securities as traded on active markets with changes in the fair value reflected net of tax in *Other Comprehensive Income*. At February 29, 2008 the value of the shares was $0.14 per share compared to $0.16 per share at February 28, 2007 which represents an unrealized mark-to-market loss of $11,730, net of taxes of $nil, which has been recorded in *Other Comprehensive Income (loss)*.

**5. Property and equipment:**

| 2008 | Cost | Accumulated amortization | Net book value |
|---|---|---|---|
| Land | $ 59,300 | $ - | $ 59,300 |
| Building | 93,771 | 19,905 | 73,866 |
| Office equipment | 325,759 | 213,199 | 112,560 |
| Mining equipment | 421,049 | 348,097 | 72,952 |
| Vehicles | 28,416 | 17,224 | 11,192 |
| | $ 928,295 | $ 598,425 | $ 329,870 |

| 2007 | Cost | Accumulated amortization | Net Book value |
|---|---|---|---|
| Land | $ 59,300 | $ - | $ 59,300 |
| Building | 93,771 | 15,190 | 78,581 |
| Office equipment | 318,601 | 186,848 | 131,753 |
| Mining equipment | 407,077 | 331,606 | 75,471 |
| Vehicles | 28,416 | 14,427 | 13,989 |
| | $ 907,165 | $ 548,071 | $ 359,094 |

(Expressed in Canadian dollars)

## 6. Mineral properties:

| | 2008 | 2007 |
|---|---|---|
| Wayside property (a) | $ 1 | $ 1 |
| Cariboo Gold Project (b) | 8,584,088 | 8,359,088 |
| | $ 8,584,089 | $ 8,359,089 |

(a) Wayside property:

As at February 29, 2008, the Company holds a 100% interest in the Wayside property, consisting of certain mineral claims and leases located in the Lillooet Mining Division, British Columbia. If, and when, the property commences commercial production, the Company will be required to issue shares equal in value to $480,000 to the party from whom it was initially acquired.

Based on limited financial resources and current economics, the Company has been focusing its efforts in recent years on the Cariboo Gold Quartz property (note 6(b)). Based on the limited exploration work performed on the property in recent years and the uncertainty of recovering the deferred costs, the Company is carrying this property at a nominal amount.

(b) Cariboo Gold Project:

| | 2008 | 2007 |
|---|---|---|
| Acquisition costs: | | |
| Payments made and shares issued | $ 225,000 | $ 4,461,632 |
| Asset retirement obligation | - | 89,343 |
| Net acquisition costs | $ 225,000 | $ 4,550,975 |
| Balance, beginning of year | 8,359,088 | 3,808,114 |
| Balance, end of year | $ 8,584,088 | $ 8,359,089 |

**6. Mineral properties** (continued)**:**

(i) During 1994, the Company entered into an option agreement with Mosquito Consolidated Gold Mines Ltd. ("Mosquito"), to earn a 50% undivided interest in the Cariboo Gold Quartz property, consisting of certain mineral claims and leases located in the Cariboo Mining Division, British Columbia. In order to earn its 50% interest in the property, the Company was required to make option payments totalling $50,000 (paid), issue 500,000 common shares (issued), and incur cumulative exploration and development expenditures totalling $1,450,000 over a six year period to October 3, 2000 (incurred). For each additional year thereafter until a production decision is made, the Company agreed to spend $500,000 on further exploration and development work on the property, although the agreement provides that the Company can apply expenditures incurred during the six year period to October 3, 2000 in excess of $1,450,000 against this $500,000 annual expenditure commitment.

The Company subsequently entered into a separate agreement, as amended, with Mosquito whereby the Company can acquire the remaining 50% of the Cariboo Gold Quartz property held by Mosquito as well as a 100% interest in Mosquito's Island Mountain and Mosquito Creek properties that are contiguous to the Cariboo Gold Quartz property (which collectively form the Cariboo Gold Project) (the "Properties") for cash totalling $4,054,303 that was to be paid in stages to December 31, 2003. To February 28, 2003, the Company had paid $554,303 to Mosquito under the terms of the amended agreement. In fiscal 2004, the agreement with Mosquito was replaced with a new agreement (the "2004 Agreement") whereby the Company paid $50,000 on signing the 2004 Agreement and an additional $450,000 during fiscal 2004. Pursuant to the 2004 Agreement and in order to earn a 100% interest in the Properties, the Company is required to pay $500,000 on or before August 31 in each of the years 2004 to 2006 and $3,500,000 on or before December 31, 2006. The Company paid $500,000 to Mosquito on August 31, 2004, 2005 and 2006 pursuant to the 2004 Agreement and paid $3,500,000 on December 29, 2006. Upon completion of a feasibility study, the Company will have earned a 100% interest in this property.

The 2004 Agreement further provides that the Company can extract a bulk sample of not more than 40,000 tons from the Cariboo Gold Quartz property, on which a NSR royalty of 5% is payable to Mosquito. The 2004 Agreement also provides for a NSR royalty to Mosquito of 3% of net revenues derived from production of minerals from the Properties. The Company is responsible for settling an existing 10% net profits interest on the Properties.

**6. Mineral properties** (continued)**:**

(b) Cariboo Gold Project (continued):

(ii) During fiscal 2000, the Company entered into an agreement with Lions Gate Energy Inc. ("LG"), a public company listed on the TSX Venture Exchange ("TSX-V") which has certain common directors with the Company, granting LG an option to earn a 50% interest in the Island Mountain and Mosquito Creek properties from the Company. In order to earn its 50% interest, the agreement provides that LG pay the Company $150,000 upon execution of the agreement (received) and make annual option payments to the Company of $50,000 over a five year period ($250,000 received to February 29, 2004), issue 125,000 shares of LG in stages (125,000 shares received) and incur $4,000,000 in exploration expenditures over a five year period. The Company is the operator on the exploration work programs, although it utilizes the services of the primary contractor used for the exploration work programs on its own properties (see notes 7(a) and 7(c)).

During the year ended February 28, 2005, the Company amended the agreement with LG as follows:

- the final annual option payment of $50,000, which was due May 10, 2004, is to be paid on the date of execution of the amended agreement (received in fiscal 2004);

- an additional 37,500 shares of LG are to be issued to the Company upon TSX-V approval (received);

- an additional $150,000 of option payments are to be made in three equal instalments of $50,000 each on or before May 10, 2005 (received), May 10, 2006 and May 10, 2007; and

- the $4,000,000 of exploration expenditures on the Island Mountain and Mosquito Creek properties is required to be incurred prior to December 31, 2008.

During the year ended February 28, 2007, the Company entered into a property transfer agreement dated January 16, 2006 with Lions Gate Energy Inc. to acquire 100% of their mineral property interests located in Wells, British Columbia for the following consideration:

- $250,000 (issued) worth of common shares at market value of the Company;

- a total of $1,000,000, payable in $200,000 installments over a five year period, on May 31 of each year, commencing May 31, 2006 (paid). The May 31, 2007 payment was not paid and interest is accruing at a rate of prime plus 2% ($12,162) per the property transfer agreement; and

- the issuance of four annual installments of $225,000 worth of the Company's common shares on May 31 of each year, commencing May 31, 2007 (issued) at a deemed price of the then quoted market price. During the fiscal year February 28, 2007 the Company issued 918,367 common shares to Lions Gate Energy Inc. at a market price of $0.25 per share to fulfill their obligation for the 2007 fiscal year. (See note 16 Subsequent events)

(Expressed in Canadian dollars)

**6. Mineral properties** (continued)**:**

(b) Cariboo Gold Project (continued):

(iii) Also during fiscal 2001, the Company entered into an agreement with Global Tree Technologies Inc. ("Global"), a public company listed on the TSX-V, granting Global an option to acquire a 50% interest in 24 mineral claims located in the Cariboo Mining Division. In order to earn its 50% interest, the agreement provided that Global pay the Company $25,000 upon execution of this agreement (received) and $25,000 within one year of regulatory approval, issue to the Company a total of 500,000 shares of Global in stages (300,000 shares received to February 29, 2004) and incur $1,550,000 of exploration expenditures over a five year period. During fiscal 2005, Global allowed their option to lapse and as a result, the Company has its 100% interest in these 24 mineral claims.

(iv) During fiscal 2002, the Company entered into agreements with several third parties to acquire interests in certain mineral properties contiguous to the Cariboo Gold Project. In aggregate, the agreements require the Company to pay $1,000 (paid) and issue 110,000 common shares (issued).

(v) During fiscal 2003, the Company entered into agreements with several third parties to acquire interests in certain mineral properties contiguous to the Cariboo Gold Project. In aggregate, the agreements require the Company to issue 391,534 common shares (issued) and pay a total of $25,000 over a two-year period (paid).

(vi) During fiscal 2004, the Company entered into agreements with several third parties to acquire interests in certain mineral properties contiguous to the Cariboo Gold Project. In aggregate, the agreements require the Company to pay $134,000 (paid).

(vii) During fiscal 2005, the Company entered into an agreement with a third party to act as the Company's agent to negotiate terms to acquire certain mineral properties located in the Barkerville area on the Company's behalf. The Company agreed to fund the purchase of the mineral properties through the agent. As at February 28, 2006, the Company finalized this agreement and has paid $323,319 to acquire these properties. During fiscal 2007, the Company issued 31,440 shares at $0.37 per share to the third party who coordinated this transaction. This has been reflected as an additional cost of the purchase at $11,632.

**7. Related party balances and transactions:**

(a) Balance receivable:

The amounts receivable from related parties, which are non-interest bearing, unsecured and due on demand, are comprised of the following:

| | 2008 | 2007 |
|---|---|---|
| Due from other companies with certain common directors | $ 266,544 | $ 136,292 |

(Expressed in Canadian dollars)

**7. Related party balances and transactions** (continued)**:**

(a) Balance receivable (continued):

The balance receivable from other companies with certain common directors relates primarily to an allocation of administrative costs incurred by the Company to other public companies with certain common directors and officers.

For the year ended February 29, 2008, included in prepaid expenses is $17,163 (2007 - $Nil) for legal services to be provided by a company with common directors,

(b) Balances payable:

The amounts payable to related parties, which, except otherwise disclosed, are non-interest bearing, unsecured and due on demand, are comprised of the following:

| | 2008 | 2007 |
|---|---|---|
| Due to a company controlled by a director | $ 906,140 | $ 1,131,918 |
| Due to other companies with certain common directors | 58,117 | 126,884 |
| Due to directors and officers, and spouse of a director | 71,852 | 339,958 |
| | $ 1,036,109 | $ 1,598,760 |

(c) Related party transactions:

A summary of the amounts charged to the Company by directors, former directors, and by companies controlled by directors, not disclosed elsewhere, is as follows:

| | 2008 | 2007 |
|---|---|---|
| Property exploration costs: | | |
| Equipment rentals | $ 393,433 | $ 236,345 |
| Administration fees on reimbursed expenditures | 41,042 | 79,101 |
| Administration costs: | | |
| Interest expense | 12,162 | 6,482 |
| Legal | 12,645 | - |
| Loan bonus | - | 40,000 |
| Rent | - | 24,000 |
| Management fees | 120,000 | 90,000 |
| | $ 579,282 | $ 475,928 |

Substantially all of the other exploration and development expenditures incurred by the Company are charged from a company controlled by a director. These charges consist of labour charges, equipment rentals and administration fees of 12% (to a maximum of $8,000 per month) on such reimbursement of expenditures. Management believes the labour charge, equipment rental charges and project administration fees are at fair values, compared to what the Company would be required to pay to third parties. The Company is charged $10,000 (2007 - $5,000) per month for general management services by the President of the Company.

(Expressed in Canadian dollars)

## 7. Related party balances and transactions (continued):

During the year ended February 28, 2007, a director and officer and spouse entered into an agreement to loan the Company $200,000 in order to make an option payment on a mineral property. The unsecured loan has an interest rate of prime plus 2% per annum, payable on demand. On closing of the loan, 160,000 shares at a market price of $0.25 was awarded to the director and officer as a loan bonus. During the year ended February 29, 2008, the full amount loaned to the Company was repaid to the officer and spouse.

During the year ended February 28, 2007, an officer and director of the Company facilitated a share for debt settlement agreement with two vendors. The officer and director delivered a total of 981,077 shares at a market price of $0.25 to these vendors and in return were assigned the debt of $245,269.

These transactions are recorded at exchange value, being the value established and agreed upon by the related parties.

(d) Consulting agreement

During the year ended February 29, 2008, the Company and an officer entered into a consulting agreement for a period of 5 years commencing March 1, 2007 for $120,000 per year. In the event that a change in control occurs and the officer is terminated within 12 months of such a change of control, the officer will receive a lump sum payment equal to the greater of (1) the compensation remaining for the rest of the period under the terms of the engagement and (2) one year’s compensation.

## 8. Asset retirement obligation:

The Company's environmental permit requires that it reclaim any land it disturbs during the mine construction and mine operations. Although the timing and the amount of the actual expenditures are uncertain, the Company has estimated the present value of the future reclamation obligation arising from its activities to February 29, 2008 to be $103,191 (undiscounted value $373,198). The present value of the future reclamation obligation assumes a discount rate of 10% (the credit-adjusted risk-free rate) and the commencement of reclamation activities after the life of the mine, which is estimated at 15 years.

The asset retirement obligations accrual required management to make significant estimates and assumptions. Actual results could materially differ from these estimates. The liability for accrued asset retirement obligations is comprised as follows:

| | | |
|---|---|---|
| Balance, incurred during 2007 fiscal year | $ | 89,343 |
| Accretion expense | | 4,467 |
| Balance, February 28, 2007 | $ | 93,810 |
| Accretion expense | | 9,381 |
| Balance, February 29, 2008 | $ | 103,191 |

## 9. Convertible notes:

On December 29, 2006, the Company entered into a letter agreement with Karver Capital Canada Inc. ("KCCI") whereby KCCI agreed to fund up to US$10,000,000 by way of secured convertible notes payable. The loan was subject to 10% interest and matured June 29, 2007. KCCI could convert its advances plus accrued interest for units at the rate of $0.25 per unit. Each unit consists of one share plus one half of one warrant exercisable at $0.30 for a period of two years. The loan was secured by a general security agreement providing for a charge against the assets of the Company. KCCI was entitled to bonus warrants equivalent to 33 1/3% of the amounts advanced. Each bonus warrant entitled KCCI to acquire one common share for a period of two years upon payment of $0.30.

At February 28, 2007, KCCI had advanced CDN$4,673,340 (Tranche 1) plus interest was accrued for $75,216. In addition, they received 5,225,911 bonus warrants.

During the year ended February 29, 2008, KCCI advanced additional notes payable of $179,952 (“Tranche 2”) to fund operating activities in the Company. At maturity on June 29, 2007, total convertible notes payable was $5,085,568, including accrual interest of $232,276.

On June 29, 2007, all advances and secured interest were converted to equity of the Company. KCCI received 20,338,376 common shares and 4,743,320 warrants upon conversion of the convertible notes and interest payable.

During 2008, Tranche 2 was classified as a liability, less the portion relating to the conversion feature $27,790 (2007 – Tranche 1 $1,867,108) which is classified as an equity component. As a result, the recorded liability to repay the notes is lower that its face value. The assumptions used to fair value the equity components using an option pricing model were: 113% to 114% (2007 -100% to 120%) volatility, 0% (2007 – 0%) dividend yield, 4.10% (2007 – 4.63%) risk-free interest rate and expected lives of .20 to 2 years ( 2007 - 0.42 to 2.42 years).

The difference of $27,789 (2007 - $1,867,108) (“the discount”) is being charged to earnings and added to liability over the terms of the debentures using the effective rate method and the 15.44% (2007 - 40.84%) rate implicit in the calculation.

(Expressed in Canadian dollars)

**9. Convertible notes (continued)**:

The equity portion of the convertible debt was transferred to contributed surplus while the liability component was credited to share capital.

| **Liability component** | **$** |
|---|---|
| Convertible notes issued at fair value | 2,806,232 |
| Accretion of debt discount for the year | 504,521 |
| Accrued interest for the year | 75,216 |
| Closing balance, February 28, 2007 | 3,385,969 |
| Convertible notes issued at fair value | 152,151 |
| Accretion of debt discount for the year | 1,390,388 |
| Accrued interest for the year | 157,060 |
| Transfer to share capital | (5,085,568) |
| Closing balance, February 29, 2008 | - |

| **Equity component** | **$** |
|---|---|
| Upon issue of convertible notes | 1,867,108 |
| Financing costs allocated to equity component | (108,192) |
| Fair value of warrants on issuance | (416,234) |
| Closing balance, February 28, 2007 | 1,342,682 |
| Upon issue of convertible notes | 27,789 |
| Fair value of warrants on issuance (note 10(e)(5)) | (26,677) |
| Fair value of warrants upon conversion (note 10(e)(5)) | (709,184) |
| Transfer to contributed surplus upon conversion | (634,610) |
| Closing balance, February 29, 2008 | - |

Included in the equity component of convertible notes are agent options and warrants to third parties, the assumptions used to fair value the agent options in the equity component using an option pricing model were: 119% (2007 – 123%) volatility, 0% (2007 – 0%) dividend yield, 4.58% to 4.67% (2007 – 4.07% to 4.14%) risk-free interest rate and an expected life of 2 years (2007 – 2 years).

(Expressed in Canadian dollars)

## 9. Convertible notes (continued):

There were no financing costs during the current year, notwithstanding settlement fees paid upon conversion of the convertible note of $285,330, debited to share issuance costs. During the year ended February 28, 2007 $225,000 finders' fee and $53,486 of legal expenses were incurred with respect to the convertible notes, $170,294 was allocated to the debt component of the convertible notes and $108,192 was allocated to the equity component based on the proportion of gross proceeds allocated to debt and equity.

| **Deferred financing costs allocated to debt component** | **$** |
|---|---|
| Finder's fees and legal expenses | 170,294 |
| Less: amortization | (58,012) |
| Closing balance, February 28, 2007 | 112,282 |
| Less: adjustment to opening deficit due to impact of new accounting pronouncements (note 3) | (112,282) |
| Closing balance, February 29, 2008 | - |

(Expressed in Canadian dollars)

## 10. Capital stock:

(a) Authorized capital:

Unlimited common shares without par value

(b) Issued and outstanding:

| | Number of shares | | Total |
|---|---|---|---|
| Balance, February 28, 2006 | 30,754,625 | $ | 36,497,176 |
| Issued during the year: | | | |
| For cash by way of private placements (net of issue costs) | 9,889,264 | | 2,618,481 |
| For cash on exercise of share purchase options | 127,500 | | 42,525 |
| For cash on exercise of share purchase warrants | 73,000 | | 21,550 |
| Loan bonus | 160,000 | | 40,000 |
| For acquisition of mineral properties | 512,209 | | 261,632 |
| Issuance of shares to settle accounts payable | 2,075,198 | | 518,800 |
| Fair value of stock options allocated to shares issued on exercise | - | | 24,746 |
| Fair value of warrants from private placements and extensions | - | | (1,029,806) |
| Balance, February 28, 2007 | 43,591,796 | $ | 38,995,104 |
| Issued during the year: | | | |
| For cash by way of private placements (net of issue costs) | 18,867,567 | | 2,961,149 |
| For acquisition of mineral properties | 918,367 | | 225,000 |
| Shares issued upon debt conversion | 20,338,376 | | 4,800,238 |
| Fair value of warrants from private placements and extensions | - | | (1,035,980) |
| Balance, February 29, 2008 | 83,716,106 | $ | 45,945,511 |

During the year ended February 29, 2008:

(i) The company issued 5,500,000 units at the price of $0.15 per unit by way of a private placement for total proceeds of $825,000. Each unit consisted of one common share and one half share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of $0.175 per share for a period of two years. 4,000,000 non-flow-through (NFT units) were sold and 1,500,000 flow-through (FT units) were sold. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 104.75% volatility, 0% dividend yield, 4.19% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at $280,641, recorded as a credit to contributed surplus with a corresponding debit of $76,538 to share issuance costs and $204,103 charge to share capital for warrants granted to officers and employees. Other issue costs include finders' fees of $15,750.

**10. Capital stock (continued):**

(b) Issued and outstanding (continued):

(ii) The company issued 6,998,334 units at the price of $0.15 per unit by way of a private placement for total proceeds of $1,049,750. Each unit consisted of one non-flow-through common share and one half share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of $0.185 per share for a period of two years. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 104.75% volatility, 0% dividend yield, 4.19% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at $348,862, recorded as a credit to contributed surplus with a corresponding debit of $286,290 to share issuance costs and $62,573 charge to share capital for warrants granted to officers and employees. Other issue costs include finders' fees of $54,990.

(iii) The company issued 3,935,000 units at the price of $0.20 per unit by way of a private placement for total proceeds of $787,000. Each unit consisted of one flow-through common share and one half share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of $0.24 per share for a period of two years. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 104.72% volatility, 0% dividend yield, 4.10% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at $205,115, recorded as a credit to contributed surplus with a corresponding debit of $138,770 to share issuance costs and $66,346 charge to share capital for warrants granted to officers and employees. Other issue costs include finders' fees of $32,996.

(iv) The company issued 135,000 units at the price of $0.15 per unit by way of a private placement for total proceeds of $20,250. Each unit consisted of one non-flow-through common share and one half share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of $0.185 per share for a period of two years. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 104.72% volatility, 0% dividend yield, 4.10% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at $7,260, recorded as a credit to contributed surplus with a corresponding debit of $7,260 to share issuance.

(v) The company issued 1,000,000 units at the price of $0.20 per unit by way of a private placement for total proceeds of $200,000. Each unit consisted of one flow-through common share and one half share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of $0.24 per share for a period of two years. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 105.52% volatility, 0% dividend yield, 3.74% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at $41,021, recorded as a credit to contributed surplus with a corresponding debit of $41,021 to share issuance costs. Other issues costs include finders' fees of $12,000.

**10. Capital stock (continued):**

(b) Issued and outstanding (continued):

(vi) The company issued 1,299,233 units at the price of $0.15 per unit by way of a private placement for total proceeds of $194,885. Each unit consisted of one non-flow-through common share and one half share purchase warrant entitling the holder to purchase one non-flow-through common share at a price of $0.185 per share for a period of two years. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 104.36% volatility, 0% dividend yield, 3.15% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at $44,535, recorded as a credit to contributed surplus with a corresponding debit of $6,856 to share issuance costs and $37,679 charge to share capital for warrants granted to officers and employees.

(vii) The company issued 918,367 common shares at the price of $0.245 per share, as part of a property transfer agreement dated January 16, 2006 with Lions Gate Energy Inc. to acquire 100% of their mineral property interests located in Wells, British Columbia, note 6(b)(ii).

(viii) The company upon the conversion of convertible notes and accrued interest issued 20,338,376 common shares at the price of $0.25 per share, note 9.

During the year ended February 28, 2007:

(ix) The Company issued 514,132 units as part of its previously announced private placement. Each unit cost $0.90 and the Company raised net proceeds of $462,719. Each unit consists of two common shares and one share purchase warrant exercisable at $0.65 for a period of one year. 461,721 flow-through units (FT Units) were sold and 52,411 non-flow-through units (NFT Units) were sold. FT units consist of one flow-through share and one non flow-through share and one non-flow-through share purchase warrant. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 133.04% volatility, 0% dividend yield, 3.25% risk-free interest rate and an expected life of 1 year. As a result, the fair value was estimated at $75,390.

**10. Capital stock (continued):**

(b) Issued and outstanding (continued)

(x) The Company issued 3,500,000 units pursuant to a non-brokered private placement. Each unit cost $0.25 and consists of one common share and one-half of one non-transferable share purchase warrant exercisable at $0.35 per share for a one-year period. 2,000,000 of these units are mixed units (Mixed Units) which consist of one flow-through common share and one-half of one non-transferable non-flow-through share purchase warrant (each whole non-flow-through share purchase warrant entitling the holder to purchase one further non-flow-through common share of the Company for a period of one year from closing at the exercise price of $0.35 per share, with a forced exercise provision commencing on the day following the expiry of the fourth month and one day hold period on the underlying common share, stating that if, for ten consecutive trading days, the closing of the listed shares of the Company exceeds $1.00 then the exercise period of the warrants will be shortened to a period of 30 days). 1,500,000 of these units are non-flow-through units (NFT Units) which consist of one non-flow-through common share and one-half of one non-transferable non-flow-through share purchase warrant (each whole non-flow-through share purchase warrant entitling the holder to purchase one further non-flow-through common share of the Company for a period of one year from closing at the exercise price of $0.35 per share, with a forced exercise provision commencing on the day following the expiry of the fourth month and one day hold period on the underlying common share, stating that if, for ten consecutive trading days, the closing of the listed shares of the Company exceeds $1.00 then the exercise period of the warrants will be shortened to a period of 30 days). The share purchase warrants were fair valued using an option pricing model with the following assumptions: 125.46% volatility, 0% dividend yield, 4.25% risk-free interest rate and an expected life of 1 year. As a result, the fair value was estimated at $218,750.

(xi) The Company issued 2,070,000 units pursuant to a non-brokered private placement. Each unit cost $0.25 and consists of one common share and one-half of one non-transferable share purchase warrant exercisable at $0.35 per share for a two-year period. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 124.04% volatility, 0% dividend yield, 4.16% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at $187,024.

(xii) The Company issued 2,075,198 shares to settle accounts payable of $518,800, which equaled the market value of the shares on the date of settlement;

**10. Capital stock (continued):**

(b) Issued and outstanding (continued)

(xiii) The Company issued 647,000 units at the price of $0.25 per unit for total proceeds of $161,750. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one further common share for a period of two years at the exercise price of $0.35 per share with a forced exercise provision, if the stock for ten consecutive trading days, exceeds $1.00 the exercise period will be shortened to thirty days. The forced provision clause is only applicable after the expiry of the four months and one day hold period. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 123.40% volatility, 0% dividend yield, 4.15% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at $43,446;

(xiv) The Company issued 1,444,000 units at the price of $0.25 per unit for total proceeds of $361,000. Each unit consists of one flow-through common share and one-half of one non-transferable non-flow-through share purchase warrant. Each whole warrant entitles the holder to acquire one further common share for a period of one year at the exercise price of $0.35 per share with a forced exercise provision the same as in 10(b)(xiii). The share purchase warrants were fair valued using an option pricing model with the following assumptions: 109.03% volatility, 0% dividend yield, 4.06% risk-free interest rate and an expected life of 1 year. As a result, the fair value was estimated at $59,493.

(xv) The Company issued 1,200,000 units at the price of $0.25 per unit for total proceeds of $300,000. Each unit consists of one common share and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one further common share for a period of two years at the exercise price of $0.30 per share. The share purchase warrants were fair valued using an option pricing model with the following assumptions: 124.12% volatility, 0% dividend yield, 3.79% risk-free interest rate and an expected life of 2 years. As a result, the fair value was estimated at $80,400.

(xvi) Other share issuance costs relating to capital transactions not previously mentioned in the above private placements totaled $23,713.

**10. Capital stock (continued):**

(c) Flow-through shares:

During fiscal 2008, the Company raised a total of $1,212,000 by way of issuing flow-through common shares (2007 - $1,068,774) (note 10(b)).

Of the $1,212,000 raised, $1,105,000 has been renounced at December 31, 2007 of which approximately $194,100 has been expended. The Company is committed to incur $910,900 by December 31, 2008. Of the $1,068,774 raised in 2007, all has been renounced and expended in the calendar year 2007. The total Part XII.6 tax calculation of $22,200 (2007 – $6,722) on unspent flow-through funds from fiscal years 2007 and 2008 flow-through issuances is recorded in “Office and administration”.

Expenditures related to the use of flow-through share proceeds are included in mineral properties but are not available as a tax deduction to the Company as the tax benefits of these expenditures have been renounced to the investors (note 12).

(d) Share purchase options:

Pursuant to the policies of the TSX-V, the Company may grant incentive stock options to its officers, directors, employees and consultants. TSX-V policies permit the Company’s directors to grant incentive stock options for the purchase of shares of the Company to persons in consideration for services. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual (maximum of 2% to any consultant). The exercise price of stock options is determined by the board of directors of the Company at the time of grant and may not be less than the closing price of the Company’s shares on the trading day immediately preceding the date on which the option is granted and publicly announced, less an applicable discount, and may not otherwise be less than $0.10 per share. Options have a maximum term of five years and terminate 90 days following the termination of the optionee’s employment, except in the case of retirement, death or disability, in which case they terminate one year after the event. Vesting periods of options is determined at the time of granting of the options at the discretion of the board of directors. Once approved and vested, options are exercisable at any time.

The continuity of the Company’s share purchase options for the year ended February 29, 2008 and February 28, 2007, all of which are exercisable, is as follows:

(Expressed in Canadian dollars)

## 10. Capital stock (continued):

(d) Share purchase options (continued):

| Exercise Price | Expiry Date | Balance February 28, 2007 | Changes in the Year: Granted | Exercised | Expired/ Cancelled | Balance February 29, 2008 |
|---|---|---|---|---|---|---|
| $0.22 (1) | November 16, 2012 | - | 1,910,573 | - | (100,000) | 1,810,573 |
| $0.25 (2) | July 3, 2010 | - | 4,613,806 | - | (600,000) | 4,013,806 |
| $0.40 | March 2, 2009 | 876,000 | - | - | (206,000) | 670,000 |
| $0.36 | February 2, 2009 | 396,179 | - | - | (226,179) | 170,000 |
| $0.33 | September 30, 2008 | 426,342 | - | - | (145,000) | 281,342 |
| $0.36 | October 3, 2008 | 124,500 | - | - | (45,000) | 79,500 |
| $0.36 | November 26, 2007 | 94,028 | - | - | (94,028) | - |
| $0.36 | May 15, 2007 | 407,415 | - | - | (407,415) | - |
| | | 2,324,464 | 6,524,379 | - | (1,823,622) | 7,025,221 |
| Weighted average exercise price | | $0.37 | $0.24 | - | $0.32 | $0.26 |

| Exercise Price | Expiry Date | Balance February 28, 2006 | Changes in the Year: Granted | Exercised | Expired/ Cancelled | Balance February 28, 2007 |
|---|---|---|---|---|---|---|
| $0.40 (3) | March 2, 2009 | - | 1,016,000 | - | (140,000) | 876,000 |
| $0.36 | February 2, 2009 | 526,179 | - | - | (130,000) | 396,179 |
| $0.33 | September 30, 2008 | 591,342 | - | (112,500) | (52,500) | 426,342 |
| $0.36 | October 3, 2008 | 144,500 | - | - | (20,000) | 124,500 |
| $0.36 | November 26, 2007 | 110,028 | - | (7,500) | (8,500) | 94,028 |
| $0.36 | May 15, 2007 | 419,415 | - | (5,000) | (7,000) | 407,415 |
| $0.36 | October 30, 2006 | 115,000 | - | (2,500) | (112,500) | - |
| | | 1,906,464 | 1,016,000 | (127,500) | (470,500) | 2,324,464 |
| Weighted average exercise price | | $0.37 | $0.40 | $0.33 | $0.37 | $0.37 |

The Company accounts for stock option grants using the fair value method by a charge against earnings (loss) at the time of grant. During the year the Company recorded stock-based compensation expense totaling $1,217,750 (2007 - $459,403), including $1,157,355 (2007 - $232,663), for stock options, and $60,395 (2007 - $226,740) for extension of warrants granted to officers and employees (note 10 (e)).

**10. Capital stock (continued):**

(e) Share purchase warrants:

(1) Fixed share purchase options granted to directors, employees and consultants of the Company for the purchase of up to 1,910,573 common shares at an exercise price of $0.22 per share, expiring November 16, 2012.

The weighted average fair value of options granted was estimated to be $351,050, using the Black-Scholes Option Pricing Model with the following assumptions: 119% volatility, 0% dividend yield, 3.99% risk-free interest rate and an expected life of 5 years.

(2) Fixed share purchase options granted to directors, employees and consultants of the Company for the purchase of up to 4,613,806 common shares at an exercise price of $0.25 per share, expiring July 3, 2010.

The weighted average fair value of options granted was estimated to be $806,305 using the Black-Scholes Option Pricing Model with the following assumptions: 115% volatility, 0% dividend yield, 3.99% risk-free interest rate and an expected life of 3 years.

(3) Fixed share purchase options granted to directors, employees and consultants of the Company for the purchase of up to 1,016,000 common shares at an exercise price of $0.40 per share, expiring March 2, 2009.

The weighted average fair value of options granted was estimated to be $232,613, using the Black-Scholes Option Pricing Model with the following assumptions: 144% volatility, 0% dividend yield, 4.07% risk-free interest rate and an expected life of 3 years.

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

(Expressed in Canadian dollars)

## 10. Capital stock (continued):

(e) Share purchase warrants:

The continuity of the Company's share purchase warrants for the year ended February 29, 2008 is as follows:

| Exercise Price | | Expiry Date | Balance February 28, 2007 | Changes in the Year Granted | Exercised | Expired/ Cancelled | Balance February 29, 2008 |
|---|---|---|---|---|---|---|---|
| $1.20 | | March 7, 2007 | 180,000 | - | - | (180,000) | - |
| $0.40 | | October 24, 2007 | 632,000 | - | - | (632,000) | - |
| $0.40 | | November 21, 2007 | 790,000 | - | - | (790,000) | - |
| $0.40 | | January 30, 2008 | 921,416 | - | - | (921,416) | - |
| $0.40 | | February 21, 2008 | 5,000,000 | - | - | (5,000,000) | - |
| $0.65 | (1) | May 16, 2008 | 458,021 | - | - | - | 458,021 |
| $0.65 | (2) | June 16, 2008 | 56,111 | - | - | - | 56,111 |
| $0.35 | (3) | July 28, 2008 | 1,750,000 | - | - | - | 1,750,000 |
| $0.35 | | August 14, 2008 | 1,035,000 | - | - | - | 1,035,000 |
| $0.35 | | October 12, 2008 | 323,500 | - | - | - | 323,500 |
| $0.35 | (4) | October 19, 2008 | 722,000 | - | - | - | 722,000 |
| $0.35 | | December 4, 2008 | 600,000 | - | - | - | 600,000 |

*Table continued on next page*

(Expressed in Canadian dollars)

| Exercise Price | Expiry Date | Balance February 28, 2007 | Changes in the Year Granted | Exercised | Expired/ Cancelled | Balance February 29, 2008 |
|---|---|---|---|---|---|---|
| $0.30 | December 29, 2008 | 4,857,951 | - | - | - | 4,857,951 |
| $0.30 | January 26, 2009 | 199,873 | - | - | - | 199,873 |
| $0.30 | February 2, 2009 | 84,754 | - | - | - | 84,754 |
| $0.30 | February 14, 2009 | 83,333 | - | - | - | 83,333 |
| $0.30 (5) | June 4, 2009 | - | 90,629 | - | - | 90,629 |
| $0.30 (5) | June 7, 2009 | - | 109,328 | - | - | 109,328 |
| $0.30 (6) | July 3, 2009 | - | 4,743,320 | - | - | 4,743,320 |
| $0.175 (7) | September 18, 2009 | - | 2,750,000 | - | - | 2,750,000 |
| $0.185 (7) | September 18, 2209 | - | 3,184,167 | - | - | 3,184,167 |
| $0.185 (7) | September 28, 2009 | - | 315,000 | - | - | 315,000 |
| $0.24 (7) | November 19, 2009 | - | 525,000 | - | - | 525,000 |
| $0.24 (7) | November 5, 2009 | - | 1,442,500 | - | - | 1,442,500 |
| $0.19 (7) | November 5, 2009 | - | 67,500 | - | - | 67,500 |
| $0.24 (7) | December 31, 2009 | - | 500,000 | - | - | 500,000 |
| $0.19 (7) | January 19, 2010 | - | 649,617 | - | - | 649,617 |
| | | 17,693,959 | 14,377,061 | - | (7,523,416) | 24,547,604 |

Notes:

(1) On May 16, 2007, the TSX Venture Exchange approved an extension from May 16, 2007 to May 16, 2008.

Due to the extension, the share purchase warrants were fair valued using the Black-Scholes options pricing model with the following assumptions: 111% volatility, 0% dividend yield, 4.32% risk-free interest rate and an expected life of 1 year. As a result, the fair value was estimated at $17,526. The amount calculated is recorded as a credit to contributed surplus with a corresponding debit of $17,526 to share issuance costs. These warrants expired subsequent to the year end, on May 16, 2008.

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**10. Capital stock (continued):**

(e) Share purchase warrants (continued):

(2) On May 16, 2007, the TSX Venture Exchange approved an extension from June 16, 2007 to June 16, 2008.

Due to the extension, the share purchase warrants were fair valued using the Black-Scholes options pricing model with the following assumptions: 110% volatility, 0% dividend yield, 4.32% risk-free interest rate and an expected life of 1 year. As a result, the fair value was estimated at $2,349. The amount calculated is recorded as a credit to contributed surplus with a corresponding debit of $2,349 to share issuance costs.

(3) On July 13, 2007, the TSX Venture Exchange approved an extension from July 28, 2007 to July 28, 2008.

Due to the extension, the share purchase warrants were fair valued using the Black-Scholes options pricing model with the following assumptions: 99% volatility, 0% dividend yield, 4.73% risk-free interest rate and an expected life of 1 year. As a result, the fair value was estimated at $107,977. The amount calculated is recorded as a credit to contributed surplus with a corresponding debit of $61,701 to share issuance costs and $46,276 charge to stock-based compensation for warrants issued to employees.

(4) On October 19, 2007, the TSX Venture Exchange approved an extension from October 19, 2007 to October 19, 2008.

Due to the extension, the share purchase warrants were fair valued using the Black-Scholes options pricing model with the following assumptions: 98% volatility, 0% dividend yield, 4.32% risk-free interest rate and an expected life of 1 year. As a result, the fair value was estimated at $25,995. The amount calculated is recorded as a credit to contributed surplus with a corresponding debit of $11,886 to share issuance costs and $14,119 charge to stock-based compensation for warrants issued to employees.

(5) On June 4, 2007and June 7, 2007 bonus warrants were issued as part of the convertible note agreement for Tranche 2, note 9.

Due to the bonus issue the share purchase warrants were fair valued using the Black-Scholes options pricing model with the following assumptions: 119% volatility, 0% dividend yield, 4.58% risk-free interest rate and an expected life of 2 year. As a result, the fair value was estimated at $26,677. The amount calculated is recorded as a credit to contributed surplus with a corresponding debit of $26,677 to the equity component of convertible notes.

**10. Capital stock (continued):**

(e) Share purchase warrants (continued):

(6) Upon conversion of the convertible notes (Tranche 1 and 2), 4,743,320 warrants were issued on July 3, 2007.

The share purchase warrants were fair valued using the Black-Scholes options pricing model with the following assumptions: 115% volatility, 0% dividend yield, 4.58% risk-free interest rate and an expected life of 2 year. As a result, the fair value was estimated at $709,184. The amount calculated is recorded as a credit to contributed surplus with a corresponding debit of $709,184 to the equity component of convertible notes.

(7) Share purchase warrants issued as part of private placements. The share purchase warrants were fair valued using the Black-Scholes options pricing model, note 10 (b).

The continuity of the Company's share purchase warrants for the year ended February 28, 2007 is as follows:

(Expressed in Canadian dollars)

## 10. Capital stock (continued):

(e) Share purchase warrants (continued):

| Exercise Price | | Expiry Date | Balance February 28, 2006 | Changes in the Year: Granted | Exercised | Expired/ Cancelled | Balance February 28, 2007 |
|---|---|---|---|---|---|---|---|
| $1.20 | | October 8, 2006 | 225,000 | - | - | (225,000) | - |
| $0.23 | | October 8, 2006 | 25,000 | - | (25,000) | - | - |
| $1.20 | | March 7, 2007 | 180,000 | - | - | - | 180,000 |
| $0.23 | | March 7, 2007 | 20,000 | - | (20,000) | - | - |
| $0.40 | | October 24, 2007 | 660,000 | - | (28,000) | - | 632,000 |
| $0.40 | | November 21, 2007 | 790,000 | - | - | - | 790,000 |
| $0.40 | | January 30, 2008 | 921,416 | - | - | - | 921,416 |
| $0.40 | | February 21, 2008 | 5,000,000 | - | - | - | 5,000,000 |
| $0.65 | (1) | May 16, 2008 | - | 458,021 | - | - | 458,021 |
| $0.65 | (2) | June 16, 2008 | - | 56,111 | - | - | 56,111 |
| $0.35 | | July 28, 2007 | - | 1,750,000 | - | - | 1,750,000 |
| $0.35 | | August 14, 2008 | - | 1,035,000 | - | - | 1,035,000 |
| $0.35 | | October 12, 2008 | - | 323,500 | - | - | 323,500 |
| $0.35 | | October 19, 2007 | - | 722,000 | - | - | 722,000 |
| $0.35 | | December 4, 2008 | - | 600,000 | - | - | 600,000 |
| $0.30 | | December 29, 2008 | - | 4,857,951 | - | - | 4,857,951 |
| $0.30 | | January 26, 2009 | - | 199,873 | - | - | 199,873 |
| $0.30 | | February 2, 2009 | - | 84,754 | - | - | 84,754 |
| $0.30 | | February 14, 2009 | - | 83,333 | - | - | 83,333 |
| | | | 7,821,416 | 10,170,543 | (73,000) | (225,000) | 17,693,959 |

Notes:

(1) On May 16, 2007, the TSX Venture Exchange approved an extension from May 16, 2007 to May 16, 2008. These warrants have expired subsequent to year end.

(2) On May 16, 2007, the TSX Venture Exchange approved an extension from June 16, 2007 to June 16, 2008.

(Expressed in Canadian dollars)

## 11. Contributed surplus:

| | | |
|---|---|---|
| Balance, February 28, 2006 | | 2,213,727 |
| Fair value of warrants on convertible notes (note 9) | | 416,234 |
| Fair value of warrants, agent option on private placements and extensions (note 10(b) | | 1,256,545 |
| Fiscal 2007 stock-based compensation (note 10(d)) | | 232,664 |
| Fair value of stock options exercised, reclassified to share capital | | (24,746) |
| Balance, February 28, 2007 | | 4,094,424 |
| Fair value of warrants on convertible notes (note 10(e)) | | 735,862 |
| Fair value of warrants, agent option on private placements and extensions (note 10(b), 10(e)) | | 1,035,990 |
| Fiscal 2008 stock-based compensation (note 10(d)) | | 1,217,750 |
| Equity portion of convertible note | | 634,610 |
| Balance, February 29, 2008 | $ | 7,718,636 |

(Expressed in Canadian dollars)

## 12. Income taxes:

(a) The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

| | 2008 | 2007 |
|---|---|---|
| | 33.51% | 34.12% |
| Income tax benefit computed at statutory rate | $ 1,707,300 | $ 1,521,900 |
| Permanent difference due to stock based compensation | (408,100) | (156,700) |
| Permanent difference due to share renunciation | (290,300) | (564,400) |
| Permanent difference due to accretion of convertible debt | (465,900) | (172,100) |
| Other permanent difference | (52,700) | (19,900) |
| Effect of reduction in statutory rates | (2,002,100) | - |
| Temporary difference not recognized in year | 1,511,800 | (608,800) |
| Future income tax recovery | - | - |

(b) The significant components of the Company's future income tax assets and liabilities are as follows:

| | | 2008 | | 2007 |
|---|---|---|---|---|
| Future income tax assets: | | | | |
| Property and equipment | $ | 167,800 | $ | 203,000 |
| Share issuance costs | | 171,800 | | 229,100 |
| Losses carried forward | | 1,950,800 | | 2,055,700 |
| Mineral properties | | 4,256,200 | | 5,585,400 |
| Asset retirement obligation | | 26,800 | | 32,000 |
| Total future income tax assets | | 6,573,400 | | 8,105,200 |
| Future income tax liability: | | | | |
| Deferred financing fee | | - | | (38,300) |
| Valuation allowance | | (6,573,400) | | (8,066,900) |
| | $ | - | $ | - |

The Company's future tax assets include approximately $171,800 (2007- $229,100) related to deductions for share issue costs in excess of amount deducted for financial reporting purposes. If and when the valuation allowance related to these amounts is reversed, the Company will recognize the benefit as an adjustment to share capital as oppose to income tax expense in the Statement of Operations. The valuation allowance as at February 29, 2008 was increased by $134,400 (2007- $115,300), representing the effect of the unamortized share issuance costs incurred in the period. The valuation allowance was decreased for the same period by $116,100. (2007 - $51,300) representing the effect of expired loss carry forwards.

(Expressed in Canadian dollars)

**12. Income taxes: (continued)**

At February 29, 2008, the Company has operating loss carry forwards for income tax purposes of approximately $10 million that expire at various dates to 2028.

| Year of Expiry | | |
|---|---|---|
| | $ | |
| 2009 | | 107,340 |
| 2010 | | 379,736 |
| 2011 | | 676,285 |
| 2015 | | 1,254,799 |
| 2026 | | 1,191,289 |
| 2027 | | 4,730,981 |
| 2028 | | 1,824,650 |
| | $ | 10,165,080 |

The Company expects to have non capital loss carry forwards to offset any taxable income that may exist for the years ended February 29, 2008 and February 28, 2007. As at February 29, 2008, the Company expects to have significant non-capital loss carry forwards for income tax purposes available to offset future taxable income.

Future income tax assets as of February 29, 2008 and February 28, 2007 consist primarily of the tax effect of non capital loss carry forwards. The Company has provided a full valuation allowance on the future income tax assets as of February 29, 2008 and February 28, 2007 to reduce such future income tax assets to zero, as it is management's belief that realization of such amounts is not considered more likely than not.

**13. Accumulated other comprehensive loss**

| | | 2008 |
|---|---|---|
| Balance, February 28, 2007 | $ | - |
| Unrealized loss on available for sale investments (note 4) | | (11,730) |
| Balance, February 29, 2008 | $ | (11,730) |

## 14. Segment disclosures:

The Company considers its business to comprise a single operating segment, being exploration of resource properties, within the geographic area of British Columbia, Canada.

## 15. Contingencies:

Contingencies not already disclosed are included below.

*Tax-*

The Canada Revenue Agency ("CRA") is conducting an audit of the Canadian exploration expenditures ("CEE) incurred by the Company that were renounced on certain flow-through shares issued for taxation years 2000 through 2004. Between taxation years 2000 and 2004, there was an estimated $10 million flow-through funds raised which are being audited. In the event the outcome is unfavorable to the Company, the Company will be responsible to repay CRA the aggregate tax credits the flow-through investors received during these periods. However, as the outcome of the assessment is unknown at this time and the potential contingent liability, if any, is not determinable, a liability has not been recorded in the financial statements. Management believes that both the renunciation of CEE to shareholders and the shareholders' claims for the resulting CEE deductions were valid.

*Subscription and Renunciation Agreement-*

The Company and a non-related party entered into a subscription and renunciation agreement ("SRA") during the year whereby the Company was to incur and renounce exploration expenditures in an amount equal to $350,000 by October 31, 2007. Failure to incur and renounce the full amount resulted in the Company owing the non-related party an amount equal to the amount of any tax payable under the Tax Act, referred to as the "Commitment", arising from the non-related party not receiving exploration tax credits equal to $350,000. The Company incurred and renounced $245,000 on October 31, 2007 leaving $105,000 un-renounced. Consequently, the commitment owed and accrued in accounts payable and accrued liabilities to the non-related party under the SRA at February 29, 2008 was approximately $38,850, being the un-renounced amount of $105,000 multiplied by the estimated effective tax rate of the non-related party of 37%. (See note 16)

## 16. Subsequent events

*Subscription payable*

The Company issued 7,300,000 non-flow-through common shares at the price of $0.10 per share by way of a private placement for total proceeds of $730,000 on March 4, 2008. In connection with this private placement a subscription payable balance of $498,800 has been recorded representing cash received during the year net of issues costs prior to the private placement completion.

*Share issuance to related party*

Subsequent to year end, the Company issued 4.5 million common shares from treasury to Lions Gate Energy Inc. at a market price of $0.05 per share to fulfill their obligation of $225,000 for the 2008 year.

*Debt for shares*

Subsequent to year end and subject to approval by regulatory authorities, the Company and the non-related party in the SRA in note 15, agreed that the Company would:

- Incur and renounce on behalf of the non-related party $105,000 in exploration expenditures on or before October 31, 2008 and;
- Issue 555,000 common shares to satisfy the commitment described in note 15.