Financial Statements
(Expressed in Canadian dollars)

INTERNATIONAL WAYSIDE GOLD MINES LTD.

(An Exploration Stage Company)

Years ended February 28, 2007 and February 28, 2006

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 sheet of International Wayside Gold Mines Ltd. (an exploration stage company) as at February 28, 2007 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were audited by other auditors who issued their opinion without reservation on June 23, 2006.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, British Columbia
July 6, 2007

INTERNATIONAL WAYSIDE GOLD MINES LTD.

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

February 28, 2007 and February 28, 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	$ -	$ 713,151
Receivables and advances	19,333	59,275
Prepaid expenses	2,000	2,000
	21,333	774,426
Deferred financing costs (note 8)	112,282	-
Reclamation deposits	299,500	144,500
Investments (note 3)	19,320	38,641
Due from related parties (note 6(a))	136,292	63,340
Property and equipment (note 4)	359,094	351,208
Mineral properties (note 5)	8,359,089	3,808,114
	$ 9,306,910	$ 5,180,229
Liabilities and Shareholders' Equity		
Current liabilities:		
Bank indebtedness	$ 6,972	$ -
Accounts payable and accrued liabilities	1,035,449	1,995,891
Due to related parties (note 6(b))	1,598,760	1,259,283
Convertible notes (note 8)	3,385,969	
	6,027,150	3,255,174
Asset retirement obligation (note 7)	93,810	-
	6,120,960	3,255,174
Shareholders' equity:		
Capital stock (note 9)	38,995,104	36,497,176
Equity portion of convertible note (note 8)	1,342,682	-
Contributed surplus (note 10)	4,094,424	2,213,727
Deficit	(41,246,260)	(36,785,848)
	3,185,950	1,925,055
	$ 9,306,910	$ 5,180,229

Going concern (note 1)
Commitments (notes 5 and 13)
Subsequent events (notes 8, 9 and 13)

See accompanying notes to financial statements.

Approved by the Board:

" J. Frank Callaghan" Director **"F. Shirvani"** Director

INTERNATIONAL WAYSIDE GOLD MINES LTD.

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

February 28, 2007 and February 28, 2006

	2007	2006
Expenses:		
Accounting, audit and legal	$ 40,438	$ 102,222
Amortization	55,781	48,985
Automobile	5,745	5,631
Bank charges, interest and commissions	49,848	73,937
Exploration (see Schedule 1)	1,654,171	450,624
Interest on convertible notes	75,216	-
Loan bonus and finders' fees (see note 6(c))	40,000	151,268
Amortization of deferred financing fees (note 8)	58,012	-
Accretion of convertible note discount (note 8)	504,521	-
Management fees (note 6(c))	90,000	120,000
Office and administration	150,747	142,000
Rent	26,187	17,465
Shareholder communications and advertising	441,581	173,980
Telephone	35,185	29,580
Transfer agent and filing fees	55,477	37,563
Stock-based compensation (note 9(d))	459,403	304,479
Wages and benefits	708,555	399,068
	4,450,867	2,056,802
Loss before the following	(4,450,867)	(2,056,802)
Gain on sale of investment	5,737	-
Write-down of investments (note 3)	(19,320)	-
Interest income	4,038	4,323
Loss for the year	(4,460,412)	(2,052,479)
Deficit, beginning of year:		
As previously reported	(36,785,848)	(15,806,697)
Adjustment on change in accounting for mineral exploration expenditures and restatement (note 2(e))	-	(18,926,672)
As restated	(36,785,848)	(34,733,369)
Deficit, end of year	$ (41,246,260)	(36,785,848)
Basic and diluted loss per share	$ (0.12)	$ (0.12)
Weighted average number of shares outstanding	36,767,154	16,866,317

See accompanying notes to financial statements.

INTERNATIONAL WAYSIDE GOLD MINES LTD.

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

February 28, 2007 and February 28, 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Loss for the year	$ (4,460,412)	$ (2,052,479)
Items not involving cash:		
Amortization	55,781	48,985
Loan bonus	40,000	151,268
Stock-based compensation	459,403	304,479
Write-down of investments	19,320	-
Gain on sale of investment	(5,737)	-
Amortization of deferred financing fees	58,012	-
Accretion of convertible debt	504,521	-
Accretion of asset retirement obligation	4,467	-
	(3,324,645)	(1,547,747)
Changes in non-cash operating working capital:		
Receivables and advances	39,942	(44,705)
Prepaid expenses	-	13,837
Accounts payable and accrued liabilities	(441,641)	(16,500)
	(3,726,344)	(1,595,115)
Investments:		
Reclamation deposits	(155,000)	(3,500)
Due from related parties	(72,952)	(41,287)
Purchase of property and equipment	(63,667)	(99,264)
Expenditures on mineral properties, net of recoveries	(4,200,000)	(698,318)
	(4,491,619)	(842,369)
Financing:		
Proceeds on sale of investment	5,738	-
Due to related parties	339,477	(929,924)
Deferred financing costs	(278,484)	-
Proceeds from convertible notes	4,748,556	-
Mortgage payments	-	(64,952)
Issuance of capital stock for cash	2,682,556	4,145,130
Bank indebtedness	6,972	-
	7,504,812	3,150,254
Increase (decrease) in cash and cash equivalents	(713,151)	712,770
Cash and cash equivalents, beginning of year	713,151	381
Cash and cash equivalents, end of year	$ -	$ 713,151
Supplemental cash flow information:		
Interest paid	-	-
Taxes paid	-	-
Non-cash operating, investing and financing activities:		
Issuance of capital stock for mineral properties	$ 261,632	$ 18,000
Issuance of shares on advance subscription	-	200,000
Issuance of shares to settle accounts payable	518,800	-
Asset retirement obligation increase	93,810	-
Issuance of shares for loan bonus	40,000	151,268

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 28, 2007 and February 28, 2006

	2007	2006
Exploration and development expenditures:		
Administration fees (note 6(c))	$ 79,101	$ 79,192
Assaying	61,429	60,252
Accretion of asset retirement obligation (note 7)	4,467	-
Consulting	299,684	94,668
Engineering	24,304	36,846
Environmental	88,207	99,534
Land fees and permitting	67,363	52,227
Exploration	583,283	846,205
Equipment rentals (note 6(c))	236,345	245,299
Mine and field supplies	180,273	166,581
Travel	29,715	34,199
	1,654,171	1,715,003
Bulk sample proceeds	-	(1,505,720)
Royalties paid on bulk sample proceeds	-	241,341
Property exploration costs	$ 1,654,171	$ 450,624

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 5(b)). At February 28, 2007, the Company is in the exploration stage. During the year ended February 28, 2006, the Company consolidated its share capital on a 10 old for 1 new basis. Unless otherwise indicated, all references in these financial statements to the number of common shares and per share amounts have been restated to reflect the share consolidation.

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 and commitments in the ordinary course of business. At February 28, 2007, the Company has a working capital deficiency, has incurred losses during the years ended February 28, 2007 and February 28, 2006, has an accumulated deficit of $41,246,260 as at February 28, 2007 and 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 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:

(i) 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.

(ii) Reclamation deposits are term deposits placed in the name of the Government of the Province of British Columbia as security 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) Investments:

Investments are carried at cost less any provision for other-than-temporary impairment in value.

(d) 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. An impairment loss is recognized when the net carrying amount of the property and equipment exceeds the net undiscounted future cash flows relating to the property and equipment. No impairment write-down of property and equipment was required during the years covered by these financial statements.

(e) Mineral properties:

The Company retroactively changed its accounting policy for mineral property exploration expenditures in its fourth quarter of 2006. Prior to November 30, 2005, the Company capitalized the acquisition cost of mineral properties and deferred exploration and development expenditures directly related to specific mineral properties, net of recoveries received. Under the new policy, exploration expenditures are expensed while acquisition expenditures continue to be capitalized.

These changes have been applied retroactively and have increased the deficit as at March 1, 2005 by $18,926,672, In addition, the future income tax liability of $2,347,450 as at February 28, 2005 has been reduced to nil with a corresponding increase in capital stock.

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.

Where the Company has entered into option agreements to acquire interests in mineral properties that provide for periodic payments or periodic share issuances, amounts unpaid and unissued are not recorded as liabilities since they are payable and issuable entirely at the Company's option. Option payments are recorded as mineral property costs when the payments are made or received and the share issuances are recorded as mineral property costs using the fair market value of the Company's common shares at the date the counterparty's performance is complete or the issuance date, whichever is more determinable.

2. Significant accounting policies (continued):

(e) Mineral properties: (continued)

Mineral property assets are reviewed for impairment when changes in circumstances suggest their carrying value has become impaired. If impairment exists, the asset will be written down to fair value. Fair value is determined using a discounted cash flow analysis. Amounts shown for mineral properties represent costs incurred to date, less write-downs, and do not necessarily reflect present or future values.

(f) Stock-based compensation:

The Company has a stock-based compensation plan which is described in note 9(d). Effective March 1, 2004, the Company adopted the amended Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, "*Stock-Based Compensation and Other Stock-Based Payments*". This amendment requires the use of the fair value method to calculate all stock-based compensation associated with the granting of stock options.

The value of stock options granted is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires the input of subjective assumptions, including the expected term of the option and stock price volatility. The expected term of options granted is determined based on date of expiry of option. Expected volatility is based on the historical volatility of the share price of the Company. These estimates involve inherent uncertainties and the application of management judgment. In addition, the Company is required to estimate the expected forfeiture rate and only recognize expense for those options expected to vest. As a result, if other assumptions had been used, the recorded stock-based compensation expense could have been different from that reported.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

(g) 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.

(h) 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. The amount of future income tax assets recognized is limited to the amount that is, in management's estimation, more likely than not to be realized.

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

(i) 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.

(j) Asset retirement obligations:

The Company incurs liabilities 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 are measured initially at their fair value using discounted present value methodology. The resulting amount is 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 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.

(k) 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 mining interests in mineral properties, useful lives for amortization, determination of asset retirement and reclamation obligations, assumptions used in presenting the debt and liability components from the convertible notes and assumptions used in determining the fair value of non-cash stock-based compensation. Actual results could differ from those estimates.

(l) Financial instruments:

In all material respects, the carrying amounts of the Company's financial instruments, other than investments and amounts due from and to related parties, approximate their fair values due to the short-term to maturity of such instruments. The fair value of investments is disclosed in note 3. It is not practicable to determine the fair values of the amounts due from and to related parties due to the nature of such amounts and the absence of a secondary market for such instruments.

2. Significant accounting policies (continued):

(m) Flow-through shares:

The Company finances a portion of its exploration program with flow-through common share issuances. Income tax deductions relating to these expenditures are claimable only by the investors. Net proceeds from common shares issued pursuant to flow-through financings are credited to capital stock. Recording these expenditures for accounting purposes gives rise to taxable temporary differences if such expenditures meet the definition of a qualified expenditure pursuant to the Income Tax Act (Canada) and are renounced to the investor. On the date that the Company renounces flow-through expenditures to the holder of the flow-through common shares and where the Company has sufficient available tax losses or pools of tax deductions, a portion of the Company's future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, is recorded as a recovery of income taxes in the statement of operations as long as the taxable temporary difference is expected to reverse.

3. Investments:

	2007			2006		
	Number of shares	Carrying value	Quoted market price	Number of shares	Carrying value	Quoted market price
Lions Gate Energy Inc.	138,000	$19,320	$19,320	138,000	$ 38,640	$ 38,640
Global Tree Technologies Inc.	-	-	-	300,000	1	3,000
		$ 19,320	$ 19,320		$ 38,641	$ 41,640

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. During the year ended February 28, 2007, the Company recognized an other-than-temporary impairment in the value of its investments of $19,320 (2006 - $Nil).

4. Property and equipment:

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

4. Property and equipment (continued):

2006	Cost	Accumulated amortization	Net book value
Land	$ 59,300	$ -	$ 59,300
Building	33,200	12,648	20,552
Office equipment	315,505	155,975	159,530
Mining equipment	407,077	312,738	94,339
Vehicles	28,416	10,929	17,487
	$ 843,498	$ 492,290	$ 351,208

5. Mineral properties:

	2007	2006
Wayside property (a)	$ 1	$ 1
Cariboo Gold Project (b)	8,359,088	3,808,113
	$ 8,359,089	$ 3,808,114

(a) Wayside property:

As at February 28, 2007, 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 5(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:

	2007	2006
Acquisition costs:		
Payments made and shares issued	$ 4,461,632	$ 766,318
Asset retirement obligation	89,343	-
Option payments and shares received	-	(50,000)
Net acquisition costs	4,550,975	716,318
Balance, beginning of year	3,808,114	3,091,796
Balance, end of year	$ 8,359,089	$ 3,808,114

5. 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.

5. 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 6(a) and 6(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. The May 31, 2006 payment was not paid and interest is accruing at a rate of prime plus 2% 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.

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

(b) Cariboo Gold Project (continued):

(iii) During fiscal 2001, 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, as amended, call for the Company to pay $242,500, issue 664,500 common shares (issued) and incur $730,000 of exploration expenditures over a four year period.

During the year ended February 29, 2004, the Company amended the agreement on one of these mineral properties. In lieu of the previous requirement to conduct an aggregate of $230,000 in exploration expenditures on the property, the Company will issue a total of 200,000 common shares over the next four years, with 50,000 shares to be issued on the acceptance by the TSX-V (issued) and 50,000 shares on or before September 26, 2004 (issued), September 26, 2005 (issued) and September 26, 2006 (issued). All shares are valued at market price at date of issuance.

During the year ended February 28, 2005, the Company amended the agreement on another one of these mineral properties with respect to exploration expenditures required to be incurred. The Company issued 260,000 common shares during the year ended February 28, 2005 to remove the exploration expenditure obligation on this agreement.

(iv) 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, the market price of the shares at issuance date to the third party who coordinated this transaction. This has been reflected as an additional cost of the purchase at $11,632.

From time to time, the Company may be exposed to disputes, claims and legal actions in the normal course of business, some of which may be initiated by the Company. As at February 28, 2007, the Company is in a dispute over a mineral property. The Company is presently in negotiations with this party and an outcome is undeterminable at this time.

6. 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:

	2007	2006
Due from other companies with certain common directors	$ 136,292	$ 63,340

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.

6. Related party balances and transactions (continued):

(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:

	2007	2006
Due to a company controlled by a director	$ 1,131,918	$ 1,130,585
Due to other companies with certain common directors	126,884	15,808
Due to directors and officers	339,958	112,890
	$ 1,598,760	$ 1,259,283

(c) Related party transactions:

A summary of the amounts charged to the Company by directors, former directors, and by companies controlled by directors, is as follows:

	2007	2006
Property exploration costs:		
Equipment rentals	$ 236,345	$ 245,299
Administration fees on reimbursed expenditures	79,101	79,192
Administration costs:		
Consulting fees	-	23,271
Interest expense	6,482	11,492
Loan bonus	40,000	151,268
Rent	24,000	24,000
Management fees	90,000	120,000
	$ 475,928	$ 654,522

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.

6. Related party balances and transactions (continued):

The Company has signed as a co-lesee with a company controlled by a director for trucks to be used for exploration purposes. The leases were terminated subsequent to year end.

The Company is charged $5,000 per month for general management services by the President of the Company. For 2007, the president of the Company charged $5,000 per month as management fees. A former director and officer charged $5,000 per month for six months.

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.

An officer and director of the Company facilitated a debt for share 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 share debt of $245,269.

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

7. 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 28, 2007 to be $93,810 (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 the year	$	89,343
Accretion expense		4,467
Balance, February 28, 2007	$	93,810

No asset retirement obligation was recognized in 2006

8. Convertible notes (note 13):

On December 29, 2006, the Company entered into a letter agreement with Karver Capital Canada Inc. ("KCCI") whereby KCCI will fund up to US$10,000,000 by way of collateralized 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 is collateralized by a general security agreement providing for a charge against the assets of the Company. KCCI will be entitled to bonus warrants equivalent to 33 1/3% of the amounts advanced. Each bonus warrant entitles KCCI to acquire one common share for a period of two years upon payment of $0.30.

8. Convertible notes (continued):

At February 28, 2007, KCCI had advanced $4,673,340 plus an accrual for interest of $75,216. In addition, they have received 5,425,868 bonus warrants.

Upon maturity of the loan, all advances and secured interest were converted to equity of the Company. At June 29, 2007, KCCI received 20,338,376 common shares and 4,743,153 warrants upon conversion of these amounts and funds advanced after February 28, 2007 (note 13).

The notes were classified as a liability, less the portion relating to the conversion feature ($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: 100% to 120% volatility, 0% dividend yield, 4.10% risk-free interest rate and expected lives of 0.42 to 2.42 years.

The difference of $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 40.84% rate implicit in the calculation.

	Year ended February 28, 2007
Fair value of convertible notes on issue	$ 2,806,232
Accretion of debt discount for the year	504,521
Accrued interest	75,216
Liability component	$ 3,385,969
Equity component of convertible notes	$ 1,867,108
Financing costs allocated to equity component	(108,192)
Fair value of warrants on issuance	(416,234)
Equity component	$ 1,342,682

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: 123% to 125% volatility, 0% dividend yield, 4.07% to 4.14% risk-free interest rate and an expected life of 2 years.

8. Convertible notes (continued):

Of the $225,000 finder's fee and $53,486 of legal expenses related 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.

	February 28 2007	February 28 2006
Deferred financing costs allocated to debt component	$ 170,294	$ -
Less: accumulated amortization	(58,012)	-
Deferred financing costs	$ 112,282	$ -

9. Capital stock:

(a) Authorized capital:

Unlimited common shares without par value

During the year ended February 28, 2005, the Company increased its authorized share capital from 200,000,000 common shares without par value to an unlimited number of common shares without par value in connection with the required change from the Company Act (British Columbia) to the new British Columbia Corporations Act. On August 18, 2005 the Company consolidated its share capital on a 10 old for 1 new basis. Unless otherwise indicated, all references to the number of common shares and per share amounts have been restated to reflect the share consolidation.

(b) Issued and outstanding:

	Number of shares	Total
Balance, February 28, 2005	15,220,170	$ 31,982,778
Issued during the year:		
Issuance of shares on advance subscriptions	200,000	200,000
For cash by way of private placements, net of issue costs	14,742,833	4,135,890
For cash on exercise of share purchase options	5,000	1,650
Loan bonus (note 6(c))	503,622	151,268
For cash on exercise of share purchase warrants	33,000	7,590
For acquisition of mineral properties (note 5(b)(iii)	50,000	18,000
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	2,618,482
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 (note 5(b))	512,209	261,632
Issuance of shares to settle accounts payable (note 6)	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

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

(b) Issued and outstanding (continued)

During the year ended February 28, 2007:

(i) 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.

(ii) The Company issued 3,500,000 units pursuant to a non-brokered private placement. Each unit cost $0.25 and the Company raised net proceeds of $845,000, after share issuance costs of $30,000. Each unit consists of one common share and one-half of one non-transferable share purchase warrant where a full warrant is 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

(iii) The Company issued 2,070,000 units pursuant to a non-brokered private placement. Each unit cost $0.25 and the Company raised net proceeds of $514,575, after share issuance costs of $2,925. Each unit consists of one common share and one-half of one non-transferable share purchase warrant where a full warrant is 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.

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

(b) Issued and outstanding (continued)

(iv) 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;

(v) The Company issued 647,000 units at the price of $0.25 per unit for net proceeds of $158,900, after share issuance cost of $2,850. 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.

(vi) 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 note 9(b)(v). 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.

(vii) 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.

(viii) Other share issuance costs relating to capital transactions not previously mentioned in the above private placements totalled 23,713 (2006 - $nil)

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

(b) Issued and outstanding (continued)

During the year ended February 28, 2006:

(ix) The Company issued 2,000,000 flow-through units at the price of $0.10 per unit. Each unit consists of one flow-through share and one non-transferable share purchase warrant. Each warrant entitles the holder thereof to purchase a further flow-through common share for $1.20 for a period of two years expiring March 7, 2007.

(x) The Company issued 1,450,000 units at the price of $0.50 per unit. Each unit consists of one flow-through common share, one non-flow-through common share and one non-flow-through share purchase warrant exercisable at $0.40 for a period of two years. Investors had the option to purchase two non-flow-through shares and one non-flow-through share purchase warrant for the same terms. 1,410,000 flow-through units were sold and 40,000 non-flow-through units were sold.

(xi) The Company issued 1,842,833 units at the price of $0.30 per unit. Each unit consists of one flow-through common share and one-half of one non-flow-through share purchase warrant. Each whole warrant is exercisable at $0.40 for a one year period. Investors had the option to purchase non-flow-through units for the same terms. 1,556,166 flow-through units were sold and 286,667 non-flow-through units were sold.

(xii) The Company issued 10,000,000 units at the price of $0.30 per unit. Each unit consists of one share and one-half of one share purchase warrant. Each warrant and $0.40 will purchase an additional common share for a period of one year.

(c) Flow-through shares:

During fiscal 2007, the Company raised a total of $1,068,774 by way of issuing flow-through common shares (2006 - $1,019,350) (note 9(b)). These expenditures were renounced at the end of calendar year 2006.

The total qualifying exploration costs incurred as of February 28, 2007 on resource property exploration was $396,642 (2006 - $1,019,350). The remaining unspent flow through funds are subject to Part XII.2 tax.

Expenditures related to the use of flow-through share proceeds are included in exploration costs 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 11).

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

(d) Share purchase options:

Pursuant to the policies of the TSX-Venture Exchange (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 years ended February 28, 2007 and February 28, 2006, all of which are exercisable, is as follows:

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

Note:
(1) Subsequent to the year ended February 28, 2007, these options expired.

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

(d) Share purchase options (continued):

			Changes in the Year			
Exercise Price	Expiry Date	Balance February 28, 2005	Granted	Exercised	Expired/ Cancelled	Balance February 28, 2006
$1.50	May 28, 2005	23,803	-	-	(23,803)	-
$1.70	June 9, 2005	30,431	-	-	(30,431)	-
$1.70	August 2, 2005	76,791	-	-	(76,791)	-
$1.50	June 22, 2005	472,270	-	-	(472,270)	-
$0.36	October 30, 2006	396,500	-	-	(281,500)	115,000
$0.36	May 15, 2007	675,415	-	-	(256,000)	419,415
$0.36	November 26, 2007	154,528	-	-	(44,500)	110,028
$0.33	September 30, 2008	-	596,342	(5,000)	-	591,342
$0.36	October 3, 2008	-	144,500	-	-	144,500
$0.40	February 2, 2009	-	526,179	-	-	526,179
		1,829,738	1,267,021	(5,000)	(1,185,295)	1,906,464
Weighted average exercise price		$1.60	$0.34	$0.33	$0.91	$0.37

During the year ended February 28, 2007, the Company granted fixed share purchase options 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 Company accounts for stock option grants and modifications of warrants to employees using the fair value method by a charge against income at the time of grant or modification. During the year February 28, 2007, the Company recorded stock based compensation expense totalling $459,403 (2006 – $304,479). including $226,740 (2006 - $nil) for maturity extensions on warrants (note 9(e))

The weighted average fair value of options granted during fiscal 2007, being $0.23 (2006 - $0.21) per option, was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	2007	2006
Risk-free interest rate	4.07%	3.59%
Expected dividend yield	0%	0%
Expected stock price volatility	86%	85%
Expected option life	3 years	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.

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

(e) Share purchase warrants:

The continuity of the Company's share purchase warrants for the years ended February 28, 2007 and February 28, 2006 (post-consolidation), are as follows:

Exercise Price	Expiry Date	Balance February 28, 2006	Changes in the Year Granted	Changes in the Year Exercised	Changes in the Year 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(1)	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(2)	921,416	-	-	-	921,416
$0.40	February 21, 2008(3)	5,000,000	-	-	-	5,000,000
$0.65	May 16, 2008(4)	-	458,021	-	-	458,021
$0.65	June 16, 2008(5)	-	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) Subsequent to year end, these warrants expired.

(2) On January 29, 2007, the TSX Venture Exchange approved an extension from January 30, 2007 to January 30, 2008. Due to the extension, the share purchase warrants were fair valued using the incremental value option pricing model with the following assumptions: 103.01% volatility, 0% dividend yield, 3.25% risk-free interest rate and an expected life of 1 year. As a result, the incremental value was estimated at $71,778.

(3) On January 29, 2007, the TSX Venture Exchange approved an extension from February 21, 2007 to February 21, 2008. Due to the extension, the share purchase warrants were fair valued using the incremental value option pricing model with the following assumptions: 110.66% volatility, 0% dividend yield, 3.25% risk-free interest rate and an expected life of 1 year. As a result, the incremental value was estimated at $436,000.

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

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

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

(e) Share purchase warrants (continued):

Exercise Price	Expiry Date	Balance February 28, 2005	Changes in the Year			Balance February 28, 2006
			Granted	Exercised	Expired/ Cancelled	
$1.50	September 3, 2005	284,000	-	-	(284,000)	-
$1.50	September 25, 2005	273,500	-	-	(273,500)	-
$1.50	November 3, 2005	245,000	-	-	(245,000)	-
$1.40	December 22, 2005	1,600,000	-	-	(1,600,000)	-
$1.50	March 15, 2005	293,000	-	-	(293,000)	-
$0.23	December 19, 2005	769,230	-	(33,000)	(736,230)	-
$1.20	October 8, 2006	225,000	-	-	-	225,000
$0.23[1]	October 8, 2006	25,000	-	-	-	25,000
$1.20	March 7, 2007	-	180,000	-	-	180,000
$0.23[1]	March 7, 2007	-	20,000	-	-	20,000
$0.40	October 24, 2007	-	660,000	-	-	660,000
$0.40	November 21, 2007	-	790,000	-	-	790,000
$0.40	February 21, 2007	-	5,000,000	-	-	5,000,000
$0.40	January 30, 2007	-	921,416	-	-	921,416
		3,714,730	7,571,416	(33,000)	(3,431,730)	7,821,416

Notes:

(1) On December 22, 2005, the TSX Venture Exchange approved the re-pricing from $1.20 to $0.23.

(f) Shareholder rights plan:

On July 5, 2006 the shareholders of the Company approved a shareholder rights plan (the "Plan"), to become effective on July 24, 2006. The Plan is intended to ensure that any entity seeking to acquire control of the Company makes an offer that represents fair value to all shareholders and provides the board of directors with sufficient time to assess and evaluate the offer, to permit competing bids to emerge, and, as appropriate, to explore and develop alternatives to maximize value for shareholders. Under the Plan, each shareholder at the time of the Plan's adoption was issued one Right for each common share of the Company held. Each Right entitles the registered holder thereof, except for certain "Acquiring Persons" (as defined in the Plan), to purchase from treasury one common share at $30, subject to certain adjustments intended to prevent dilution. The Rights are exercisable after the occurrence of specified events set out in the Plan generally related to when a person, together with affiliated or associated persons, acquires, or makes a take-over bid to acquire, beneficial ownership of 20% or more of the outstanding common shares of the Company. The Rights expire on July 24, 2015.

10. Contributed surplus:

Balance, February 28, 2005	$ 1,909,248
Fiscal 2006 stock-based compensation (note 9(d))	304,479
Balance, February 28, 2006	2,213,727
Fair value of warrants on convertible notes (note 8)	416,234
Fair value of warrants and agent options on private placements and extensions (note 9(b))	1,256,545
Fiscal 2007 stock-based compensation (note 9(d))	232,664
Fair value of stock options exercised, reclassified to share capital	(24,746)
Balance, February 28, 2007	$ 4,094,424

11. Income taxes:

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

	2007	2006
	34.12%	34.12%
Income tax benefit computed at statutory rate	1,521,893	700,306
Permanent difference due to stock based compensation	(156,748)	(103,887)
Permanent difference due to share renunciation	(363,821)	(347,802)
Permanent difference due to accretion of convertible debt	(172,144)	-
Temporary difference not recognized in year	(829,180)	(248,617)
Future income tax recovery	-	-

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

	2007	2006
Future income tax assets:		
Property and equipment	$ 202,980	$ 184,000
Share issuance costs	190,784	235,000
Losses carried forward	2,052,525	1,418,000
Mineral properties	5,754,591	3,331,000
Investments	3,296	-
Asset retirement obligation	32,008	-
Total future income tax assets	8,236,184	5,168,000
Valuation allowance	(8,236,184)	(5,168,000)
	$ -	$ -

At February 28, 2007, the Company has operating loss carry forwards for income tax purposes of approximately $6.1 million that expire at various dates to 2027.

12. 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.

13. Subsequent events:

(i) Subsequent to February 28, 2007, the Company received an additional $179,962 of funding from Karver Capital Canada Inc. ("KCCI"). This plus previous advances plus accrued interest total $5,084,510. This amount was converted on June 29, 2007 into 20,338,376 common shares and 10,169,188 warrants exerciseable at $0.30 for two years. This financing is now closed.

(ii) Subsequent to year end, 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 an event of change in control, and the officer is terminated within 12 months of such change of control, then 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 engagement and (2) one year's compensation.