

ROCKGATE CAPITAL CORP.

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2007 and 2006

AUDITORS' REPORT

To the Shareholders,
Rockgate Capital Corp.

We have audited the consolidated balance sheets of Rockgate Capital Corp. as at June 30, 2007 and 2006 and the consolidated statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
October 10, 2007

“AMISANO HANSON”
Chartered Accountants

ROCKGATE CAPITAL CORP.
CONSOLIDATED BALANCE SHEETS
June 30, 2007 and 2006

<u>ASSETS</u>	<u>2007</u>	(Restated - Note 2(g)) <u>2006</u>
Current		
Cash and cash equivalents	\$ 7,471,514	\$ 1,020,704
GST receivable	62,613	-
Prepaid expenses	<u>14,285</u>	<u>-</u>
	7,548,412	1,020,704
Equipment – Note 4	5,615	-
Mineral properties – Note 5	<u>440,000</u>	<u>40,000</u>
	<u>\$ 7,994,027</u>	<u>\$ 1,060,704</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities – Note 8	\$ <u>1,640,944</u>	\$ <u>49,854</u>
<u>SHAREHOLDERS' EQUITY</u>		
Share capital – Notes 5, 6 and 9	9,564,492	1,217,130
Contributed surplus	1,703,051	66,100
Deficit – Note 2	<u>(4,914,460)</u>	<u>(272,380)</u>
	<u>6,353,083</u>	<u>1,010,850</u>
	<u>\$ 7,994,027</u>	<u>\$ 1,060,704</u>

Commitments – Notes 5, 6, 8 and 9
Subsequent Events – Notes 5 and 9

APPROVED ON BEHALF OF THE BOARD:

<u>“Douglas E. Ford”</u> Director Douglas E. Ford	<u>“Karl Kottmeier”</u> Director Karl Kottmeier
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SEE ACCOMPANYING NOTES

ROCKGATE CAPITAL CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended June 30, 2007 and 2006

	<u>2007</u>	(Restated - Note 2(g)) <u>2006</u>
Revenue		
Interest income	\$ <u>91,778</u>	\$ <u>4,878</u>
Expenses		
Accounting	28,054	16,664
Amortization	991	-
Exploration and drilling	3,235,287	40,000
Filing	10,611	37,897
Interest and bank charges	228	192
Legal	81,420	65,034
Management fees – Note 8	209,503	-
Newswire services	6,372	882
Office	2,106	1,266
Professional services	17,459	4,555
Rent – Note 8	23,307	21,000
Sponsorship	-	21,539
Stock-based compensation – Note 6	935,000	40,000
Travel	<u>70,185</u>	<u>5,300</u>
	<u>4,620,523</u>	<u>254,329</u>
Loss before other	(4,528,745)	(249,451)
Other:		
Gain (loss) on foreign exchange	<u>(113,335)</u>	<u>3,159</u>
Net loss for the year	\$ <u>(4,642,080)</u>	\$ <u>(246,292)</u>
Basic and diluted loss per share	\$ <u>(0.32)</u>	\$ <u>(0.07)</u>
Weighted average number of shares outstanding	<u>14,293,555</u>	<u>4,292,329</u>

SEE ACCOMPANYING NOTES

ROCKGATE CAPITAL CORP.
CONSOLIDATED STATEMENTS OF DEFICIT
for the years ended June 30, 2007 and 2006

	<u>2007</u>	(Restated - Note 2(g)) <u>2006</u>
Deficit, beginning of the year	\$ (312,380)	\$ (26,088)
Change in accounting policy – Note 2	<u>40,000</u>	<u>-</u>
Deficit, beginning of the year as restated	(272,380)	(26,088)
Net loss for the year	<u>(4,642,080)</u>	<u>(246,292)</u>
Deficit, end of the year as restated	<u>\$ (4,914,460)</u>	<u>\$ (272,380)</u>

SEE ACCOMPANYING NOTES

ROCKGATE CAPITAL CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2007 and 2006

	<u>2007</u>	(Restated - Note 2(g)) <u>2006</u>
Operating Activities		
Net loss for the year	\$ (4,642,080)	\$ (246,292)
Add (deduct) items not involving cash:		
Amortization	991	-
Stock-based compensation	935,000	40,000
Mineral property cost – share consideration	<u>(60,000)</u>	<u>(20,000)</u>
	(3,766,089)	(226,292)
Changes in non-cash working capital items:		
GST receivable	(62,613)	-
Prepaid expenses	(14,285)	-
Accounts payable and accrued liabilities	<u>1,591,090</u>	<u>32,302</u>
Net cash used in operating activities	<u>(2,251,897)</u>	<u>(193,990)</u>
Investing Activities		
Purchase of property and equipment	(6,605)	-
Mineral property cost	<u>(340,000)</u>	<u>(20,000)</u>
Net cash used in investing activities	<u>(346,605)</u>	<u>(20,000)</u>
Financing Activities		
Deposit	-	4,565
Issuance of common shares, net	<u>9,049,312</u>	<u>1,143,230</u>
Net cash from financing activities	<u>9,049,312</u>	<u>1,147,795</u>
Increase in cash during the period	6,450,810	933,805
Cash and cash equivalents, beginning of the period	<u>1,020,704</u>	<u>86,899</u>
Cash and cash equivalents, end of the period	<u>\$ 7,471,514</u>	<u>\$ 1,020,704</u>
Supplementary disclosure of cash flow information		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Cash and cash equivalents		
Cash	\$ 717,458	\$ 46,581
Guaranteed investment certificates	<u>6,754,056</u>	<u>974,123</u>
	<u>\$ 7,471,514</u>	<u>\$ 1,020,704</u>
Non-cash Transactions – Note 10		

SEE ACCOMPANYING NOTES

ROCKGATE CAPITAL CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007 and 2006

Note 1 Nature of Operations

The Company was incorporated in the Province of British Columbia on November 23, 2004 under the Business Corporations Act of British Columbia. The Company was classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (the “Exchange”) Policy 2.4 until April 25, 2006.

Further to Note 5 hereto, effective April 25, 2006 the Company completed an agreement with Oro Gold Resources Ltd. (“Oro Gold”) pursuant to which the Company was granted an option to earn up to a 65% undivided interest in the Ixtapan gold property, located 120 kilometres west of Mexico City, Mexico. During the year ended June 30, 2007 the Company met its obligations under the option agreement and now owns a 51% interest in the Ixtapan gold property.

The acquisition of an interest in the Ixtapan gold property and the private placement constituted the Company’s qualifying transaction pursuant to Policy 2.4 of the Exchange.

Further to Note 5 hereto, the Company is currently exploring the Falea Uranium-Copper property. During the year ended June 30, 2007 the Company met its obligations under the terms of the option agreement and now owns a 60% interest in the Falea property.

Further to Note 5 hereto, the Company is currently exploring the Bathurst property.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

Note 2 Significant Accounting Policies

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management’s opinion, been properly prepared using careful judgment within the framework of the significant accounting policies summarized below.

Note 2 Significant Accounting Policies – (cont'd)

a) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Minera Rockgate de México, S.A. de C.V., an inactive México company incorporated on June 28, 2006. All significant intercompany transactions have been eliminated.

b) Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the “if converted” method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

c) Financial Instruments

The carrying value of the Company’s financial instruments, consisting of cash and cash equivalents and accounts payable and accrued liabilities approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

d) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are determined based on differences between the tax and accounting basis of assets and liabilities. The future tax assets or liabilities are calculated using the tax rates for the year in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

e) Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

Note 2 Significant Accounting Policies – (cont'd)

f) Stock-based Compensation

The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these 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 share purchase options.

g) Change in Accounting Policy

During the year ended June 30, 2007, the Company changed its accounting policy for the treatment of mineral property acquisition costs. Previously, the Company expensed such costs. These costs are now capitalized as incurred. Management judges that this policy provides reliable and more relevant information because it results in a more transparent treatment of mineral property costs and is consistent with local industry practice, making the Company's financial statements more comparable. This change in accounting policy has been accounted for retrospectively and the comparative financial statements for the year ended June 30, 2006 have been restated. The effect of the change on the 2006 comparative figures is tabulated below. Opening retained earnings for June 30, 2006 have been reduced by \$40,000, which is the amount of the adjustment relating to periods prior to June 30, 2007.

2006 Comparative Figures Restated

	<u>2006</u>	<u>Adjustment</u>	<u>2006 Restated</u>
Mineral properties	\$ -	\$ 40,000	\$ 40,000
Deficit	\$ (312,380)	\$ 40,000	\$ (272,380)
Exploration and drilling expense	\$ 80,000	\$ (40,000)	\$ 40,000

Note 2 Significant Accounting Policies – (cont'd)

h) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At June 30, 2007, the Company cannot reasonably estimate the fair value of the resource properties' site restoration costs, if any.

i) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the cost can be reasonably estimated.

j) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized.

k) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is calculated at a rate of 30% using the declining balance method.

Equipment used in exploration activities, where substantially all the economic life or value of the asset is expected to be derived from a specific project, is accounted for as dedicated assets and included as a separate category within the costs allocated to the related exploration stage mineral interests. Amortization for dedicated assets are provided over the estimated lives based on utilization and is recorded as deferred exploration costs of the related project. Additions during the year are depreciated at one-half the annual rate.

Note 3 Cash and Cash Equivalents

The Company's excess cash balances are held in accounts at Canadian Chartered banks; and investment firms. From time to time these funds are invested in fully insured or Government guaranteed interest bearing instruments. Any invested funds are committed to instruments which mature in no more than 90 days and are redeemable without penalty to principal at any time.

Note 4 Equipment

	<u>2007</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Computer equipment	\$ 6,605	\$ 990	\$ 5,615
	<u>2006</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Computer equipment	\$ -	\$ -	\$ -

Note 5 Mineral Properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

	<u>2007</u>	<u>2006</u>
Acquisition costs:		
Falea – share consideration	\$ 60,000	\$ -
Ixtapan – share consideration	40,000	40,000
Bathurst – cash consideration	<u>340,000</u>	<u>-</u>
	<u>\$ 440,000</u>	<u>\$ 40,000</u>

Ixtapan Gold Property

Effective April 25, 2006, the Company completed its qualifying transaction consisting of an option to earn up to a 65-per-cent undivided interest in the Ixtapan gold project from Oro Gold Resources.

Note 5 Mineral Properties – (cont'd)

Ixtapan Gold Property – (cont'd)

The Company signed an arm's-length letter of intent dated January 6, 2006 with Oro Gold Resources Ltd. ("Oro Gold") pursuant to which the Company was granted an option to earn up to a 65% undivided interest in the Ixtapan gold property, located 120 kilometers west of Mexico City, Mexico. Oro Gold has agreed to cause the existing concession to be subdivided into two separate concessions to segregate the Company's interests in the property.

Under the terms of the option agreement, the Company could earn a 51-per-cent interest by issuing 100,000 common shares of the Company to Oro Gold (issued); incurring \$200,000 (U.S.) in expenditures on the property by April 25, 2007 (incurred) and paying to Oro Gold a \$20,000 management fee (paid). The Company may earn an additional 9% interest (cumulative interest totalling 60%) by incurring a further US\$300,000 in expenditures on the property and by issuing a further 100,000 common shares of the Company to Oro Gold by April 25, 2008. The Company may earn an additional 5% (cumulative interest totalling 65%) interest by incurring a further US\$500,000 in expenditures on the property and by issuing a further 150,000 shares of the Company to Oro Gold by April 25, 2009.

During the year ended June 30, 2007, the Company completed the first phase of the exploration on the Ixtapan property and has now earned an undivided 51% interest in the property. The exploration results from the property are being evaluated.

Falea Uranium-Copper Property

On November 29, 2006 the Company entered into an option agreement to earn a 60% interest in the Falea uranium-copper property in southwestern Mali, West Africa, from Delta Explorations Inc. ("Delta"). The Falea uranium copper property covers an area of 150 square kilometers. Under the terms of the option agreement, the Company can earn a 60% undivided interest in the property from Delta by incurring a total of \$1,500,000 in exploration expenses within two years of the date of receipt of TSX Venture Exchange approval. The Company must spend \$300,000 by the first anniversary date of the approval date and an additional \$1,200,000 by the second anniversary of the approval date. In addition, the Company issued 150,000 shares to Delta within five days of the approval date and must issue a further 200,000 shares on the first anniversary of the approval date (issued subsequent to June 30, 2007)

Subsequent to June 30, 2007, the Company exercised its option and earned its 60% interest in the property.

Note 5 Mineral Properties – (cont'd)

Bathurst Inlet Resource Property

In May 2007 the Company entered into an agreement to acquire a 100% interest in two existing claims, and had completed the staking of additional contiguous lands near Bathurst Inlet, Nunavut, Canada. The acquisition is made pursuant to an arm's-length option and agreement of purchase and sale with the vendor, whereby the company may acquire a 100-per-cent interest in the Bathurst project claims for a purchase price, including staking costs, of \$2-million. There are no royalties payable or securities issuable in connection with the acquisition. A total of \$240,000 has been paid by the Company to finance staking costs, which payment will be credited toward the purchase price. An initial payment to the vendors of \$100,000 was paid upon completion of the registration of the newly staked claims in the Bathurst project. The Company may exercise its option and complete the purchase of the claims six months following the initial payment by paying a further \$100,000 to the vendors and issuing a limited recourse promissory note for the balance of the purchase price. Pursuant to the note, the balance of the payments due to the vendors will be payable over a six-year period and the vendor's recourse in the event of a default under the note will be limited to the recovery of the Bathurst project claims. Purchase price payments will be made by the Company from its working capital.

Note 6 Share Capital – Notes 5 and 9

a) Authorized

Unlimited common shares without par value

b) Common Shares

		<u>Number</u>	<u>Amount</u>
Balance, June 30, 2005		2,000,000	\$ 100,000
Issued for cash pursuant to:			
Initial public offering	- at \$0.10	2,000,000	200,000
Share issue costs		-	(41,770)
Private placement	- at \$0.20	4,750,000	950,000
Share issue costs		-	(21,100)
Exercise of share purchase options	- at \$0.10	100,000	10,000
Finder's fee		100,000	-
Issued pursuant to a property agreement	- at \$0.20	<u>100,000</u>	<u>20,000</u>
Balance at June 30, 2006		9,050,000	1,217,130

.../cont'd

Note 6 Share Capital – Notes 5 and 9 – (cont'd)

b) Common Shares – (cont'd)

		<u>Number</u>	<u>Amount</u>
Issued for cash pursuant to:			
Exercise of warrants	- at \$0.345	2,017,500	696,038
	- at \$0.45	616,103	277,246
	- at \$0.60	1,861,654	1,116,992
Private placement	- at \$0.40	9,250,000	3,700,000
	- at \$2.20	1,500,000	3,300,000
Exercise of agent's option	- at \$0.10	100,000	10,000
Exercise of director's option	- at \$0.10	100,000	10,000
	- at \$0.75	50,000	37,500
Issued pursuant to a property agreement	- at \$0.40	150,000	60,000
Issued for financing fees	- at \$0.40	498,700	199,480
	- at \$2.20	87,900	193,380
Transfer from contributed surplus on exercise of share purchase options		-	55,500
Share issuance costs		-	<u>(1,308,774)</u>
Balance at June 30, 2007		<u>25,281,857</u>	<u>\$ 9,564,492</u>

- i) On January 10, 2007, the Company completed a private placement of 9,250,000 units at \$0.40 per unit for proceeds of \$3,700,000. Each unit consists of one common share and one share purchase warrant. These warrants have an eighteen month term and an exercise price of \$0.60 per share.

Share issuance costs included cash commissions of \$84,520, 498,700 shares valued at \$199,480 and 880,000 share purchase options valued at \$546,635 (2006: \$12,000). The options are exercisable at \$0.45 per share and expire July 9, 2008. The options are included in contributed surplus. The options were valued using the Black-Scholes option valuation model using a risk-free interest rate of 4.25 %, an expected life of 18 months and a volatility of 109%.

- ii) On April 24, 2007, the Company completed a private placement of 1,500,000 units at \$2.20 per unit for proceeds of \$3,300,000. Each unit consists of one common share and one share purchase warrant. These warrants have a two-year term and an exercise price of \$2.70 per share.

Share issuance costs included finders' fees of 87,900 shares valued at \$193,380 and 117,200 warrants valued at \$210,814. The warrants are exercisable at \$2.75 and expire April 23, 2009. The warrants are included in contributed surplus.

Note 6 Share Capital – Notes 5 and 9 – (cont'd)

b) Common Shares – (cont'd)

The fair value of these warrants of \$210,815 (2006: \$14,100) was determined using the Black-Scholes option valuation model with assumptions used as follows:

	<u>2007</u>	<u>2006</u>
Risk-free interest rate	4.5%	4.21%
Expected stock volatility	123.11%	140.80%
Expected dividend yield	Nil	Nil
Expected warrant life	2 years	2 years
Fair value of share purchase warrants	\$1.80	\$0.12

c) Escrow Shares

The Company issued 2,000,000 common shares during the year ended June 30, 2005 at \$0.05 per share to its directors, officers and founders for total proceeds of \$100,000. These shares are subject to an escrow agreement to be released in accordance with the CPC policy guidelines.

With the completion of the Qualifying Transaction on April 24, 2006, the shares held in escrow will be released on the following basis:

<u>Amount Released</u>	<u>Date</u>
10%	April 25, 2006
15%	October 25, 2006
15%	April 25, 2007
15%	October 25, 2007
15%	April 25, 2008
15%	October 25, 2008
15%	April 25, 2009

As at June 30, 2007, 1,200,000 common shares remain in escrow.

Note 6 Share Capital – Notes 5 and 9 – (cont'd)

d) Options

Stock-based Compensation Plan

The Company's stock option plan dated August 2, 2005 provides that the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers and technical consultants to the Company, non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares, exercisable for a period of up to 5 years from the date of grant. The number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to all technical consultants will not exceed two percent (2%) of the issued and outstanding common shares. Options may be exercised the greater of 12 months after the completion of the Qualifying Transaction and 90 days following cessation of the optionee's position with the Company, provided that if the cessation of office, directorship, or technical consulting arrangement was by reason of death, the option may be exercised within a maximum period of one year after such death, subject to the expiry date of such option.

The Company has granted officers, directors and consultants' share purchase options. These options are granted in accordance with the policies of the regulatory authorities and the Company's stock option plan.

	<u>Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding at June 30, 2005		
Granted	600,000	\$0.10
Exercised	<u>(100,000)</u>	\$0.10
Outstanding and exercisable at June 30, 2006	500,000	\$0.10
Granted	500,000	\$0.40
Granted	1,000,000	\$0.75
Exercised	(200,000)	\$0.10
Exercised	<u>(50,000)</u>	<u>\$0.75</u>
Outstanding and exercisable at June 30, 2007	<u><u>1,750,000</u></u>	<u><u>\$0.54</u></u>

Note 6 Share Capital – Notes 5 and 9 – (cont'd)

d) Options – (cont'd)

Stock-based Compensation Plan – (cont'd)

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

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
300,000	\$0.10	October 12, 2010
500,000	\$0.40	November 28, 2011
<u>950,000</u>	\$0.75	January 18, 2012
<u><u>1,750,000</u></u>		

These options entitle the holder thereof the right to acquire one common share for each option held.

The fair value of each option is estimated on the grant date using the Black-Scholes option valuation model assuming no expected dividends. The assumptions used in calculating fair value are as follows::

	<u>2007</u>	<u>2006</u>
Risk-free interest rate	4.25% - 4.5%	4.25%
Expected life (in years)	5 years	2 - 5 years
Expected volatility	92% - 110%	118.8%
Weighted average fair value of share purchase options granted	\$0.29 - \$0.79	\$0.06 - \$0.10

The amount of compensation expense recorded relating to stock options was \$935,000 (2006: \$40,000) for the year ended June 30, 2007.

e) Warrants

In conjunction with the April 2006 private placement, the Ixtapan acquisition and the January 2007 and April 2007 private placements, the Company issued share purchase warrants as follows:

Note 6 Share Capital – Notes 5 and 9 – (cont'd)

e) Warrants – (cont'd)

	<u>Warrants</u>	Weighted Average Exercise Price
Number of warrants outstanding at June 30, 2005	-	-
Issued with private placement	4,750,000	\$0.345
Issued on finder's fee	117,500	\$0.345
Exercised	<u>-</u>	<u>-</u>
Number of warrants outstanding at June 30, 2006	4,867,500	\$0.345
Exercised	(2,017,500)	\$0.345
Issued	880,000	\$0.45
Exercised	(616,103)	\$0.45
Issued with private placement	9,748,700	\$0.60
Exercised	(1,861,654)	\$0.60
Issued with private placement	1,587,900	\$2.70
Issued with private placement	<u>117,200</u>	<u>\$2.75</u>
Number of warrants outstanding at June 30, 2007	<u>12,706,043</u>	<u>\$0.82</u>

All outstanding warrants at June 30, 2007 are exercisable on a 1:1 basis and are summarized as follows:

<u>Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
2,850,000	\$0.345	October 6, 2007
263,897	\$0.45	July 10, 2008
7,887,046	\$0.60	July 10, 2008
1,587,900	\$2.70	April 24, 2009
<u>117,200</u>	\$2.75	April 24, 2009
<u>12,706,043</u>		

Note 7 Income Taxes

Significant components of the Company's future tax assets are as follows:

	<u>2007</u>	<u>2006</u>
Non-capital losses	\$ 324,169	\$ 69,889
Resource pools	1,124,214	13,640
Share issuance costs	<u>370,114</u>	<u>17,151</u>
	1,818,497	100,680
Valuation allowance	<u>(1,818,497)</u>	<u>(100,680)</u>
Net future income tax asset	<u>\$ _____ -</u>	<u>\$ _____ -</u>

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more likely-than-not that sufficient taxable income will not be realized during the carry-forward period to utilize all the future tax assets.

The Company has accumulated foreign resource expenditures totalling \$3,734,883 and non-capital losses totalling \$950,085 which are available to reduce taxable income in future taxation years. The non-capital losses expire as follows:

2015	\$ 26,088
2026	178,866
2027	<u>745,131</u>
	<u>\$ 950,085</u>

Note 8 Related Party Transactions

Included in accounts payable and accrued liabilities as at June 30, 2007 is \$30,294 (2006: \$2,883) owing to a director of the Company for the recovery of expenses paid on behalf of the Company. This amount is unsecured, non-interest bearing with no specific terms for repayment.

For the year ended June 30, 2007, the Company paid \$13,307 (2006: \$21,000) to a company controlled by a former director of the Company for rent and administrative services. During the year ended June 30, 2007, the Company relocated to new offices and the former agreement was terminated. In the new premises the rent is paid to a private company controlled by an officer of the Company and in which a second officer and director is a significant shareholder; under a new services agreement, the Company has arranged for office premises and administrative services on an annual basis for \$30,000 per year. The services agreement can be terminated by either party with six months notice. Under the new services agreement the Company paid \$10,000 (2006: \$Nil) for rent and administrative services.

Note 8 Related Party Transactions – (cont'd)

For the year ended June 30, 2007, the Company paid \$75,000 (2006: \$Nil) to a private company controlled by a director of the Company for the professional services of that director as President of the Company; \$22,603 (2006: \$Nil) to a private company in which a director of the Company is a significant shareholder for the professional services of that director as Chief Financial Officer; \$92,500 (2006: \$Nil) to a private company controlled by a director of the Company for the professional services of that director as Vice President - Exploration of the Company; and \$30,000 (2006: \$Nil) to an officer of the Company for his professional services as Vice President – Corporate Development of the Company. These amounts have been included in management fees. These charges are measured by the exchange amount which is the amount agreed upon by the transacting parties.

Note 9 Subsequent Events

- a) The Company issued 3,151,427 common shares pursuant to the exercise of share purchase warrants for total consideration of \$1,163,806.
- b) The Company granted 550,000 share purchase options at an exercise price of \$1.31 per share exercisable until September 21, 2012.

Note 10 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the year ended June 30, 2007, the Company issued 150,000 common shares at \$0.40 per share pursuant to a resource property option agreement.

This transaction has been excluded from the statements of cash flows.