



Crowflight Minerals Inc.

ANNUAL FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

(a development stage company)

2007



McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
CROWFLIGHT MINERALS INC.
(A Development Stage Company)

We have audited the balance sheets of Crowflight Minerals Inc. (A Development Stage Company) as at December 31, 2007 and 2006 and the statements of operations and deficit and cash flows for each of the years in the two-year period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2007 in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

A handwritten signature in black ink that reads 'McGovern, Hurley, Cunningham, LLP'.

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
February 25, 2008, except
for Note 13, which is at
April 12, 2008

CROWFLIGHT MINERALS INC.

*(A development stage company)***BALANCE SHEETS****As at December 31,**

	2007	2006
ASSETS		
<i>Current</i>		
Cash and cash equivalents	\$ 9,004,788	\$ 13,800,920
Amounts receivable	1,281,466	298,580
Prepaid expenses and deposits	276,164	143,092
Future income tax asset (Note 10(b))	-	842,000
	10,562,418	15,084,592
Deposits, advances and other	952,263	533,882
Equipment (Note 4)	102,769	64,879
Exploration and development property, plant and equipment and deferred expenditures (Note 5)	76,596,884	35,371,564
	\$ 88,214,334	\$ 51,054,917
LIABILITIES		
<i>Current</i>		
Accounts payable and accrued liabilities (Note 9)	\$ 8,465,682	\$ 2,201,979
Capital lease obligations (Note 6)	188,856	-
	8,654,538	2,201,979
Asset retirement obligations (Note 7)	331,000	-
Future income tax liability (Note 10(b))	2,490,000	-
	11,475,538	2,201,979
SHAREHOLDERS' EQUITY		
Common Shares (Note 8(a))	86,671,512	58,437,271
Warrants (Note 8(b))	2,025,712	1,773,748
Contributed surplus (Note 8(d))	10,193,512	6,328,590
Deficit	(22,151,940)	(17,686,671)
	76,738,796	48,852,938
	\$ 88,214,334	\$ 51,054,917

Commitments and Contingencies (Notes 1, 5, 6, 7 and 11)

Subsequent Events (Note 13)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

Signed "MICHAEL HOFFMAN"_____, Director*Signed* "BERNARD WILSON"_____, Director

CROWFLIGHT MINERALS INC.

*(A development stage company)***STATEMENTS OF OPERATIONS AND DEFICIT****For the years ended December 31,**

	2007	2006
Expenses		
Professional, consulting and management fees (Note 8(c))	\$ 5,263,846	\$ 1,768,813
Shareholder communications, investor relations and promotion	349,519	337,925
General and office	265,345	102,876
Travel	151,667	103,429
Interest expenses and bank charges (Note 11(a))	162,799	2,769
Amortization	4,278	10,870
Loss before the undernoted	6,197,454	2,326,682
Interest and dividend income	(909,397)	(92,321)
Recovery of expenses	-	(6,068)
Write off of exploration and development properties and deferred expenditures (Note 5)	900,000	1,089,027
Loss before income taxes	6,188,057	3,317,320
Income taxes (Note 10(a))	(1,722,788)	(1,585,000)
Net loss for the year	4,465,269	1,732,320
DEFICIT, beginning of year	17,686,671	15,954,351
DEFICIT, end of year	\$ 22,151,940	\$ 17,686,671
Loss per share - basic and diluted	\$ 0.02	\$ 0.01
Weighted average number of shares - basic and diluted	232,201,984	138,308,978

CROWFLIGHT MINERALS INC.

*(A development stage company)***STATEMENTS OF CASH FLOWS**

For the years ended December 31,

	2007	2006
OPERATING ACTIVITIES:		
Net loss for the year	\$ (4,465,269)	\$ (1,732,320)
Charges not affecting cash:		
Amortization	4,278	10,870
Stock based compensation expense (Note 8(c))	4,040,153	815,512
Write down of exploration and development property and deferred expenditures	900,000	1,089,027
Future income taxes	(1,722,788)	(1,585,000)
Net change in non-cash working capital	(460,904)	794,476
	(1,704,530)	(607,435)
FINANCING ACTIVITIES:		
Common shares issued through private placements	23,640,625	24,457,928
Warrants issued through private placements	1,359,375	1,194,072
Cost of issue	(2,229,275)	(2,094,339)
Shares issued from exercise of warrants and options	8,698,537	5,318,600
	31,469,262	28,876,261
INVESTING ACTIVITIES:		
Exploration and development property, plant and equipment and deferred expenditures	(39,898,563)	\$ (14,664,780)
Decrease (increase) in deposits, advances and other	(205,768)	(355,627)
Increase (decrease) in accounts payable attributable to property exploration and development	5,613,649	(32,305)
Equipment	(70,182)	(48,863)
	(34,560,864)	(15,101,575)
Change in cash and cash equivalents	(4,796,132)	13,167,251
CASH AND CASH EQUIVALENTS, beginning of year	13,800,920	633,669
CASH AND CASH EQUIVALENTS, end of year	\$ 9,004,788	\$ 13,800,920
Cash and cash equivalents consists of:		
Cash	379,909	2,277,206
Cash Equivalents	8,624,879	11,523,714
	\$ 9,004,788	\$ 13,800,920
SUPPLEMENTAL INFORMATION:		
Common shares issued for exploration and development property	\$ 1,896,500	\$ 270,000
Common shares issued for exploration and development assets	-	500,000
Stock options granted for exploration and development property	-	9,450
Common shares issued as cost of issue	-	87,400
Warrants granted as cost of issue	547,594	374,875
Amortization deferred to exploration and development property	28,014	9,987
Equipment acquired by capital lease	188,856	-
Interest received	900,393	92,322
Interest paid	1,628	331
Income taxes paid	-	-

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

1. NATURE OF OPERATIONS AND GOING CONCERN

Crowflight Minerals Inc. (the "Company") is a development stage company in accordance with Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline II, and currently has mineral exploration and development properties in Canada. The Company is currently focusing its efforts on the development of the Bucko Deposit and the exploration of the Thompson Nickel Belt, both in the province of Manitoba.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current construction and development programs will result in profitable mining operations. The recoverability of the carrying value of exploration and development properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the execution and construction of the mine and surface facilities, the achievement of profitable operations, the ability of the Company to raise sufficient financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

The Company has taken steps to verify its title to the properties in which it has interest. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory requirements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in these financial statements.

The Company has a need for working capital for operations and for the exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to have sufficient funding and to reach profitable levels of operation. It is not possible to predict whether the financial resources of the Company are sufficient or if the Company will attain profitable levels of operations.

2. SIGNIFICANT ACCOUNTING POLICIES

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

a) Exploration and development properties and deferred expenditures

Expenses relating to exploration and development properties in which the Company has an interest are deferred until the properties are brought into production, at which time they are amortized on a unit of production basis. Other general exploration expenses are charged to operations as incurred. The cost of exploration and development properties abandoned or sold and their related deferred expenditures are expensed to operations in the year of abandonment or sale.

Costs include the cash consideration and the quoted market value of the shares issued for the acquisition of exploration and development properties. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Exploration and development properties and deferred expenditures (continued)

The Company reviews capitalized costs on its exploration and development properties on a periodic basis and will recognize impairment in value based upon current exploration or production results, if any, and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

The Company qualifies for mineral exploration assistance programs associated with the exploration and development of its properties located in Manitoba. Recoverable amounts are offset against deferred expenditures incurred when the Company has complied with the terms and conditions of the program and the amount of government assistance is reasonably assured.

b) Asset retirement obligations

The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to exploration and development properties and deferred expenditures and amortized over the useful life of the properties.

c) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and deposits that generally mature within 90 days from the date of acquisition. Deposits are held in Canadian chartered banks or a financial institution controlled by a Canadian chartered bank.

d) Property, plant and equipment

Property plant and equipment are recorded at cost less accumulated amortization and are amortized on a straight-line basis over their estimated useful lives of 2 years to 5 years. Amortization expense related to assets used in exploration and development activities is deferred to exploration and development properties, while amortization expense related to administration assets is expensed to operations.

e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events 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. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations of stock-based compensation, warrants and brokers' options and tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

g) Flow through financing

The Company finances a portion of its exploration activities through the issue of flow through shares. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to exploration and development property. Funds raised pursuant to exploration financing agreements must be expended on qualifying exploration expenditures. For income tax purposes, exploration expenses under flow through financing agreements are renounced in favour of the investors and are not deductible by the Company. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

h) Stock-based Compensation

The Company has a stock based compensation plan which is described in Note 8(c). The Company applies the fair value based method of accounting for stock option awards, as prescribed by CICA 3870 "Stock-based Compensation and Other Stock-based Payments". Under this method, the estimated fair value of the stock options at the date of grant is recorded over the vesting period, with the offsetting credit to contributed surplus. If the stock options are exercised, the proceeds are credited to share capital.

i) Earnings (loss) per share

Basic earnings (loss) per share is calculated using the weighted number of shares outstanding. Diluted earnings (loss) per share is calculated using the treasury stock method. In order to determine diluted earnings (loss) per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted earnings (loss) per share calculation. The diluted earnings (loss) per share calculation excludes any potential earnings (loss) per share and warrants that would increase earnings per share or decrease loss per share.

j) Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

3. ACCOUNTING CHANGES

(a) *Changes in Accounting Policies*

(i) Financial Instruments

Under the new standards, financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash-flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

The application of this new standard has had no impact on the Company's financial statements, as at and for the year ended December 31, 2007.

(ii) Comprehensive Income

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity.

The application of this new standard has had no impact on the Company's financial statements as at and for the year ended December 31, 2007, and as such, a statement of comprehensive income has not been included in these financial statements.

(iii) Hedging

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at and during the year ended December 31, 2007, the Company had no hedges.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

3. ACCOUNTING CHANGES (continued)

(b) *Future Accounting Changes*

(i) Capital Disclosures and Financial Instruments

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008.

Capital Disclosures

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

Financial Instruments – Disclosures and Presentation

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how a company manages those risks. The Company is currently assessing the impact of these new accounting standards on its financial statements.

(ii) International Financial Reporting Standards ("IFRS")

In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") by the end of 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

NOTES TO THE FINANCIAL STATEMENTS
 December 31, 2007 and 2006

4. EQUIPMENT

	2007		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer	85,855	(69,661)	16,194
Furniture and fixtures	10,755	(4,311)	6,444
Field equipment	104,760	(32,398)	72,362
Vehicles	12,858	(5,089)	7,769
	214,228	(111,459)	102,769
	2006		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer	70,606	(57,608)	12,998
Furniture and fixtures	4,736	(3,039)	1,697
Field equipment	55,846	(16,646)	39,200
Vehicles	12,858	(1,874)	10,984
	144,046	(79,167)	64,879

During 2007, \$4,278 (2006 - \$10,870) in amortization was charged to operations and \$28,014 (2006 - Nil) in amortization was charged to deferred exploration expenditures related to assets used in exploration.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

5. EXPLORATION AND DEVELOPMENT PROPERTY PLANT AND EQUIPMENT AND DEFERRED EXPENDITURES

	MANITOBA			SUDBURY, ONTARIO			TOTAL \$
	Bucko Deposit \$	Thompson Nickel Belt \$	Other \$	AER Kidd \$	Peter's Roost \$	Other \$	
<u>Acquisition costs</u>							
Balance, December 31, 2006	1,769,118	478,927	-	1,094,924	127,757	-	3,470,726
Acquisition and property costs	1,928,316	38,064	78,233	104,693	-	-	2,149,306
Balance, December 31, 2007	3,697,434	516,991	78,233	1,199,617	127,757	-	5,620,032
<u>Exploration and development expenditure</u>							
Balance, December 31, 2006	16,812,781	9,475,605	-	4,939,586	669,604	3,262	31,900,838
Drilling	58,591	1,646,052	-	-	-	-	1,704,643
Assaying, laboratory, metallurgy	23,109	83,296	-	-	-	-	106,405
Geology and geophysics	33,348	279,974	129,677	-	-	-	442,999
Advanced technical studies	166,445	-	-	-	-	-	166,445
Roads and trenches	-	178,980	-	-	-	-	178,980
Travel and transportation	272,087	100,204	218	-	-	-	372,509
Staff and consultants	875,777	465,131	22,000	-	-	-	1,362,908
Reports	56,891	-	-	-	-	-	56,891
Mine and mill design	34,256	-	-	-	-	-	34,256
Surface development	764,645	-	-	-	-	-	764,645
Underground development	5,710,368	-	-	-	-	-	5,710,368
Engineering and procurement	4,441,571	-	-	-	-	-	4,441,571
Environment and permitting	328,113	-	-	1,094	-	-	329,207
Operating costs	588,163	-	-	-	-	-	588,163
Off take contract	1,772	-	-	-	-	-	1,772
Mine closure bond	(217,643)	-	-	-	-	-	(217,643)
Human resources	229,151	-	-	-	-	-	229,151
Field and office support	373,514	126,079	1,253	4,098	-	-	504,944
Management fees	24	2,695	-	-	-	-	2,719
Amortization charge for use of assets	26,339	1,675	-	-	-	-	28,014
	30,579,302	12,359,691	153,148	4,944,778	669,604	3,262	48,709,785
Capital purchases	23,059,985	-	-	-	-	-	23,059,985
Asset retirement obligations	331,000	-	-	-	-	-	331,000
Write off property costs	-	-	-	(900,000)	-	-	(900,000)
Less: Government assistance	-	(124,012)	(99,906)	-	-	-	(223,918)
Balance, December 31, 2007	53,970,287	12,235,679	53,242	4,044,778	669,604	3,262	70,976,852
TOTAL DEFERRED COSTS							
December 31, 2007	57,667,721	12,752,670	131,475	5,244,395	797,361	3,262	76,596,884

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

5. EXPLORATION AND DEVELOPMENT PROPERTY PLANT AND EQUIPMENT AND DEFERRED EXPENDITURES (continued)

	MANITOBA		SUDBURY, ONTARIO				TOTAL
	Bucko Deposit	Thompson Nickel Belt	AER Kidd	Airport	Peter's Roost	Other	
	\$	\$	\$	\$	\$	\$	\$
Acquisition costs							
Balance, December 31, 2005	1,458,431	408,504	991,858	356,403	102,887	-	3,318,083
Acquisition and property costs	310,687	70,423	103,066	18,000	24,870	-	527,046
Write off of property costs	-	-	-	(374,403)	-	-	(374,403)
Balance, December 31, 2006	1,769,118	478,927	1,094,924	-	127,757	-	3,470,726
Exploration and development expenditure							
Balance, December 31, 2005	5,067,835	6,369,633	4,879,842	714,323	654,245	2,413	17,688,291
Drilling	1,743,585	2,205,064	-	-	-	-	3,948,649
Assaying, laboratory, metallurgy	198,183	-	-	-	-	-	198,183
Geology, geological consulting, labour	682,323	566,540	8,075	-	12,288	-	1,269,226
Travel and transportation	210,623	13,157	686	250	1,321	763	226,800
Geochemistry and geophysics	102,969	252,067	-	-	-	-	355,036
Reports	94,732	-	-	-	-	-	94,732
Mine and mill design	(27,015)	-	-	-	-	-	(27,015)
Site development	4,040,518	-	-	-	-	-	4,040,518
Off take contract	37,791	-	-	-	-	-	37,791
Mine closure bond	217,288	-	-	-	-	-	217,288
Engineering and procurement	650,274	-	-	-	-	-	650,274
Environmental	145,791	6,764	48,908	-	-	-	201,463
Field and office support	161,543	18,921	2,075	51	1,750	86	184,426
Management fees	457	301,915	-	-	-	-	302,372
	13,326,897	9,734,061	4,939,586	714,624	669,604	3,262	29,388,034
Capital purchases	3,485,884	-	-	-	-	-	3,485,884
Write off property costs	-	-	-	(714,624)	-	-	(714,624)
Less: Government assistance	-	(258,456)	-	-	-	-	(258,456)
Balance, December 31, 2006	16,812,781	9,475,605	4,939,586	-	669,604	3,262	31,900,838
TOTAL DEFERRED COSTS							
December 31, 2006	18,581,899	9,954,532	6,034,510	-	797,361	3,262	35,371,564

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

5. EXPLORATION AND DEVELOPMENT PROPERTY PLANT AND EQUIPMENT AND DEFERRED EXPENDITURES (continued)

MANITOBA

Bucko Deposit and Thompson Nickel Belt

On January 30, 2007, the Company amended its existing option agreements with Xstrata Nickel ("Xstrata") by entering into the Bucko Lake Lease Transfer Agreement, which includes provisions for the Exploration Option Agreement and the Off-take Agreement. The Bucko Lake Lease Transfer Agreement provided for the transfer of the Bucko Lake Lease to the Company free and clear of all liens on the Closing Date, which was completed during 2007.

As well, in July 2007, the Company issued 2,000,000 shares of the Company to Xstrata pursuant to this agreement with a deemed value of \$1,880,000 based on the quoted market value of the Company's shares at the date of grant, and delivered a royalty agreement where the Company granted Xstrata a 2.5% Net Smelter Royalty with respect to the Bucko Lake Lease.

The Exploration Option Agreement amalgamates both the Thompson Nickel Belt South and North agreements whereby the Company can earn a 100% interest in these properties by incurring \$13,200,000 in expenditures from January 1, 2007 up to and including December 31, 2013 (the "Option Period") according to the following schedule:

- \$2,500,000 by December 31, 2007 (completed);
- \$2,500,000 by December 31, 2008;
- \$2,200,000 by December 31, 2009;
- \$1,500,000 by December 31, 2010;
- \$1,500,000 by December 31, 2011;
- \$1,500,000 by December 31, 2012; and
- \$1,500,000 by December 31, 2013.

In addition, the Company will become the operator of the Thompson Nickel Belt projects during the Option Period. The amended agreement also provides Xstrata a back in right, property buy-back right, Joint Venture bump-up option, Net Smelter Returns royalty, an off-take right, and an off-take option on both the Peter's Roost Property and the Airport Property.

Certain areas of the property are subject to underlying agreements whereby those portions are subject to i) a 2% NSR; ii) a 10% net proceeds of production royalty; or iii) a \$500,000 payment due on commencement of commercial production.

Throughout the year ending December 31, 2007, the Company purchased and paid deposits on various capital assets and leases for the development of the Bucko Deposit amounting to approximately \$23,000,000 (2006 - approximately \$3,500,000). As well, the Company received \$223,918 (2006 - \$258,456) in government assistance related to its exploration expenditures which has been applied directly against this expenditure.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

5. EXPLORATION AND DEVELOPMENT PROPERTY PLANT AND EQUIPMENT AND DEFERRED EXPENDITURES (continued)

Pure Nickel Joint Venture

In November 2007, the Company entered into two separate but related transactions, including a 50-50 Joint Venture Agreement with Pure Nickel Inc. ("Pure Nickel") to explore and develop nickel deposits on properties controlled by both parties near the past producing Manibridge Nickel Mine, approximately 20 km south of the town of Wabowden, Manitoba. Each party will be required to contribute property to the joint venture and make an initial aggregate contribution of \$6,000,000 over a three-year period to fund preliminary exploration activities within the joint venture area.

In addition, Pure Nickel will be able to earn a 50% interest in a block of claims surrounding the joint venture claims by spending \$1,500,000 in exploration expenditures over 3 years. The Company will also have the right to access and use the historic tailings facility pursuant to the joint venture terms.

As well, the Company entered into an option agreement with Hudson Bay Exploration and Development Company Limited to acquire a 100% interest in two claims within the area of interest of the Pure Nickel joint venture. Under the terms of this option agreement, the Company will be required to make payments of \$250,000 and fund a total of \$750,000 in exploration expenditures by 2011 to earn a 100% interest in the property, subject to a back in clause, right of offer for off-take and a 2% Net Smelter Royalty.

ONTARIO

AER Kidd Property

The Company acquired the AER Kidd Property in 2003 for \$150,000 cash, 1,000,000 common shares, 1,000,000 common share purchase warrants, and a 3% net smelter royalty. The Company may purchase up to 50% of this royalty for \$1,250,000 prior to the commencement of commercial production. A \$50,000 advance royalty payment, payable semi annually, commenced January 31, 2001. All required advance royalty payments to date have been made.

Subsequent to the end of the year, the Company entered into an agreement to option out a 50% interest in this property (see Note 13(b)). As a result of the implied value of this property based on the option agreement, the Company has recorded a \$900,000 write-down in the carrying value.

Peter's Roost Property

The Company holds a number of claims along the North Range of the Sudbury Basin.

In June 2006, the Company reached a formal agreement with Wallbridge Mining Company Limited ("Wallbridge") to option out an initial and conditional 50% interest in the Company's interests in the Peter's Roost group of properties. Wallbridge is required to incur \$700,000 in exploration expenditures on the properties by December 31, 2007 in order to earn an initial 50% conditional interest.

As at December 31, 2007, Wallbridge has reported that they have met this expenditure requirement. Wallbridge holds a further option to increase its ownership to a 70% vested interest in any or all of the four separate project areas by funding a further \$1,000,000 in exploration expenditures in each project area in which it selects to vest by December 31, 2010. Failure to vest in a specific project area will result in ownership of that area reverting back to the Company.

For any new properties Wallbridge acquires within the joint venture area, the Company will have the right to acquire a 25% participating interest at such time as an indicated resource is estimated by reimbursing Wallbridge 50% of its exploration costs to that point.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

6. CAPITAL LEASE OBLIGATION

During 2007, the Company entered into a capital leasing arrangement for equipment included in exploration property, plant and equipment. The capital lease obligation bears interest at 2% per annum. The net book value of the equipment at December 31, 2007 is approximately \$196,000.

As at December 31, 2007, the future minimum lease payments under the capital lease arrangement were \$192,880, which includes interest of \$4,024 and a current obligation of \$188,856.

7. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations ("ARO") are based on management's estimates of costs to abandon and reclaim exploration and development property, plant and equipment, as well as, an estimate of the future timing of the costs to be incurred.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the ARO associated with the retirement of the Company's Bucko Deposit.

	2007	2006
	\$	\$
Balance, beginning of year	-	-
Liabilities incurred	331,000	-
Accretion expense	<u>-</u>	<u>-</u>
Balance, end of year	<u>331,000</u>	<u>-</u>

The Company has estimated the present value of its total asset retirement obligations to be \$331,000 (2006 - Nil) at December 31, 2007 based on a total future liability estimated to be approximately \$632,000 (2006 - Nil) and a credit adjusted risk-free rate of 8.4% (2006 - N/A). Reclamation is expected to take place in 2015.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

8. CAPITAL STOCK

Authorized

Unlimited common shares without par values

Unlimited class A preference shares with a par value of \$10 each, issuable in series, cumulative dividends

Unlimited class B preference shares with a par value of \$50 each, issuable in series, cumulative dividends

a) Common shares issued	Shares		Value
Balance, December 31, 2005	98,621,254	\$	30,375,246
Private placement - non-flow-through (iii)	6,000,000		1,140,000
Private placement -flow-through (iv)	10,377,776		2,335,000
Private placement -non-flow-through (iv)	6,050,000		1,149,500
Private placement - flow-through (v)	17,361,000		5,208,300
Private placement - non-flow-through (vi)	20,854,859		7,299,200
Private placemen -flow-through (vi)	21,300,000		8,520,000
Issue of warrants - warrant valuation	-		(1,194,072)
Commission shares issued	460,000		87,400
Shares issued in acquisition of property	1,000,000		270,000
Shares issued in acquisition of asset	1,666,667		500,000
Exercise of warrants (vii)	14,426,500		5,230,600
Exercise of warrants - warrant valuation	-		1,196,737
Exercise of options (ii)	400,000		88,000
Exercise of options - option valuation	-		128,974
Flow-through shares tax effect	-		(1,341,000)
Cost of issue	-		(2,556,614)
Balance, December 31, 2006	198,518,056	\$	58,437,271
Private placement, flow through (i)	12,500,000		12,500,000
Private placement, non flow through (i)	15,625,000		12,500,000
Value of warrants granted	-		(1,359,375)
Exercise of warrants (ii)	20,192,931		8,372,749
Exercise of warrants - warrant valuation	-		1,548,505
Exercise of options (ii)	1,117,500		325,788
Exercise of options - option valuation	-		281,731
Property acquisition (Note 5)	2,025,000		1,896,500
Cost of issue, not of income taxes	-		(2,048,869)
Flow-through shares tax effect	-		(5,782,788)
Balance, December 31, 2007	249,978,487	\$	86,671,512

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

8. CAPITAL STOCK (continued)

a) Common shares issued (continued)

(i) On April 12, 2007, the Company completed a bought deal private placement of 15,625,000 units of the Company at a price of \$0.80 per unit and 12,500,000 flow-through common shares of the Company at a price of \$1.00 per share for gross proceeds of \$25,000,000. Each unit consists of one common share and one half of one common share purchase warrant, each whole common share purchase warrant entitling the holder to purchase one common share of the Company for \$1.15 for a period of one year, subject to a shorter exercise period based on certain market price conditions. The offering was completed by a syndicate of underwriters who received a commission of 6% of the gross proceeds as well as 1,546,875 compensation options, each of which entitle the holder to purchase one unit at a price of \$0.80 per unit until April 12, 2008. Each unit consists of one common share of the Company and half of once common share purchase warrant each whole common share purchase warrant entitling the holder to purchase one common share of the Company for \$1.15 for a period of one year, subject to a shorter exercise period based on certain market price conditions. The fair value of the warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 83%; risk free interest rate of 4.1%; and an expected life of 1 year.

(ii) On May 11, 2007, the Company announced that it was exercising its right to have the share purchase warrants that were issued in October 2006 expire early. As the majority of the common shares of the Company traded on the TSX Venture Exchange at prices over \$0.75 per share during the 15 consecutive trading days ended May 8, 2007, the Company provided warrant holders with notice of the accelerated expiry time, in accordance with the terms of the warrant agreement. All warrants were exercised by the early expiry date. During the year ended December 31, 2007, 20,192,931 warrants were exercised at a weighted average exercise price of \$0.41 generating gross proceeds of \$8,372,749. As well, 1,117,500 options were exercised at a weighted average exercise price of \$0.29 for gross proceeds of \$325,788.

(iii) In January 2006, the Company completed the first tranche of a private placement offering through the issuance of 6,000,000 units of the Company at a price of \$0.19 per unit for gross proceeds of \$1,140,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share of the Company at an exercise price of \$0.30 until July 20, 2007. The fair value of the warrants of \$174,000 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 90%; risk-free interest rate of 3.8%; and an expected life of eighteen months.

(iv) In February 2006, the Company closed the final tranche of a private placement through the issuance of 1,177,776 flow through shares priced at \$0.225 per flow-through share and the issuance of 6,050,000 units priced at \$0.19 per unit for gross proceeds of \$1,414,500. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase a common share of the Company at \$0.30 until August 28, 2007. The fair value of the warrants of \$175,450 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 90%; risk-free interest rate of 3.9%; and an expected life of eighteen months.

As well, the Company completed a brokered private placement through the issuance of 9,200,000 flow-through common shares at a price of \$0.225 per flow-through share for gross proceeds of \$2,070,000. Dundee Securities Corporation acted as agent in connection with the brokered private placement and was issued 460,000 common shares ("Commission Shares") and 460,000 broker warrants as commission. Each broker warrant is exercisable into one common share of the Company at an exercise price of \$0.225 per common share until August 28, 2007. The fair value of the Commission Shares was determined to be \$87,400 based on the issue price of the Company's stock issued in this tranche of the private placement. The fair value of the broker warrants of \$33,580 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 90%; risk-free interest rate of 3.9%; and an expected life of eighteen months. The values of the commission shares and broker warrants were recorded as cost of issue.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2007 and 2006

8. CAPITAL STOCK (continued)

a) Common shares issued (continued)

(v) In June 2006, the Company completed a brokered private placement through the issuance of 17,361,000 flow-through common shares of the Company at a price of \$0.30 per flow-through share for gross proceeds of \$5,208,300. Orion Securities Inc. ("Orion") led a syndicate of agents in connection with this financing and received a commission of 6% of total gross proceeds or \$312,498. As well, 1,041,660 broker warrants were granted to Orion and other agents within the syndicate. Each broker warrant is exercisable into one common share of the Company at a price of \$0.30 per share until December 21, 2007. Each flow-through common share and common share issued upon the exercise of the broker warrants were subject to a hold period that expired on October 22, 2006. The fair value of the broker warrants of \$99,999 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 90%; risk-free interest rate of 4.3%; and an expected life of eighteen months. The value of the broker warrants were recorded as cost of issue.

(vi) In October 2006, the Company completed both brokered and non-brokered private placement financings in two tranches raising \$8,520,000 through the issuance of 21,300,000 flow-through shares priced at \$0.40 per share and \$7,299,200 through the issuance of 20,854,859 units priced at \$0.35 per unit. Each unit consisted of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at a price of \$0.50 per share until April 11 or April 30, 2008. If, over a period of 15 consecutive trading days between February 11 or February 28, 2007 and April 10 or 30, 2008, the daily volume weighted average trading price of the common shares on the TSX Venture Exchange (or other stock exchange where the majority of the trading volume occurs) exceeds \$0.75 on each of those consecutive trading days, the Company may, within 30 days of such an occurrence, give written notice to the holders of the warrants that the warrants will expire at 4:00 pm EST on the 45th day following the giving of such notice unless exercised by the holders prior to such date. The fair value of the warrants of \$844,622 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 69%; risk-free interest rate of 4.0%; and an expected life of eighteen months.

A director and officer of the Company subscribed for 2,142,857 of these units.

The brokered private placement was completed by a syndicate of agents (the "Agents") led by Orion Securities Inc. The Agents received a 6% commission on gross proceeds raised or \$737,592, as well as 1,269,000 compensation options which entitle the Agents to purchase one common share at a price of \$0.40 per share until April 30, 2008, and 657,120 compensation options which entitle the Agents to purchase one unit at a price of \$0.35 per unit until April 30, 2008. Each unit consists of one common share of the Company and one half of one common share purchase warrant with each whole warrant entitling the holder to acquire one common share of the Company at a price of \$0.50 per share. The fair value of the compensation units, compensation options and compensation warrants was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 69%; risk-free interest rate of 4.0%; and an expected life of eighteen months. A value of \$241,296 was attributed to these compensation units, options and warrants and was recorded as cost of issue.

(vii) During 2006, 14,426,500 warrants were exercised at a weighted average price of \$0.36 generating gross proceeds of \$5,230,600. As well, 400,000 options were exercised generating gross proceeds of \$88,000.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

8. CAPITAL STOCK (continued)

b) Warrants

	2007		2006	
	Number of warrants	Weighted Average price	Number of warrants	Weighted Average price
Balance, beginning of year	22,308,769	\$ 0.42	29,434,356	\$ 0.45
Granted, private placements	7,812,500	1.15	16,452,429	0.43
Granted, broker warrants	2,320,312	0.92	3,756,340	0.35
Exercised	(20,192,931)	0.41	(14,426,500)	0.36
Expired or cancelled	(1,000,000)	0.55	(12,907,856)	0.54
Balance, end of year	11,248,650	\$ 1.03	22,308,769	\$ 0.42

As at December 31, 2007, the following warrants were outstanding:

Value (\$)	Number of Warrants	Exercise Price (\$)	Expiry Date
16,156	132,424	0.35	30-Apr-08
97,223	917,200	0.40	30-Apr-08
5,363	66,214	0.50	30-Apr-08
413,016	1,546,875*	0.80	12-Apr-08
1,493,954	8,585,937**	1.15	12-Apr-08
2,025,712	11,248,650		

* Compensation options - see description at Note 8(a)(i).

** Includes 773,437 warrants that would become exercisable upon exercise of compensation options as described in Note 8(a)(i).

c) Stock Options

The following are the stock option transactions during the year:

	2007		2006	
	Number of options	Weighted Average price	Number of options	Weighted Average price
Balance, beginning of year	9,070,000	\$ 0.27	7,405,000	\$ 0.30
Granted	13,885,000	0.71	4,070,000	0.24
Exercised	(1,117,500)	0.29	(400,000)	0.22
Expired or cancelled	(327,500)	0.64	(2,005,000)	0.36
Balance, end of year	21,510,000	\$ 0.54	9,070,000	\$ 0.27

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

8. CAPITAL STOCK (continued)

c) Stock Options (continued)

As of December 31, 2007, the following stock options were outstanding:

Value \$	Number of Options outstanding	Number of Options Exercisable	Exercise Price \$	Expiry Date
19,800	100,000	100,000	0.290	February 18, 2008
811,200	2,000,000	2,000,000	0.200	June 5, 2008
10,140	25,000	25,000	0.350	June 5, 2008
40,560	100,000	100,000	0.560	November 21, 2008
20,280	50,000	50,000	0.700	November 17, 2008
50,700	125,000	125,000	0.620	December 11, 2008
14,925	75,000	75,000	0.620	June 17, 2008
175,000	875,000	875,000	0.245	October 12, 2008
14,850	50,000	50,000	0.390	October 20, 2008
19,600	100,000	100,000	0.300	January 10, 2010
39,800	200,000	200,000	0.280	February 14, 2010
19,800	100,000	100,000	0.290	February 21, 2010
235,000	1,000,000	1,000,000	0.330	March 1, 2010
7,100	50,000	50,000	0.200	July 14, 2010
497,569	2,540,000	2,540,000	0.225	March 13, 2011
83,416	350,000	262,500	0.280	July 5, 2011
3,446	15,000	15,000	0.300	August 9, 2011
30,378	100,000	75,000	0.365	August 15, 2011
42,120	150,000	112,500	0.350	September 28, 2011
919,372	3,070,000	1,510,000	0.405	January 10, 2012
53,215	150,000	75,000	0.500	February 20, 2012
236,002	1,000,000	750,000	0.600	March 30, 2009
209,752	1,000,000	750,000	0.700	March 30, 2009
187,252	1,000,000	750,000	0.800	March 30, 2009
168,502	1,000,000	750,000	0.900	March 30, 2009
152,565	1,000,000	750,000	1.000	March 30, 2009
138,600	200,000	200,000	1.020	April 9, 2012
1,277,163	2,815,000	1,055,625	0.940	June 28, 2012
354,860	1,500,000	375,000	0.600	September 17, 2012
31,990	150,000	18,750	0.710	November 21, 2012
117,533	620,000	77,500	0.630	November 22, 2012
5,982,490	21,510,000	14,916,875		

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

8. CAPITAL STOCK (continued)

c) Stock Options (continued)

The Company has a stock option plan designed to advance the interest of the Company by encouraging officers, directors, employees and consultants of the Company to have equity participation in the Company through the acquisition of common shares. The Company may issue options to purchase common shares equal to 10% of the issued and outstanding common shares of the Company. Options are non-transferable, non-assignable and may be granted for a term not exceeding five years. The exercise price of the options and vesting provisions, if any, are fixed by the board of directors of the Company at the time of grant at a price not below the market price of the common shares at the time of grant, subject to all applicable regulatory requirements.

During the year ended December 31, 2007, 13,885,000 stock options (2006 - 4,070,000) were granted to directors, officers, employees and consultants of the Company. Of these options granted, 5,000,000 vest one quarter every quarter over a one-year term, 8,685,000 options vest one eighth every quarter from the date of grant over a two-year term and 200,000 vest immediately. For the year ended December 31, 2007, an amount of \$4,040,153 (2006 - \$815,512) was recorded for all vested options and is included in professional, consulting and management fees. The weighted average grant date fair value of options granted during 2007 was \$0.40 (2006 - \$0.17). The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2007	2006
Expected dividend yield	0%	0%
Expected volatility	88%	89%
Risk-free interest rate	4.3%	4%
Expected average life	5	5

d) Contributed Surplus

	2007	2006
	\$	\$
Balance, beginning of year	6,328,590	3,842,714
Stock options granted and/or vested during the period:		
Directors and officers	2,827,420	653,544
Consultants	1,212,733	161,968
Property acquisition	-	9,450
Exercise of stock options, reallocation of valuation	(281,731)	(128,974)
Expiry of warrants, reallocation of valuation	106,500	1,789,888
Balance, end of year	10,193,512	6,328,590

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

9. RELATED PARTY TRANSACTIONS

Related party transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportionate share of the expenses. At December 31, 2007 an amount of \$45,034 (2006 - \$12,135) is payable in relation to these expenses. As well, the Company is owed \$1,207 (2006 - \$1,640) at December 31, 2007 for shared expenses.

During the year ended December 31, 2007, the Company granted 6,320,000 (2006 - 2,900,000) stock options to directors and officers of the Company. As well, during the year, a director of the Company exercised 1,071,428 warrants at an exercise price of \$0.50 for gross proceeds of \$535,714.

10. INCOME TAXES

a) Provision for income taxes

The major items causing the Company's income tax expense to differ from the Canadian combined federal and provincial statutory rate of 36% (2006 - 36%) are:

	2007 \$	2006 \$
Net loss for the year before income taxes	(6,188,057)	(3,317,320)
Expected recoverable income taxes at statutory rates	(2,234,000)	(1,194,000)
Increase (decrease) resulting from:		
Share issue costs	-	(754,000)
Stock-based compensation	1,458,000	296,000
Expired losses	105,000	59,000
Change in tax rates	(1,431,000)	-
Other	379,212	8,000
Change in valuation allowance	-	-
Provision for income taxes	(1,722,788)	(1,585,000)

b) Future income tax balances

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada at December 31, 2007 and 2006 are as follows:

	2007 \$	2006 \$
Future income tax assets (liabilities)		
Non-capital losses	1,405,000	1,323,000
Resource properties	(4,962,000)	(1,323,000)
Share issue costs	1,067,000	842,000
Valuation allowance	-	-
	(2,490,000)	842,000

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

10. INCOME TAX (continued)

The Company has non-capital losses in Canada which, under certain circumstances, can be used to reduce the taxable income of future years. The losses and expiry dates are as follows:

Expiry Date	Amount \$
2008	219,000
2009	216,000
2010	1,584,000
2014	299,000
2015	602,000
2026	1,207,000
2027	193,000
	<hr/> 4,320,000 <hr/>

The Company has approximately \$32,000,000 of exploration and development expenditures as at December 31, 2007 which under certain circumstances may be utilized to reduce the taxable income of future years.

The Company will record an additional future income tax liability of approximately \$4,156,000 upon renunciation of the flow-through expenditures in 2007. See Note 11(a).

11. COMMITMENTS AND CONTINGENCIES

(a) Pursuant to the issuance of 49,038,776 flow through shares during 2006, the Company renounced \$16,063,300 on qualified exploration expenditures with an effective date of December 31, 2006 in February 2007. As of December 31, 2007, the Company has met its expenditure commitments related to this renunciation.

The Company raised a further \$12,500,000 in April of 2007 which it renounced in February 2008 with an effective date of December 31, 2007. At December 31, 2007, the Company has expended \$7,940,918 and is committed to spend a further \$4,559,082 by December 31, 2008 to meet this expenditure commitment. A flow-through interest penalty was incurred related to the look-back rule, and an amount of \$146,850 was accrued at December 31, 2007.

(b) The Company is committed to minimum amounts under long-term operating leases and equipment financing agreements for vehicles and mine equipment and infrastructure amounting to \$350,000 over three years, \$214,000 of which is payable within one year.

(c) The Company is party to certain management contracts which require that additional payments of up to \$3,500,000 be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements. Minimum commitments under these contracts are approximately \$770,000, all of which is due within one year.

(d) The Company entered into an agreement on February 28, 2007 with a general contractor for the Bucko Lake property. If the agreement is terminated without cause, the Company is liable to pay demobilization fees and 90 days of work.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

12. FINANCIAL INSTRUMENTS

Fair Value

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

The carrying value of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities and capital lease obligations reflected in the balance sheet approximate fair value because of the limited term of these instruments.

Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company are directly related to the market price of certain minerals.

13. SUBSEQUENT EVENTS

(a) In February 2008, the Company closed a \$55,000,000 debt facility agreement. RMB Resources Inc. arranged the financing as Agent for FirstRand Ireland Plc, the Lender and underwriter of the debt finance package. Auramet Trading, LLC advised the Company on this transaction. The debt facility consists of a First Tranche \$10,000,000 Secured Loan (the "First Tranche"), a Bridge Tranche Facility of \$15,000,000 (the "Bridge Facility") and a \$45 million Final Tranche Secured Loan (the "Final Tranche"). The Bridge Facility must be paid from the proceeds of the Final Tranche. The interest rate on the First Tranche and the Bridge Facility is LIBOR plus 2.25% per annum. The interest rate on the Final Tranche is LIBOR plus 1.75% per annum if the Company does not draw down the Bridge Facility in full or LIBOR plus 1.5% per annum if the Company draws down the Bridge Facility in full. The Bridge Facility is available for draw down once the First Tranche is fully drawn. The Final Tranche becomes available for draw down upon receipt of permits required to commence production of concentrate at the Bucko Deposit. The debt facility agreement requires the Company to enter into a hedging program for a portion of the expected production from the Bucko Deposit.

A total of 17,324,786 warrants were issued to RMB with an exercise price of approximately \$0.64 per share in connection with this debt facility, where 16,324,786 warrants have a term of 36 months. The proceeds of this conversion will be used to pay off the First Tranche Secured Loan of \$10 million. The remaining 1,000,000 warrants have a term of 24 months.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007 and 2006

13. SUBSEQUENT EVENTS (Continued)

(b) In February 2008, the Company entered into an option agreement with a private Ontario company (the "Optionor"), in respect to the AER Kidd Property in Sudbury, Ontario (the "Property"). The Optionor can earn up to a 50% interest in the Property by:

- i) making a cash payment to the Company of \$85,000 upon execution of the agreement;
- ii) assuming all future advance royalty payments due in respect of the Property; and
- iii) incurring \$5,000,000 in exploration expenditures on the property by December 31, 2009.

The Optionor may also earn an additional 20% interest in the property by incurring additional exploration expenditures of \$7,000,000 prior to December 31, 2013, and continuing to make all advance royalty payments due in respect of the Property. Upon earning a 50% interest in the property, the Company and the Optionor shall enter into a joint venture in respect of the Property.

(c) Subsequent to December 31, 2007, 1,189,086 common shares were issued upon the exercise of 1,189,086 options and warrants for gross proceeds of \$468,303.

(d) On April 12, 2008, 10,132,314 warrants described in Note 8(b) expired unexercised.