ROCKY MOUNTAIN RESOURCES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 29, 2008

AUDITORS' REPORT

To the Shareholders of
Rocky Mountain Resources Corp.

We have audited the consolidated balance sheets of Rocky Mountain Resources Corp. as at February 29, 2008 and February 28, 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the year ended February 29, 2008 and for the period from incorporation on March 2, 2006 to February 28, 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at February 29, 2008 and February 28, 2007 and the results of its operations and its cash flows for the year ended February 29, 2008 and for the period from incorporation on March 2, 2006 to February 28, 2007 in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

May 21, 2008

ROCKY MOUNTAIN RESOURCES CORP.
CONSOLIDATED BALANCE SHEETS

	February 29, 2008	February 28, 2007
ASSETS		
Current		
Cash	$ 2,215,100	$ 1,245,296
Amounts receivable	30,826	1,633
Subscriptions receivable (Note 7)	-	9,000
Prepaid expenses	5,020	41,710
	2,250,946	1,297,639
Equipment (Note 5)	5,495	3,336
Reclamation deposit	11,521	-
Mineral properties (Note 6)	437,570	230,787
	$ 2,705,532	$ 1,531,762
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 65,584	$ 61,760
Shareholders' equity		
Capital stock (Note 7)	4,224,531	1,945,025
Contributed surplus (Note 7)	320,504	-
Deficit	(1,905,087)	(475,023)
	2,639,948	1,470,002
	$ 2,705,532	$ 1,531,762

Continuance of operations (Note 2)

On behalf of the Board:

"Brian E. Bayley" Director *"Brian J. McAlister"* Director

The accompanying notes are an integral part of these consolidated financial statements.

ROCKY MOUNTAIN RESOURCES CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

	Year Ended February 29, 2008	Period From Incorporation on March 2, 2006 to February 28, 2007
MINERAL PROPERTY EXPENDITURES (Note 6)	$ 852,161	$ 361,012
EXPENSES		
Amortization	1,935	364
Bank charges and interest	674	1,403
Consulting	-	278
Investor relations	1,420	-
Office and sundry	8,771	1,611
Office facilities and administrative services	36,205	6,600
Professional fees	59,295	47,956
Property review costs	80,556	58,111
Salaries and benefits	44,985	3,702
Stock-based compensation	267,696	-
Transfer agent, listing and filing fees, and shareholder information	13,686	-
Travel	3,163	7,923
	518,386	127,948
Loss before other items	(1,370,547)	(488,960)
OTHER ITEMS		
Interest income	56,104	16,900
Mineral properties abandoned (Note 6)	(95,946)	-
Foreign exchange loss	(19,675)	(2,963)
	(59,517)	13,937
Loss and comprehensive loss for the period	(1,430,064)	(475,023)
Deficit, beginning of period	(475,023)	-
Deficit, end of period	$ (1,905,087)	$ (475,023)
Basic and diluted loss per common share	$ (0.11)	$ (0.05)
Weighted average number of common shares outstanding	12,953,170	9,238,601

The accompanying notes are an integral part of these consolidated financial statements.

ROCKY MOUNTAIN RESOURCES CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended February 29, 2008	Period From Incorporation on March 2, 2006 to February 28, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	$ (1,430,064)	$ (475,023)
Items not involving cash:		
Amortization	1,935	364
Mineral properties abandoned	95,946	-
Stock-based compensation	267,696	-
Changes in non-cash working capital balances:		
Amounts receivable	(29,193)	(1,633)
Prepaid expenses	36,690	(41,710)
Accounts payable and accrued liabilities	3,824	61,760
Net cash used in operating activities	(1,053,166)	(456,242)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral property acquisition costs	(302,729)	(230,787)
Reclamation deposit	(11,521)	-
Purchase of equipment	(4,094)	(3,700)
Net cash used in investing activities	(318,344)	(234,487)
CASH FLOWS FROM FINANCING ACTIVITIES		
Subscriptions receivable	9,000	-
Exercise of warrants	95,950	-
Capital stock issued for cash, net of share issuance costs	2,236,364	1,936,025
Net cash provided by financing activities	2,341,314	1,936,025
Change in cash for the period	969,804	1,245,296
Cash, beginning of period	1,245,296	-
Cash, end of period	$ 2,215,100	$ 1,245,296

Supplemental disclosure with respect to cash flows (Note 10)

The accompanying notes are an integral part of these consolidated financial statements.

1. INCORPORATION

Rocky Mountain Resources Corp. (the "Company") was incorporated under the *Canada Business Corporations Act* on March 2, 2006. On September 12, 2006, the Company changed its name from Rocky Mountain Platinum Corp. to Rocky Mountain Resources Corp. Its principal business activities include the acquisition and exploration of mineral properties.

2. CONTINUANCE OF OPERATIONS

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. The Company is in the process of exploring its mineral properties and has not yet determined whether they contain resources that are economically recoverable. Management anticipates that the Company will continue to raise adequate funding through equity financings, although there is no assurance that the Company will be able to obtain adequate funding on favorable terms. The recoverability of amounts shown for mineral properties and equipment is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development, confirmation of the Company's interest in the underlying claims and leases, and future profitable production or proceeds from the disposition of the mineral properties.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include the accounts of the Company and its wholly-owned U.S. subsidiary, RMP Resources Corp. All significant intercompany transactions and balances have been eliminated.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Foreign currency translation

Transactions and account balances originally stated in currencies other than the Canadian dollars have been translated into Canadian dollars using the temporal method of foreign currency translation as follows:

- Revenue and expense items at the rate of exchange in effect on the dates they occur.
- Non-monetary assets and liabilities at historical exchange rates, unless such items are carried at market value, in which case they are translated at the exchange rate in effect on the balance sheet date.
- Monetary assets and liabilities at the exchange rate in effect at the balance sheet date.

Exchange gains and losses are recorded in the statement of operations in the period in which they occur.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per share is calculated using the weighted-average number of shares outstanding during the period.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over three to five years, which represents the estimated useful lives of the assets.

Mineral properties

All costs related to the acquisition of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Exploration expenditures, net of recoveries, are charged to operations as incurred.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Asset retirement obligations (cont'd…)

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

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.

Stock-based compensation

The Company uses the fair value based method for measuring stock-based compensation costs.

4. CHANGES IN ACCOUNTING POLICIES

The Company adopted the new standards announced by the Canadian Institute of Chartered Accountants (CICA):

Financial instruments

Sections 3855 *Financial Instruments – Recognition and Measurement*; 3865 *Hedges*; and 1530 *Comprehensive Income*. Under the new standards, all financial assets must be classified as held-to-maturity, loans and receivables, held for trading or available-for-sale and all financial liabilities must be classified as held-for-trading and other financial liabilities. Financial instruments classified as held-for-trading will be measured at fair value with changes in fair value recognized in net income. Financial assets classified as held-to-maturity or as loans and receivables and financial liabilities not classified as held-for-trading will be measured at amortized cost. Available-for-sale financial assets will be measured at fair value with changes in fair value recognized in other comprehensive income. All derivative financial instruments will be reported on the balance sheet at fair value with changes in fair value recognized in net income unless the derivative is part of a hedging relationship that qualifies as a fair value hedge, cash flow hedge or hedge of a net investment in a self-sustaining foreign operation. As a result, the Company has no comprehensive income or hedges that affect the current financial statements and therefore, the Company has not included a statement of other comprehensive income.

In accordance with this new standard, the Company has classified its financial instruments as follows:
Cash and cash equivalents are classified as held-for-trading; amounts receivable and subscriptions receivable are classified as loans and receivables, and accounts payable and accrued liabilities are classified as other financial liabilities. All are measured at fair value and changes in fair values are included in net earnings in the period in which they arise. Cash and cash equivalents are exposed to credit risk and these amounts are placed with major banks. The Company is not exposed to interest rate risk due to the short-term maturity of the financial instruments.

4. CHANGES IN ACCOUNTING POLICIES (cont'd…)

Accounting Changes

Effective March 1, 2007 the Company implemented the new CICA accounting section 1506 (Accounting Changes). Under these new recommendations, voluntary changes in accounting policy are permitted only when they result in the financial statements providing reliable and more relevant information. This section requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and requires enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. These recommendations also require the disclosure of new primary sources of generally accepted accounting principles that have been issued but not yet effective.

The impact that the adoption of this section will have on the Company's financial statements will depend on the nature of future accounting changes and the required additional disclosure on New Accounting Pronouncements.

New Accounting Pronouncements

Financial Instruments

Effective March 1, 2008, the Company will implement the new CICA accounting sections: 3862 (Financial Instruments – Disclosure), 3863 (Financial Instruments – Presentation), which replaced section 3861 Financial Instruments – Disclosures and Presentation. These new standards revise and enhance the disclosure requirements, and carry forward, substantially unchanged, the presentation requirements. Sections 3862 and 3863 emphasize the significance of financial instruments for the entity's financial position and performance, the nature and extent of the risks arising from financial instruments, how these risks are managed. These new standards are applicable to interim and annual periods relating to fiscal years beginning on or after October 1, 2007. These new Sections relate to disclosure and presentation only and will not have an impact on the Company's financial results.

Capital Disclosures

Effective March 1, 2008, the Company will implement the new CICA accounting section 1535 (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. This new Section relates to disclosure and will not have an impact on the Company's financial results.

Assessing Going Concern

The Accounting Standards Board ("AcSB") amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company is currently assessing the impact of this section.

4. CHANGES IN ACCOUNTING POLICIES (cont'd…)

New Accounting Pronouncements (cont'd…)

International Financial Reporting Standards ("IFRS")

In addition to the above new accounting pronouncements the AcSB in 2006 published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

5. EQUIPMENT

	2008			2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Field equipment	$ 3,700	$ 1,039	$ 2,661	$ 3,700	$ 364	$ 3,336
Office equipment	4,094	1,260	2,834	-	-	-
	$ 7,794	$ 2,299	$ 5,495	$ 3,700	$ 364	$ 3,336

6. 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.

The summary of mineral property acquisitions is as follows:

	Gibellini	Lake Owen	Good-springs	Other Regional	Total
Acquisition costs					
Additions	$ 191,023	$ 39,764	$ -	$ -	$ 230,787
As at February 28, 2007	191,023	39,764	-	-	230,787
Additions	178,324	56,182	38,130	30,093	302,729
Written off	-	(95,946)	-	-	(95,946)
As at February 29, 2008	$ 369,347	$ -	$ 38,130	$ 30,093	$ 437,570

6. MINERAL PROPERTIES (cont'd…)

During the year ended February 29, 2008, the expenditures on the Company's mineral properties are expensed as incurred as follows:

	Gibellini	Lake Owen	Good-springs	Other Regional	Total 2008
Exploration expenditures					
Assays and analysis	$ 64,353	$ 81,008	$ 2,418	$ 406	$ 148,185
Drilling	248,013	-	-	-	248,013
Engineering and consulting	104,736	61,273	13,886	3,014	182,909
Environmental consulting	660	1,458			2,118
Field office and supplies	25,414	7,240	350	115	33,119
Labour	3,706	27,789	-		31,495
Legal	2,134	-	4,679	1,603	8,416
Property maintenance and taxes	24,948	82,377	33,573	-	140,898
Reproduction and drafting	6,020	244	1,134	1,676	9,074
Travel and accommodation	21,204	21,954	2,726	2,050	47,934
	$ 501,188	$ 283,343	$ 58,766	$ 8,864	$ 852,161

During the 2007 fiscal period, the expenditures on the Company's mineral properties are expensed as incurred as follows:

	Gibellini	Lake Owen	Good-springs	Other Regional	Total 2007
Exploration expenditures					
Assays and analysis	$ 63,469	$ 11,555	$ -	$ -	$ 75,024
Drilling	-	5,149	-	-	5,149
Engineering and consulting	115,298	-	-	-	115,298
Environmental consulting	1,464	1,538	-	-	3,002
Field office and supplies	10,123	6,598	-	-	16,721
Labour	988	3,763	-	-	4,751
Property maintenance and taxes	13,784	94,039	-	-	107,823
Reproduction and drafting	10,168	270	-	-	10,438
Travel and accommodation	15,804	7,002	-	-	22,806
	$ 231,098	$ 129,914	$ -	$ -	$ 361,012

6. MINERAL PROPERTIES (cont'd…)

a) Gibellini Property, Nevada, U.S.

During the 2007 fiscal period, the Company entered into a Mineral Lease Agreement to acquire 41 unpatented lode mining claims for a series of quarterly payments as advances upon the royalties payable:

US$60,000 (paid)	Upon execution of Agreement
US$30,000 (paid $90,000)	Quarterly on or before September 1, 2006 to March 1, 2007
US$30,000 (paid $120,000)	Quarterly from June 1, 2007 to March 1, 2008
US$30,000	On or before June 1, 2008 and quarterly thereafter

The Company is required to pay a production royalty of 2.5% of the net smelter returns ("NSR") of all mineral substances produced from the claims, until royalty payments reach a total of US$3,000,000, then the production royalty decreases to 2.0%. Any advance royalties paid will be credited against the actual production royalties.

During the 2007 fiscal period, the Company entered into a Mineral Lease Agreement to acquire 4 unpatented lode mining claims for a series of annual payments as advances upon the royalties payable:

US$9,000 (paid)	Upon execution of Agreement
US$12,000 (paid)	On or before December 30, 2007
US$15,000	On or before December 30, 2008
US$20,000	On or before December 30, 2009
US$24,000	On or before December 30, 2010 and annually thereafter

The Company is required to pay an initial production royalty payment of US$30,000 within 60 days of production from the claims and a production royalty of 3.0% of NSR of all mineral substances produced from the claims. Further, the Company has the option to purchase these claims for a total purchase price of US$1,000,000. Any advance royalties paid will be credited against the purchase price.

On April 16, 2007, the Company has entered into a Mineral Lease Agreement to acquire 17 unpatented lode mining claims in Nevada, U.S. for a series of annual payments as advances upon the royalties payable:

US$10,000 (paid)	Upon execution of Agreement
US$10,000 (paid subsequent to year end)	On or before April 16, 2008
US$10,000	On or before April 16, 2009
US$15,000	On or before April 16, 2010 and annually thereafter

The Company is to pay a production royalty of 2.5% of the net smelter returns of all mineral substances produced from the claims, until royalty payments reach a total of US$1,000,000, then the production royalty is dropped. Further, the Company has the option to purchase these claims for a total purchase price of US$1,000,000. Any advance royalties paid will be credited against the purchase price.

The Company acquired an additional 80 claims through the staking process.

6. MINERAL PROPERTIES (cont'd…)

b) Lake Owen Property, Wyoming, U.S.

During the 2007 fiscal period, the Company entered into a Mineral Lease Agreement to acquire 601 unpatented lode mining claims for a series of annual payments as advances upon the royalties payable:

US$35,000 (paid)	Upon execution of Agreement
US$35,000 (paid)	On or before June 1, 2007
US$35,000	On or before June 1, 2008 and annually thereafter

The Company had the option to purchase these claims from the lessor for a total purchase price of US$5,000,000. Any advance royalties paid will be credited against the purchase price.

The Company is required to spend an escalating amount of work on the property. Any work in excess of the annual amounts set out below may be carried over and credited to work requirements for subsequent lease years.

US$200,000	On or before June 1, 2007
US$350,000	On or before June 1, 2008
US$500,000	On or before June 1, 2009 and annually thereafter

The Company received an extension on both the June 1, 2007 option payment of $35,000 and the work obligation of US$200,000 by June 1, 2007. Based on the results of the exploration work during the year, the Company has decided not to proceed with this project. The costs of acquisition of $95,946 were expensed.

c) Goodsprings Property, Nevada, U.S.

During the current year, the Company entered into a Mineral Lease Agreement to acquire 3 unpatented lode mining claims for a 3% net smelter royalty and a series of annual payments as advances upon royalties payable:

US$15,000 (paid)	Upon execution of Agreement
US$ 5,000	On or before December 10, 2010
US$ 6,000	On or before December 10, 2011
US$10,000	On or before December 10, 2012 and annually thereafter

The Company has the option to purchase these claims for a total purchase price of US$250,000.
The Company is required to spend an amount of work on the property:

US$20,000	On or before December 10, 2008

The Company acquired an additional 157 claims through the staking process.

6. MINERAL PROPERTIES (cont'd…)

d) Other Regional, U.S.

During the current year, the Company entered into a Mineral Lease Agreement to acquire 7 patented lode mining claims, 65.74 acres of federal lease lands and 234.92 acres of fee lands, for a 3% net smelter royalty and a series of annual payments as advances upon royalties payable:

US$30,000 (paid)	Upon execution of Agreement
US$25,000	On or before December 18, 2008 and annually thereafter

The Company has the option to purchase these properties and a 3.0% net smelter royalty for a total purchase price of US$1,780,000. Any advance royalties paid will be credited against the purchase price.

7. CAPITAL STOCK

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares, without par value			
Common shares issued			
Shares issued for cash	11,729,000	$ 1,943,350	$ -
Subscriptions receivable	-	9,000	-
Share issue costs	-	(7,325)	-
As at February 28, 2007	11,729,000	1,945,025	-
Initial public offering	2,500,000	2,500,000	-
Share issue costs	-	(574,336)	85,700
Agent's commission and corporate finance fee	225,000	225,000	-
Exercise of agent's warrants	95,950	128,842	(32,892)
Stock options granted	-	-	267,696
As at February 29, 2008	14,549,950	$ 4,224,531	$ 320,504

7. CAPITAL STOCK (cont'd…)

During the 2007 fiscal period, the Company issued 1,700,000 common shares at $0.005 per share for total proceeds of $8,500; 200,000 common shares at $0.05 per share for $10,000; 8,100,000 common shares at $0.10 per share for total proceeds of $810,000; and 1,729,000 common shares at $0.65 per share for total proceeds of $1,123,850.

As at February 28, 2007, the Company recorded $9,000 in subscriptions receivable in order to bring the total proceeds of an earlier issuance of 200,000 common shares (initially issued at $0.005 per share for which share proceeds of $1,000 had been received) to $10,000 or $0.05 per share, which is determined to be the fair value of these shares. Subsequent to February 28, 2007, the Company has received $9,000 from the subscribers.

On September 19, 2007, the Company completed its initial public offering of 2,500,000 common shares at $1.00 per share for gross proceeds of $2,500,000. The Agent received a commission of 175,000 common shares and a corporate finance fee of 50,000 common shares at a fair value of $1.00 per share. The Company also issued agents warrants to acquire 250,000 common shares at $1.00 per share until September 18, 2008. The fair value ($85,700) of these agents' warrants is included in the share issuance costs.

Escrow shares

Pursuant to an Escrow Agreement dated May 31, 2007, 7,950,000 common shares were held in escrow of which 1,987,500 have been released upon the initial listing of the Company's shares on the TSX Venture Exchange, leaving 5,962,500 shares held in escrow as at February 29, 2008. The remainder will be released in three equal tranches every six months thereafter for a period of 18 months, of which a further 1,987,500 have been released subsequent to February 29, 2008 leaving 3,975,000 currently held in escrow. These escrowed shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

Agents warrants outstanding

Expiry Date	Exercise price	Balance, February 28, 2007	Granted	Exercised	Balance, February 29, 2008
September 18, 2008	$1.00	-	250,000	(95,950)	154,050
Weighted average exercise price		-	$1.00	$1.00	$1.00

The weighted average grant date fair value of the agents warrants for the year ended February 29, 2008 was $0.34.

The fair value of the agents warrants have been estimated using the Black-Scholes option pricing model. Assumptions used in the pricing model are as follows:

Risk free interest rate	4.06%
Annual dividends	--
Expected stock price volatility	85%
Expected life	1 year

7. CAPITAL STOCK (cont'd…)

Stock options

The Company adopted an incentive stock option plan which provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees 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. Such options will be exercisable for a period of up to 5 years from the date of grant. Vesting terms are determined by the Board of Directors at the time of grant.

Expiry Date	Exercise price	Balance, February 28, 2007	Granted	Exercised	Balance, February 29, 2008
February 12, 2013	$1.30	-	690,000	-	690,000
Stock options exercisable		-			300,000
Weighted average exercise price		-	$1.30	-	$1.30

During the year ended February 29, 2008, the Company granted stock options to purchase up to 690,000 shares of the Company. Of these options, 650,000 are subject to vesting provisions (40% immediately and as to 20% on each of the next three anniversaries from the date of grant). During the year, the Company recorded stock-based compensation of $267,696 with offsetting amounts credited to contributed surplus. The weighted average grant date fair value of the options for the year ended February 29, 2008 was $0.34 per option.

The fair value of the stock options have been estimated using the Black-Scholes option pricing model. Assumptions used in the pricing model are as follows:

Risk free interest rate	3.41%
Annual dividends	--
Expected stock price volatility	85%
Expected life	5 years

8. RELATED PARTY TRANSACTIONS

During the year ended February 29, 2008, $27,000 (period from incorporation on March 2, 2006 to February 28, 2007 - $6,600) was paid to a company with a director and officer in common, for office facilities and administrative services. Included in accounts payable and accrued liabilities at February 29, 2008 is $4,355 (2007 - $7,397) payable to this related company.

In addition, the Company paid $9,304 (2007 - $nil) to a company with four directors in common, for various administrative office services provided in the United States. Included in accounts payable and accrued liabilities at February 29, 2008 is $2,154 (2007 - $nil) payable to this related company.

Further, the Company paid $1,464 (2007 - $nil) to a director, for administrative office services provided in the United States.

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year Ended February 29, 2008	Period From Incorporation on March 2, 2006 to February 28, 2007
Loss for the period	$ (1,430,064)	$ (475,023)
Expected income tax-recovery	$ (487,938)	$ (162,078)
Stock-based compensation	91,338	-
Share issue costs	(17,991)	-
Unrecognized benefit of non-capital losses	414,591	162,078
Total income tax recovery	$ -	$ -

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

	2008	2007
Future income tax assets:		
Non-capital loss carryforwards	$ 427,859	$ 164,577
Share issue costs	56,945	-
Valuation allowance	(484,804)	(164,577)
Net future income tax assets	$ -	$ -

The Company has available for deduction against future taxable income non-capital losses of approximately $1,585,000. These losses, if not utilized, will expire through to 2028. Future tax benefits which may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2008	2007
Cash received for interest	$ 56,104	$ 16,900
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd…)

The significant non-cash transactions were as follows:

	2008	2007
Subscription receivable	$ -	$ 9,000
Shares issued to agent as share issuance costs	225,000	-
Fair value of agent's warrants issued	85,700	-
Reclassification upon exercise of agent's warrants	32,892	-

11. SEGMENTED INFORMATION

The Company has one reportable operating segment, being the acquisition and exploration of mineral properties. Geographical information is as follows:

	Canada	United States	2008
Net Loss	$ 297,775	$ 1,132,289	$ 1,430,064
Equipment	$ -	$ 5,495	$ 5,495
Mineral Properties	$ -	$ 437,570	$ 437,570
Total assets	$2,088,632	$ 616,900	$ 2,705,532

	Canada	United States	2007
Net Loss	$ 30,803	$ 441,220	$ 472,023
Equipment	$ -	$ 3,336	$ 3,336
Mineral Properties	$ -	$ 230,787	$ 230,787
Total assets	$1,246,785	$ 284,977	$ 1,531,762

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable, subscriptions receivable, and accounts payable and accrued liabilities. 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. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.