ARMISTICE RESOURCES CORP.

(A Development Stage Enterprise)

Financial Statements

Years Ended June 30, 2007 and 2006

AUDITORS' REPORT

To the Shareholders of
ARMISTICE RESOURCES CORP.

We have audited the balance sheets of **ARMISTICE RESOURCES CORP. (A DEVELOPMENT STAGE ENTERPRISE)** as at June 30, 2007 and 2006 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Kraft Berger LLP

KRAFT BERGER LLP
Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
August 17, 2007

ARMISTICE RESOURCES CORP.

(A Development Stage Enterprise)

Balance Sheet

June 30, 2007 and 2006

	2007	2006
ASSETS		
CURRENT		
Cash	**$ 344,227**	$ 102,909
Investments (*Notes 4 and 11*)	**878,904**	-
Restricted investment *(Notes 4 and 11*)	**2,421,096**	-
Sundry assets	**100,170**	29,301
	3,744,397	132,210
MINERAL PROPERTY *(Note 5)*	**10,681,506**	9,260,644
PLANT AND EQUIPMENT *(Note 7)*	**34,917**	36,984
	$ 14,460,820	$ 9,429,838
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Note payable	**$ -**	$ 150,000
Accounts payable and accrued liabilities	**742,540**	1,476,132
	742,540	1,626,132
MINE CLOSURE PROVISION *(Note 6)*	**184,365**	-
	926,905	1,626,132
COMMITMENTS AND CONTINGENCIES *(Note 11)*		
SUBSEQUENT EVENTS *(Note 16)*		
SHAREHOLDERS' EQUITY		
Capital stock *(Note 8)*	**41,791,243**	36,991,990
Contributed surplus	**810,750**	810,750
Options	**902,096**	-
Warrants	**451,646**	268,900
Deficit	**(30,421,820)**	(30,267,934)
	13,533,915	7,803,706
	$ 14,460,820	$ 9,429,838

See accompanying notes.

ON BEHALF OF THE BOARD

"Todd Morgan" *Director*

"Greg Smith" *Director*

ARMISTICE RESOURCES CORP.

(A Development Stage Enterprise)

Statement of Loss and Deficit

Years Ended June 30, 2007 and 2006

	2007	2006
EXPENSES		
Accounting and audit fees	**$ 61,938**	$ 58,522
Amortization	**8,010**	7,532
Consulting fees	**138,988**	79,080
Interest and bank charges	**18,364**	6,923
Legal fees	**136,764**	208,873
Office	**174,278**	19,476
Repairs and maintenance	**5,920**	2,448
Shareholder relations	**89,988**	35,145
Stock option compensation *(Note 8)*	**902,096**	-
Tax on unspent flow-through	**90,293**	-
Accretion expense	**13,657**	-
	1,640,296	417,999
LOSS BEFORE UNDERNOTED	**(1,640,296)**	(417,999)
INTEREST INCOME	**165,667**	287
LOSS BEFORE INCOME TAXES	**(1,474,629)**	(417,712)
FUTURE INCOME TAXES RECOVERED *(Note 9)*	**(1,320,743)**	-
NET LOSS FOR THE YEAR	**(153,886)**	(417,712)
DEFICIT - BEGINNING OF YEAR	**(30,267,934)**	(29,850,222)
DEFICIT - END OF YEAR	**$ (30,421,820)**	$ (30,267,934)
BASIC AND DILUTED LOSS PER SHARE *(Note 10)*	**$ 0.00**	$ 0.00

See accompanying notes.

ARMISTICE RESOURCES CORP.

(A Development Stage Enterprise)

Statement of Cash Flow

Years Ended June 30, 2007 and 2006

	2007	2006
OPERATING ACTIVITIES		
Net loss for the year	$ (153,886)	$ (417,712)
Items not affecting cash:		
Amortization of plant & equipment	8,010	7,532
Future income taxes	(1,320,743)	-
Stock option compensation	938,096	-
Accretion expense	13,657	-
	(514,866)	(410,180)
Changes in non-cash working capital:		
Sundry assets	(70,869)	33,263
Accounts payable and accrued liabilities	(683,593)	636,061
	(754,462)	669,324
Cash flow from (used by) operating activities	(1,269,328)	259,144
INVESTING ACTIVITIES		
Investment in mineral property	(1,250,154)	(309,120)
Purchase of equipment	(5,942)	-
Purchase of restricted investment	(2,421,096)	-
Cash flow used by investing activities	(3,677,192)	(309,120)
FINANCING ACTIVITIES		
Note payable	(150,000)	150,000
Proceeds from issuance of capital stock	6,812,251	-
Exercise of warrants	10,000	-
Share issue costs	(605,509)	-
Cash flow from financing activities	6,066,742	150,000
INCREASE IN CASH FLOW	1,120,222	100,024
Cash - beginning of period	102,909	2,885
CASH - END OF PERIOD	$ 1,223,131	$ 102,909
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest paid	$ 18,363	$ 6,922
CASH CONSISTS OF:		
Cash	$ 344,227	$ 102,909
Short term investments	878,904	-
	$ 1,223,131	$ 102,909

Supplemental disclosure with respect to cash flows (Note 15).

See accompanying notes.

1. DESCRIPTION OF BUSINESS

The activities of Armistice Resources Corp. (the "Company") are directed towards developing a mining property in Virginiatown, Ontario. To date, the Company has not earned significant revenue and is considered to be in the development stage.

2. CONTINUING OPERATIONS

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's existence is dependent upon its ability to secure financing necessary to meet its obligations, finance development expenditures and to obtain profitable operations. Should the Company be unable to secure such financing, it may have to, at any time, cease its operations.

Accordingly, readers are cautioned that these financial statements do not reflect adjustments that would be necessary if the "going concern" basis were not appropriate. Changes in future conditions could require material write downs of the carrying value of certain assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

The Company considers unrestricted short term debt securities purchased with a maturity of three months or less to be cash equivalents. The restricted investments are excluded from cash equivalents.

Because of the short term maturity of these investments, their carrying amount approximates fair value.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

The carrying values of the mineral property, plant and equipment, mine closure provision and the valuation of stock options and warrants are estimated by management based on various assumptions.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Mineral Property and Deferred Expenditures

Mining property acquisition costs and expenditures for plant, equipment, exploration and development, less recoveries, are deferred until the property is placed into production. These net costs will be amortized when the property is developed to the stage of commercial production using the unit of production method based on the expected economic life of the property, or written off if the property is abandoned or the carrying value is determined to be in excess of possible recoverable amounts.

Where the Company's exploration agreements for a property are with a third party, the proceeds of any option payments under such agreements will be applied to the property to the extent of costs incurred. The excess, if any, will be credited to income.

The amounts shown for the mineral property represent costs to date and do not necessarily reflect present or future values except when there is a permanent decline in value or an abandonment of a mining property. Future development of the mineral property, recovery of related costs and the ability to meet financial commitments on existing claims will depend upon the development of commercially viable reserves, capital financing arrangements, mineral market conditions, environmental considerations and general economic conditions.

On an annual basis, the Company reviews the carrying values of deferred mineral property acquisition and exploration expenditures to assess whether there has been an impairment in value. The Company recognizes write-downs for impairment where the carrying value of the mineral property exceeds its estimated long term net recoverable value. Recoverable value is estimated based upon current exploration results, project economics and management's assessment of future probability of positive cash flows from the property or from its ultimate disposition.

Mine Closure Provision

The Company recognizes the liability arising from legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or normal operation of a long-lived asset. The fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. The Company amortizes the amount added to the asset using the depreciation method established for the related asset. The depreciation expense is included in the statement of operations and accounted for in accumulated depletion and amortization. An accretion expense in relation with the discounted liability over the remaining life of the mining properties is accounted for in the statement of operations and added to the asset retirement obligation. The liability is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. Upon settlement of the liability, a gain or loss is recorded.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Plant and equipment

Plant and equipment are recorded at cost. Amortization is being provided for on the declining balance basis at the following annual rates:

Buildings	4%
Motor vehicles	30%
Computer equipment	45%

The Company regularly reviews its plant and equipment to eliminate obsolete items.

Flow-through Shares

The Company has financed part of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers. The Company recognizes the foregone tax benefit at the time of the renouncement, provided there is reasonable assurance that the expenditures will be incurred.

Stock-Based Compensation

The Company has a stock-based compensation plan, which is described in (Note 8 (c)). The Company accounts for all stock-based payments using the fair value based method. Under the fair value based method, compensation cost attributable to options granted is measured at fair value at the grant date and amortized on a straight line basis over the vesting period. No compensation cost is recognized for options that employees forfeit if they fail to satisfy the service requirement for vesting.

Earnings Per Common Share

Basic earnings per common share are calculated using the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted earnings per share if their inclusion would be anti-dilutive.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method of tax allocation, future income and mining tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Government Assistance

Government assistance received or receivable in respect of mineral properties and deferred costs is reflected as a reduction of the cost of the property and the related deferred exploration costs when the related qualifying expenditures are incurred.

4. SHORT TERM INVESTMENTS

The short term investments represent bankers acceptances bearing interest at 4.1% per annum maturing monthly. The Company has investments totaling $3,300,000 of which an amount of $2,421,096 is restricted to be spent on qualifying Canadian exploration expenses.

5. MINERAL PROPERTY

	2007	2006
Exploration and development expenditures:		
Balance, beginning of year	**$ 15,036,720**	$ 14,813,895
Diamond drilling	**343,151**	-
De-watering	**714,190**	-
Professional services	**23,655**	222,825
Environmental	**76,069**	-
Present value of mine closure costs	**170,708**	-
Balance, end of year	**16,364,493**	15,036,720
Property acquisition costs:		
Balance, beginning of year	**5,973,924**	5,887,629
Royalty payments	**93,089**	86,295
	$ 6,067,013	$ 5,973,924
Write-down of mineral property	**$ (11,750,000)**	$ (11,750,000)
Total mineral property, end of year	**$ 10,681,506**	$ 9,260,644

The Company has an undivided 75% interest in 31 mining claims and 3 licenses of occupation in the McGarry Township within the Larder Lake Mining Division of Ontario through an agreement with Sheldon-Larder Mines Limited ("Sheldon-Larder"). The remaining 25% interest is a carried interest entitling Sheldon-Larder to a royalty as outlined in (Note 11)(a).

6. MINE CLOSURE PROVISION

The Company's asset retirement obligation relates to the dismantling of the Armistice Mine in McGarry Township. The estimate of future site removal and restoration costs depends on the development of environmentally acceptable mine closure plans. In accordance with the Ontario Ministry of Northern Development and Mines, the Company developed a closure plan for the Company's McGarry project.

A summary of the changes in the provision for reclamation liabilities is set out below.

	2007	2006
Balance, beginning of year	**$ -**	$ -
Accretion expense for the year	**13,657**	-
Measurement of mine closure provision	**170,708**	-
Balance, end of year	**$ 184,365**	$ -

The mine closure provision liability is based upon numerous estimates and assumptions, as follows:

a) Total undiscounted amount of future retirement costs was determined to be $410,400;
b) Weighted average risk-free interest rate at 8%;
c) Expected timing of cash outflows required to settle the obligation are for the full amount to be paid in 2021;
d) Inflation over the period from 2006 to 2021 was determined to be 2% per annum.

7. PLANT AND EQUIPMENT

	Cost	Accumulated amortization	**2007 Net book value**	2006 Net book value
Buildings	$ 35,000	$ 12,895	**$ 22,105**	$ 23,026
Motor vehicle	20,520	11,811	**8,709**	12,441
Computer equipment	16,672	12,569	**4,103**	1,517
	$ 72,192	$ 37,275	**$ 34,917**	$ 36,984

8. CAPITAL STOCK

a) **i)** **Authorized**

The Company is authorized to issue an unlimited number of common shares.

ii) Issued

	Number of Shares	Amount
Balance, June 30, 2005 & 2006	34,626,092	$ 36,991,990
Private placement (Note 8(a)(iv)	11,777,306	6,812,250
Settlement of debt owing (Note 8(a)(v))	200,000	86,000
Warrants exercised	12,500	10,000
Black Scholes value of warrants exercised	-	373
	46,615,898	43,900,613
Stock proceeds allocated to warrants	-	(183,119)
Share issuance costs	-	(605,508)
Tax benefits renounced to flow-through subscribers (Note 11(b))	-	(1,320,743)
Balance, June 30, 2007	46,615,898	$ 41,791,243

iii) On April 28, 2006, the Company consolidated its issued and outstanding share capital on the basis of one new common share for every four old common shares held. No fractional shares were issued.

iv) On August 14, 2006, the Company closed a private placement raising gross proceeds of $6,812,250 through the sale of 5,620,000 common shares at $0.50 per share and 6,157,306 flow-through common shares at $0.65 per share. The share issue costs consist of related legal and accounting expenses, as well as a 7% broker's commission plus 1,187,730 broker's warrants entitling the holder to reacquire one common share at a price of $0.50 per share expiring in January 2008.

v) Also, on August 14, 2006, a payable to the Chief Executive Officer in the amount of $50,000 was settled by the issuance of 100,000 common shares which were in addition to the above mentioned. On May 24, 2007, another obligation was settled by the issuance of 100,000 common shares valued at $0.36 per share.

vi) On August 16, 2006 the Company received final approval for the listing of its common shares on the Toronto Stock Exchange (the "TSX"). The Company's shares began trading on the TSX market open on Friday, August 18, 2006 under the trading symbol "AZ".

(continues)

8. CAPITAL STOCK *(continued)*

b) Warrants

	Number of Warrants	Amount	Weighted Average Exercise Price
Balance, June 30, 2005 & 2006	9,000,000	$ 268,900	$ 0.80
Private placement (Note 8(a)(iv))	1,187,730	183,119	0.50
Warrants exercised	(12,500)	(373)	0.80
Balance June 30, 2007	10,175,230	$ 451,646	$ 0.76

i) Each of the original warrants is exercisable for one common share at an exercise price of $0.80 per share until August 18, 2007 and thereafter at $1.00 per share until August 18, 2008. The new 1,187,730 brokers warrants are exercisable for one common share at a price of $0.50 per share expiring in January 2008.

The fair value of each warrant at the date of issue was estimated using the Black-Scholes option-pricing model with the following assumptions:

Expected life of warrants	1 - 1.5 years
Risk-free interest rate	3.22% - 4.04%
Expected stock price volatility	60% - 70%
Expected dividend yield	0%
Weighted-average fair value of warrants	$0.008 - $0.15

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

c) Stock Options

During 2005, the Company adopted a new stock option plan. The purpose of the plan is to provide incentives to directors, officers, employees and consultants of the Company. The maximum number of common shares reserved for issuance upon exercise of the options is 10%. The Board of Directors may designate the recipients of options and determine the number of common shares covered by each option, its exercise price (which may not be less than closing market price of the common shares on the trading day prior to the grant) and its expiry date. The stock option will vest immediately on the date of the grant. The term of the options shall not exceed five years from the date of grant.

(continues)

8. CAPITAL STOCK *(continued)*

c) Stock Options *(continued)*

The change in stock options issued during the year ended June 30, 2007 are as follows:

	Number of shares	Weighted average exercise price
Options outstanding - June 30, 2005 & 2006	**-**	**$ -**
Granted	**2,950,000**	**0.71**
Options outstanding - June 30, 2007	**2,950,000**	**$ 0.71**

The following table summarizes information about stock options outstanding and exercisable at June 30, 2007:

Exercise price	**Options outstanding**	**Options exercisable**	Outstanding options weighted average remaining life (years)	Exercisable options weighted average remaining life (years)
$ 0.68	**2,200,000**	**2,200,000**	1.78	1.78
0.68	**300,000**	**300,000**	0.26	0.26
0.68	**150,000**	**150,000**	0.13	0.13
0.95	**300,000**	**300,000**	0.30	0.30
$ 0.71	**2,950,000**	**2,950,000**	2.47	2.47

The Company grants all employee stock options with an exercise price equal to the market value of the underlying common shares on the day previous to the date of grant. Compensation costs for all grants under the employee stock option plan have been determined by the fair value method. Compensation expense recorded for the year ended June 30, 2007 was $902,096.

The fair value of each option at the date of grant was estimated using the Black-Scholes option-pricing model.

	JUNE 30 2007
Expected life of options	**3 years**
Risk-free interest rate	**3.95%**
Expected stock price volatility	**60%**
Expected dividend yield	**0%**

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

(continues)

8. CAPITAL STOCK *(continued)*

c) Stock Options *(continued)*

For the year ended June 30, 2007, the value ascribed to unexercised options recorded as a component of shareholders' equity is as follows:

	JUNE 30 2007
Balance - Beginning of year	$ -
Accretion of options granted	902,096
Balance - End of year	$ 902,096

9. INCOME TAXES

A reconciliation of income taxes at the rates expected to apply when the asset is realized of approximately 33% (2006 - 33%) with the reported taxes is as follows:

	2007	2006
Loss before income taxes	**$ (1,474,629)**	$ (417,712)
Expected income tax recovery	**$ (486,628)**	$ (137,845)
Stock-based compensation not deductible for tax purposes	**309,572**	-
Other non-deductible items	**144,446**	-
Tax benefit of losses not currently recognized	**32,610**	137,845
Benefit of tax assets not previously recognized	**(1,320,743)**	-
Future income tax recovery	**$ (1,320,743)**	$ -

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

	2007	2006
Future income tax assets (liabilities):		
Non-capital loss carryforwards	**$ 606,700**	$ 639,193
Other assets	**354,744**	352,101
Other timing differences	**176,308**	32,908
Resource expenditures	**1,115,335**	1,492,659
Net capital losses	**252,707**	252,707
	2,505,794	2,769,568
Valuation allowance	**(2,505,794)**	(2,769,568)
Net future income tax assets	**$ -**	$ -

The Company has incurred non-capital losses for income tax purposes of approximately $2,000,000 and net-capital losses of $1,500,000 at June 30, 2007, the related benefits of which have not been recognized in the financial statements. Unless sufficient taxable income is earned, the non-capital losses will expire in various amounts from 2008 to 2027. Subject to certain restrictions, the Company also has resource expenditures of approximately $14,000,000 available to reduce taxable income in future years. The benefits of these losses have not been recorded in these financial statements and have been offset by a valuation allowance.

10. BASIC AND DILUTED LOSS PER SHARE

	2007	2006
Net loss for the year	$ (153,886)	$ (417,712)
Weighted average number of common shares outstanding	45,049,586	34,611,092
Basic and diluted loss per share	$ 0.00	$ 0.00

The determination of the weighted average number of shares outstanding for the calculation of diluted loss per share does not include the effect of outstanding warrants since they are anti-dilutive.

This calculation and the comparative figures have been recalculated to give effect to the consolidation of share capital (Note 8(a)(iii)).

11. COMMITMENTS AND CONTINGENCIES

a) Sheldon-Larder, the owner of the remaining undivided 25% ownership interest in the mining claims (as described in Note 5) is entitled to the greater of: (i) a Net Smelter Return Royalty of 2% for periods when the price of gold is less than U.S. $500 per troy ounce; 3% when such price is U.S. $500 per troy ounce or more and less than U.S. $800 per troy ounce; 4% when such price is U.S. $800 per troy ounce or more; (ii) $1.00 per short ton of ore derived from the properties; (iii) an advance royalty payment of $21,573 per quarter year.

b) During the year ended June 30, 2007, the Company issued 6,157,306 common shares on a a flow-through basis for gross proceeds of $4,002,249. The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. The company has renounced exploration expenditures of $4,002,249 resulting in future income taxes on the amount of $1,320,743 which has been charged against share capital. As as June 30, 2007, the Company was committed to spend $2,421,096 on future Canadian exploration expenditures.

c) The Company had a letter of credit outstanding at year end in the amount of $365,700.

12. FINANCIAL INSTRUMENTS

Fair Value

The carrying amounts of cash, investments, note payable and accounts payable and accrued liabilities approximate their fair value due to the short-term maturities of these financial instruments. The short term investments are subject to normal interest rate risk.

Commodity Price Risk

The ability of the Company to develop its mining properties and the future profitability of the Company is directly related to the market price of gold.

Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents.

Cash and cash equivalents are maintained with several financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. Generally, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal risk.

13. SEGMENTED INFORMATION

The Company is engaged exclusively in mining exploration activities in Canada.

14. RELATED PARTY TRANSACTIONS

One officer is a partner in a legal firm that provides legal services to the Company and another officer is a partner in an accounting firm that supplies non-audit services to the company. The payments made to these firms during the year ended June 30, 2007 were $234,082 (2006 - $219,294).

During the year, the Company paid the Chief Executive Officer, who is also a director, for project management and administrative services in the amount of $138,988 (2006 - $64,500). At June 30, 2007 $159,683 (2006 - $304,030) was owing to directors and related parties.

On August 14, 2006 a payable to the chief executive officer in the amount of $50,000 was settled by the issuance of 100,000 shares.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

15. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the year ended June 30, 2007 included:

a) The renunciation of exploration expenditures, which resulted in a future tax benefit of $1,320,743. This benefit was recorded as a reduction of share capital.

b) The issuance of 200,000 common shares of the Company valued at $86,000 to settle outstanding obligations.

c) The mine closure provision liability of $170,708 was recorded and the mineral property increased accordingly.

There were no significant non-cash transactions for the year ended June 30, 2006.

16. SUBSEQUENT EVENTS

In July 2007, the Company increased the Letter of Credit to an amount of $410,400 to ensure the cost of the mine provision plan as approved by the Ontario Ministry of Northern Developments and Mines.