

**UC RESOURCES LTD.**  
(an exploration stage company)

**Interim Consolidated Financial Statements**  
**December 31, 2007**

**Notice of no auditor review of interim financial statements:**

The accompanying unaudited interim consolidated financials statements of UC Resources Ltd. have been prepared by and are the responsibility of the Company's management and have not been reviewed by an auditor.

**UC RESOURCES LTD.**  
(an exploration stage company)  
**CONSOLIDATED BALANCE SHEETS**

	December 31, 2007 (Unaudited)	June 30, 2007
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 5,036,173	\$ 1,281,164
Accounts receivable and advances	520,988	462,255
Prepaid expenses	38,830	57,211
Advance to contractor (note 3)	212,282	86,964
	5,808,273	1,887,594
<b>Mineral Property Interests</b> (note 4)	9,165,579	8,270,381
<b>Investment</b> (note 5)	1	1
<b>Equipment</b> (note 6)	548,860	560,628
	\$ 15,522,713	\$ 10,718,604
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 275,234	\$ 323,121
Obligation for mineral property interest acquisition (note 7)	84,463	207,106
	359,697	530,227
<b>Shareholders' Equity</b>		
<b>Capital Stock</b> (note 8)	27,680,913	21,173,315
<b>Contributed Surplus</b> (note 8(d))	2,565,529	2,177,220
<b>Deficit</b>	(15,083,426)	(13,162,158)
	15,163,016	10,188,377
	\$ 15,522,713	\$ 10,718,604

Nature of Operations and Continuance (note 1)

Approved by the Board:

"Jim Voisin"  
..... Director

"Gregg Roberts"  
..... Director

See notes to financial statements.

**UC RESOURCES LTD.**  
(an exploration stage company)  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
(Unaudited)

	Three months ended		Six months ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
<b>Expenses</b>				
Audit and accounting	\$ 26,228	\$ 9,481	\$ 33,882	\$ 11,612
Consulting fees	92,023	42,996	136,091	46,794
Interest	1,396	-	1,396	-
Investor relations	68,775	112,867	104,969	310,366
Legal	113,425	18,650	113,926	49,060
Management fees	194,029	52,500	289,396	112,500
Exploration	(41,086)	-	-	-
Office and administration	306,577	110,562	476,361	222,160
Regulatory and transfer agent fees	36,635	12,496	40,672	34,469
Stock-based compensation	533,851	-	533,851	970,201
Travel	100,113	93,407	112,230	162,009
Amortization	14,688	6,024	25,537	16,886
<b>Loss Before Other Items</b>	(1,446,654)	(458,983)	(1,868,311)	(1,936,057)
Interest income	23,054	3,079	33,396	10,860
Loss on sale of equipment	(1,827)	-	(1,827)	-
Foreign exchange gain(loss)	(17,247)	32,541	(84,526)	10,008
<b>Net Loss for Period</b>	(1,442,674)	(423,363)	(1,921,268)	(1,915,189)
<b>Deficit, Beginning of Period</b>	(13,640,752)	(10,968,963)	(13,162,158)	(9,477,137)
<b>Deficit, End of Period</b>	\$ (15,083,426)	\$ (11,392,326)	\$ (15,083,426)	\$ (11,392,326)
<b>Loss Per Share (basic and diluted)</b>	(0.01)	(0.01)	\$ (0.02)	\$ (0.03)
<b>Weighted Average Number of Shares Outstanding</b>	100,163,178	72,783,124	95,335,040	68,424,249

See notes to financial statements.

**UC RESOURCES LTD.**  
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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)

	Three months ended		Six months ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
<b>Operating Activities</b>				
Net loss	(1,442,674)	(423,364)	\$ (1,921,268)	\$ (1,915,190)
Items not involving cash				
Amortization	14,688	6,024	25,537	16,886
Stock-based compensation	533,851	-	533,851	970,201
	(894,135)	(417,340)	(1,361,880)	(928,103)
Changes in Non-Cash Working Capital				
Accounts receivable and advances	(38,010)	(54,338)	(58,733)	(91,052)
Prepaid expenses	14,633	52,973	18,381	(32,665)
Advance to contractor	(212,282)	-	(125,318)	-
Accounts payable and accrued liabilities	(126,452)	38,895	(47,887)	(37,153)
	(362,111)	37,530	(213,557)	(160,870)
<b>Cash Used in Operating Activities</b>	(1,256,246)	(379,810)	(1,575,437)	(1,088,973)
<b>Financing Activities</b>				
Loan receivable	-	101,452	-	100,000
Capital stock issued for cash, net	4,611,854	791,764	6,362,056	1,576,750
Obligation for mineral property interest acquisition	(101,303)	(37,962)	(122,643)	186,458
Related party repayment	-	26,632	-	44,265
<b>Cash Provided by Financing Activities</b>	4,510,551	881,886	6,239,413	1,907,473
<b>Investing Activities</b>				
Mineral property interests	(145,136)	(246,989)	(895,198)	(856,062)
Purchase of equipment	(4,672)	(402,298)	(13,769)	(589,770)
<b>Cash Used in Investing Activities</b>	(149,808)	(649,287)	(908,967)	(1,445,832)
<b>Increase (Decrease) in Cash and Cash Equivalents, Beginning of Period</b>	3,104,497	(147,211)	3,755,009	(627,332)
<b>Cash and Cash Equivalents, End of Period</b>	1,931,676	895,362	1,281,164	1,375,483
<b>Cash and Cash Equivalents, End of Period</b>	5,036,173	748,151	\$ 5,036,173	\$ 748,151

Supplemental disclosure with respect of cash flows:

Interest expense of \$1,396 (2006 - \$nil) and income taxes of \$nil (2006 - \$nil) was paid.

See notes to financial statements.

# **UC RESOURCES LTD.**

(an exploration stage company)

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

Six months ended December 31, 2007

(Unaudited)

### **1. NATURE OF OPERATIONS AND CONTINUANCE**

The accompanying consolidated financial statements of UC Resources Ltd. include the accounts of the Company and its integrated wholly-owned subsidiaries, Minera Planet Exploration, S.A. de C.V. ("Planet"), and Minera Silver Creeck S.A. de CV ("Silver Creeck"), hereinafter collectively referred to as the "Company". All inter-company transactions and balances have been eliminated upon consolidation. The Company is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties.

At December 31, 2007, the Company had working capital of \$5,448,576 and an accumulated deficit of \$15,083,426. The Company will require additional financing or outside participation to undertake further exploration and subsequent development of its mineral property interests. The Company's ability to continue as a going-concern is dependent on continued financial support from its shareholders, the ability of the Company to raise equity financing, and the attainment of profitable operations to meet the Company's liabilities as they become payable.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with accounting policies generally accepted in Canada and reflect the following policies and follow the same significant accounting principles as those outlined in the notes to the audited consolidated financial statements for the year ended June 30, 2007.

#### **Principles of consolidation**

These financial statements include the accounts of UC Resources Ltd. and its wholly-owned integrated subsidiaries, Minera Planet Exploration, S.A. de C.V. and Minera Silver Creeck S.A. de C.V., companies incorporated under the laws of Mexico. All significant inter-company balances and transactions have been eliminated.

#### **Foreign currency translation**

These consolidated financial statements are presented in Canadian dollars whereby monetary items are translated at the rate of exchange in effect at the balance sheet date. All non-monetary items are translated at historical exchange rates. Income and expense items are translated at the exchange rates approximating those in effect at the time of the transactions. Translation gains and losses are included in the results of operations for the period. The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date: non-monetary items are translated at historical exchange rates. Income and expense items are translated at the exchange rates approximating those in effect at the time of the transactions. Translation gains and losses are included in the results of operations for the period.

#### **Stock-based compensation**

The Company accounts for stock-based compensation expense using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

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**3. ADVANCE TO CONTRACTOR**

Money is advanced to a contractor that the Company has contracted to operate the projects in both Canada and Mexico. The operating costs are recorded when incurred.

**4. MINERAL INTERESTS**

At December 31, 2007 mineral interests are summarized as follows:

<b>Six months ended December 31, 2007</b>	<b>Copalquin</b>	<b>La Yesca</b>	<b>McFauld's</b>	<b>Total</b>
Balance, beginning of period	\$ 3,267,423	\$ 4,736,252	\$ 266,706	\$ 8,270,381
Additions during the period				
Acquisition costs	8,093	-	40,000	48,093
Exploration costs				
Assays, testing	1,176	-	-	1,176
Camp and field supplies	189	-	26,763	26,952
Drilling	-	-	557,422	557,422
Geological and geophysical	83,573	-	230,838	314,411
Travel and accommodation	-	-	27,329	27,329
Deferred pre-production costs	-	(80,185)	-	(80,185)
	93,031	(80,185)	882,352	895,198
Balance, end of period	\$ 3,360,454	\$ 4,656,067	\$ 1,149,058	\$ 9,165,579

  

<b>Six months ended December 31, 2006</b>	<b>Copalquin</b>	<b>La Yesca</b>	<b>McFauld's</b>	<b>Total</b>
Balance, beginning of period	\$ 2,635,066	\$ -	\$ -	\$ 2,635,066
Additions during the period				
Acquisition costs	46,430	3,738,514	-	3,784,944
Exploration costs				
Assays, testing	11,387	-	-	11,387
Camp and field supplies	78,083	-	-	78,083
Drilling	91,772	-	-	91,772
Geological and geophysical	73,527	-	-	73,527
Travel and accommodation	9,206	-	-	9,206
	310,405	3,738,514	-	4,048,919
Balance, end of period	\$ 2,945,471	\$ 3,738,514	\$ -	\$ 6,683,985

a) Copalquin Property, Mexico

The Company acquired 100% of the shares of Planet by paying the optionors US \$50,000 on July 8, 2005 and US \$500,000 on October 8, 2005.

The Company is responsible for the payments due by Planet to the underlying concession titleholders as follows:

- On or before July 13, 2005 the amount of US \$50,000, plus value added tax (paid);
- On or before July 13, 2006 the amount of US \$50,000, plus value added tax (paid);
- On or before January 13, 2007 the amount of US \$50,000, plus value added tax (paid);
- On or before July 13, 2007 the amount of US \$50,000, plus value added tax (paid);
- On or before January 13, 2008 the amount of US \$75,000, plus value added tax (paid); and
- On or before July 13, 2008 the amount of US \$75,000, plus value added tax.

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### NOTES TO CONSOLIDATED FINANCIALS STATEMENTS

Six months ended December 31, 2007

(Unaudited)

#### 4. MINERAL INTERESTS (Continued)

The property is subject to the following encumbrances to the titleholders:

- (i) A payment of US \$1 plus value added tax per ounce of measured recoverable gold and silver equivalent or other mineral based on a feasibility study;
- (ii) A 2.5% net smelter returns royalty of which 1.5% may be purchased for US \$1,000,000; and
- (iii) Advance royalty of US \$6,000 every three months subsequent to the assignment of the concessions.

##### b) La Yesca Mining Project

On August 10, 2006, the Company completed the 100% acquisition of Silver Creeck. At the date of acquisition, Silver Creeck's only asset was the La Yesca mining project located near the town of La Yesca, in the state of Nayarit, Mexico, approximately 100 km north-west of Guadalajara City and the only liability was the obligation described below and in note 7. The Company acquired Silver Creeck by issuing 6,000,000 common shares of the Company and agreeing to pay US\$490,000, of which US\$250,000 was paid on closing. The remaining US\$240,000 was to be paid in 12 equal monthly payments of US\$20,000 each, commencing on September 1, 2006. The balance has been paid in full by December 31, 2007.

The Company is responsible for the payments due by Silver Creeck to the underlying concession titleholders as follows:

- On or before September 30, 2006 the amount of US \$50,000, plus value added tax (paid);
- On or before March 30, 2007 the amount of US \$50,000, plus value added tax (paid);
- On or before September 30, 2007 the amount of US \$75,000, plus value added tax (paid);  
and
- On or before March 30, 2008 the amount of US \$75,000, plus value added tax (paid subsequent to quarter end).

The balance of the payments owing to the concession titleholders (US\$75,000) is recorded as obligation for mineral property interest acquisition for a total of \$84,463.

##### c) McFauld's Lake

On March 6, 2007, the Company entered into a binding Letter of Intent to acquire mineral claims located in the McFauld's Lake area, of James Bay Lowlands of Northern Ontario. This binding Letter of Intent provided the Company an option to earn up to 55% undivided interest in the mineral claims from two companies of which one has a director in common. To earn its interest, the Company must give notice of intent to continue or incur exploration expenditures on the mineral claim as follows:

- o 10% interest by incurring \$1,000,000 in exploration expenditure on or before March 6, 2008
- o An additional 15% interest by incurring an additional \$1,000,000 in exploration expenditures on or before March 6, 2009,
- o An additional 15% interest by incurring an additional \$1,250,000 in exploration expenditures on or before March 6, 2010,
- o A final 15% interest by incurring an additional \$1,250,000 in exploration expenditures on or before March 6, 2011.

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### NOTES TO CONSOLIDATED FINANCIALS STATEMENTS

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(Unaudited)

#### 4. MINERAL INTERESTS (Continued)

##### d) La Dura, Mexico

The Company signed a Letter of Intent dated August 22, 2006 to acquire 90% of the outstanding shares of Minera El Alizal S.A. de C.V. (El Alizal), a Mexican company. The principal asset of El Alizal is the La Dura mining project located in the Copalquin mining district in the state of Durango. The purchase price is US\$2,550,000 and the assumption of debt estimated to be approximately 9,700,000 Mexican pesos (cdn\$925,000). The anticipated purchase price was represented by US\$1,000,000 payable over five years and the issue of 3,000,000 common shares of the Company valued at US\$0.52/share of which US \$50,000 was paid in the year ended June 30, 2007. The Company also committed to spend US\$2,000,000 in exploration on the La Dura project over an unspecified time period. As the permitted time pursuant to the Letter of Intent lapsed, the Company wrote-off \$55,529. However, subsequent to this quarter, the Company has decided not to proceed with the La Dura

##### e) MAR, Mexico

The Company has a letter of intent signed by Mr. Felipe Paizanni, the vendor of the MAR property interest, dated March 27, 2006, expressing his and his partners' intention of granting to Minera Silver Creek ("MSC") the right to explore the "Mar" lot and the option to purchase the mining concession that covers such lot. There is an exploration agreement with an Option to Purchase dated November 26, 2007 between Mr. Felipe Paizanni and MSC, for a total consideration of US\$100,000, plus a 2% NSR royalty. MSC has the right to terminate this option at any time. There will be an Assignment Agreement between Mr. Paizanni and MSC, which will be signed and ratified before a Notary Public at the time the last installment of US\$25,000 under the Exploration Agreement is paid by MSC to Mr. Paizanni. Through this Assignment Agreement, MSC would become the legal holder of the concession of the "Mar" lot, title 214296, and all payments made under the Exploration Agreement will be applied to the payment of the purchase price of US\$100,000.

##### f) Mineral interests

The recovery of the Company's investment in mineral property interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development and the future proceeds from the disposition of those reserves. Although the Company has taken steps to ensure the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

##### g) Environmental

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental

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**NOTES TO CONSOLIDATED FINANCIALS STATEMENTS**

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problems related to any of its current or former properties that may result in material liability to the Company.

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**NOTES TO CONSOLIDATED FINANCIALS STATEMENTS**

Six months ended December 31, 2007

(Unaudited)

**4. MINERAL INTERESTS (Continued)**

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

**5. INVESTMENT – MINERAL PROPERTY SYNDICATE**

The Company holds a 5.4% interest, represented by 153,194 shares of SVB Nickel Co. Ltd., in a mineral property syndicate holding mineral claims in the South Voisey Bay area of Newfoundland. The interest has been written down in prior years to a nominal carrying value of \$1.

**6. EQUIPMENT**

	<b>December 31, 2007</b>		
	Cost	Accumulated Amortization	Net
Office equipment	\$ 34,779	\$ 15,364	\$ 19,415
Computer equipment	23,479	7,888	15,591
Machinery and equipment	444,003	64,994	379,009
Transportation equipment	175,021	40,176	134,845
	<u>\$ 677,282</u>	<u>\$ 128,422</u>	<u>\$ 548,860</u>

  

	<b>June 30, 2007</b>		
	Cost	Accumulated Amortization	Net
Office equipment	\$ 25,199	\$ 14,576	\$ 10,623
Computer equipment	21,355	5,004	16,351
Machinery and equipment	419,978	42,286	377,692
Transportation equipment	184,344	28,382	155,962
	<u>\$ 650,876</u>	<u>\$ 90,248</u>	<u>\$ 560,628</u>

**7. OBLIGATION FOR MINERAL PROPERTY INTEREST ACQUISITION**

On August 10, 2006, the Company acquired Silver Creeck (note 4(b)). At December 31, 2007, there was one payment of US\$75,000 (paid subsequent to December 31, 2007) due to the underlying concession titleholder. The amount is without interest.

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**NOTES TO CONSOLIDATED FINANCIALS STATEMENTS**  
Six months ended December 31, 2007  
(Unaudited)

**8. CAPITAL STOCK**

The authorized capital stock consists of 100,000,000 common shares without par value.

<b>Issued and outstanding:</b>	<b>December 31, 2007</b>		<b>June 30, 2007</b>	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of period	89,725,326	\$ 21,173,315	58,363,759	\$ 13,134,118
Issued during the year				
For cash				
Private placements, net	10,310,030	4,486,514	2,678,568	1,337,050
Exercise of options	900,000	121,300	3,101,500	395,015
Exercise of warrants	5,222,770	1,754,242	19,581,499	2,730,197
	16,432,800	6,362,056	25,361,567	4,462,262
Non-cash				
Reallocation of contributed surplus for options exercised	-	145,542	-	438,698
For broker warrants		-		(54,620)
For mineral properties	-	-	6,000,000	3,192,857
	16,432,800	6,507,598	31,361,567	8,039,197
Balance, end of period	106,158,126	\$ 27,680,913	89,725,326	\$ 21,173,315

**Share issuances**

During the six months ended December 31, 2007, the Company received \$121,300 and issued 900,000 common shares from the exercise of stock options. A further \$1,754,242 was received from the issuance of 5,222,770 common shares on the exercise of warrants.

In November 2007, the Company completed a private placement and issued 6,810,030 non-flow-through units and 3,500,000 flow-through units for aggregate gross proceeds of \$4,814,514 and incurred expenses of \$328,000 in the form of finder's fees for net proceeds of \$4,505,554. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the purchaser to purchase one additional share at \$0.70 per share for a period of two years. The Company has the right to accelerate the expiry date of the warrants, on not less than 30 days prior written notice, if the closing price of the common shares of the Company is at least \$1.50 per share for any period not less than 30 consecutive trading days. All securities are subject to a hold period, which expires March 17, 2008.

During the year ended June 30, 2007, the Company received \$395,015 and issued 3,101,500 common shares on the exercise of stock options. A further \$2,730,197 was received on the issue of 19,581,499 common shares on the exercise of warrants. In August 2006, the Company issued 6,000,000 common shares valued at \$3,192,857 for mineral property interests (note 4(b)).

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**8. CAPITAL STOCK (Continued)**

In March 2007, the Company completed a private placement and issued 2,678,568 flow-through units for gross proceeds of \$1,500,000 and incurred expenses of \$162,950 in the form of finder's fees for net proceeds of \$1,337,050. An additional share issue cost of \$54,620 was recorded as the fair value of broker warrants. Each unit consists of one flow-through common share of the Company and one-half of one share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one non-flow-through common share at an exercise price of \$0.80 per common share on or before March 13, 2008, and \$1.00 per common share on or before March 13, 2009. An additional 267,857 broker warrants were issued that entitles the holder to acquire one additional common share at \$0.80 per share, on or before March 13, 2008 and \$1.00 per share, on or before March 13, 2009.

During the quarter ended September 30, 2006, the Company received \$25,750 and issued 25,000 common shares from the exercise of stock options issued to directors, employees and consultants. A further \$759,236 was received from the issuance of 5,178,230 common shares on the exercise of warrants.

**Stock options**

Stock option transactions are summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding as at June 30, 2006	4,251,500	\$ 0.130
Granted	5,050,000	\$ 0.431
Exercised	(3,101,500)	\$ 0.127
Outstanding as at June 30, 2007	6,200,000	\$ 0.377
Granted	2,527,778	\$ 0.450
Expired	(300,000)	\$ 0.500
Exercised	(900,000)	\$ 0.135
Outstanding and exercisable as at December 31, 2007	7,527,778	\$ 0.455

The following summarizes information about stock options outstanding and exercisable at December 31, 2007

Number Outstanding and Exercisable	Expiry Date	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
877,778	November 16, 2009	\$ 0.700	1.88 years
250,000	January 31, 2011	\$ 0.150	3.09 years
2,150,000	September 20, 2011	\$ 0.460	3.72 years
2,600,000	September 13, 2012	\$ 0.400	4.71 years
450,000	October 22, 2012	\$ 0.450	4.81 years
1,200,000	December 20, 2012	\$ 0.450	4.98 years
7,527,778		\$ 0.455	4.09 years

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(Unaudited)

**8. CAPITAL STOCK (Continued)****Warrants**

Warrant transactions are summarized as follows:

Exercise Price	Expiry Date	Outstanding at June 30, 2007	Issued	Exercised	Expired	Outstanding at December 31, 2007
\$ 0.125	July 17, 2007	100,000	-	100,000	-	-
\$ 0.34	Sept. 30, 2007 Mar. 13, 2008/ 2009	5,282,770	-	5,122,770	160,000	-
\$ 0.80/ \$1.00	Nov. 16, 2009	1,607,139	-	-	-	1,607,139
\$ 0.70		0	5,155,015			5,155,015
		6,989,909	5,155,015	5,222,770	160,000	6,762,154

**Stock-based compensation**

Stock-based compensation for the six months ended December 31, 2007 in the amount of \$427,482 (2006 - \$970,201) has been recorded and relates to consulting \$54,330 (2006 - \$157,940), management \$373,140 (2006 - \$812,261) and broker compensation \$106,369 (2006 - \$nil). In addition, \$17,597 (2006 - \$32,100) was transferred from contributed surplus to capital stock on the exercise of stock options.

The fair value of stock options was determined using the Black-Scholes options pricing model based on the following assumptions:

	Dec. 31, 2007	June 30, 2007
Risk-free interest rate	3.88% - 4.23%	3.96% - 4.74%
Expected dividend yield	0%	0%
Expected stock price volatility	105%	101% & 110%
Expected option life in years	2-5	5

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.

**Contributed surplus**

	Dec. 31, 2007	June 30, 2007
Balance, beginning of period	\$ 2,177,220	\$ 639,840
Stock based compensation expense	533,851	1,921,458
Broker warrant expense	-	54,620
	2,711,071	2,615,918
Transfer to capital stock	(145,542)	(438,698)
Balance, end of period	\$ 2,565,529	\$ 2,177,220

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**NOTES TO CONSOLIDATED FINANCIALS STATEMENTS**

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(Unaudited)

**9. RELATED PARTY TRANSACTIONS**

During the six month period, in addition to amounts disclosed elsewhere in these financial statements, the Company paid \$85,000 (2006 - \$112,500) for management fees to officers of the Company. During the six months ended December 31, 2007, the following were amounts paid to the former CEO and President: \$40,000 in management fees, \$14,000 in living expenses and \$120,000 in severance.

**10. SEGMENTED DISCLOSURE**

As at December 31, 2007 the Company operated in one segment, mineral exploration and development, operating in two geographic areas: Mexico and Canada as follows:

	<b>Dec. 31, 2007</b>	<b>June 30, 2007</b>
<b>Total Assets</b>		
Canada	\$ 6,623,025	\$ 1,759,932
Mexico	8,899,688	8,953,893
	<b>\$ 15,522,713</b>	<b>\$ 10,713,825</b>

**11. COMPARATIVE FIGURES**

Certain of the 2006 comparative figures have been reclassified to conform to the current year's presentation.

**12. SUBSEQUENT EVENTS**

The Company received \$106,300 and issued 800,000 common shares on the exercise of options.