COPPER MOUNTAIN

MINING CORPORATION

CONSOLIDIATED FINANCIAL STATEMENTS

For the years ended

December 31, 2007

December 31, 2006

Suite 550 – 800 Pender Street

Vancouver, British Columbia V6C 2V6

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D E V I S S E R G R A Y L L P
CHARTERED ACCOUNTANTS

401 – 905 West Pender Street
Vancouver, BC Canada
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AUDITORS' REPORT

To the Directors of Copper Mountain Mining Corporation,

We have audited the consolidated balance sheets of Copper Mountain Mining Corporation (the "Company") as at December 31, 2007 and 2006 and the statements of operations and deficit, and cash flows for the year ended December 31, 2007 and for the period from incorporation on April 20, 2006 to December 31, 2006. 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 December 31, 2007 and 2006 and the results of its operations and cash flows for the year ended December 31, 2007 and for the period from incorporation on April 20, 2006 to December 31, 2006 in accordance with Canadian generally accepted accounting principles.

"De Visser Gray LLP"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
February 8, 2008

FORM 51-102F1
COPPER MOUNTAIN MINING CORPORATION
(The "Company")

MANAGEMENT'S DISCUSSION & ANALYSIS ("MD&A") OF FINANCIAL CONDITION& THE RESULTS OF OPERATIONS FROM THE YEAR ENDED DECEMBER 31, 2007

Feb 8, 2008

Management Discussion and Analysis

Introduction

Management's discussion and analysis ("MD&A") focuses on significant factors that affected Copper Mountain Corporation's performance and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's audited consolidated financial statements and the related notes contained therein for the year ended December 31, 2007and for the period from incorporation on April 20, 2006 to December 31, 2006. The Company reports its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company's significant accounting policies are set out in Note 2 of the audited consolidated financial statements for the year ended December 31, 2007. The Company's financial statements and the management's discussion and analysis are intended to provide a reasonable base for the investor to evaluate the Company's exploration results and financial situation.

Forward-Looking Statements

The MD&A contains certain statements that may be deemed "forward-looking statements." All statements in this MD&A, other than statements of historical fact, that address exploration drilling, exploitation activities, and events or developments that the Company expects to occur, are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans"," anticipates"," believes", "intends", "estimates", "projects", "potential", and similar expressions , or that events or conditions "will", "would", "may", "could", or "should" occur. Information inferred from the interpretation of drilling results and information concerning mineral resource estimates may also be deemed to be forward-looking statements, as it constitutes a prediction of what might be found to be present when and if a project is actually developed. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, and continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made.

Nature of Business and Overall Performance

The Company was incorporated under the provisions of the British Columbia *Company Act* on April 20, 2006 as Copper Mountain Mining Corporation. On December 22, 2006 the Company acquired all of the issued and outstanding common shares of Similco Mines Ltd. ("Similco"), a private company also incorporated under the provisions of the British Columbia *Company Act.* The Company is engaged in the business of mineral exploration and development in the province of British Columbia. The Company issued 10,338,500 shares for gross proceeds of $5,058,500 by way of private placements during 2006. The Company paid finder's fees of $314,878 in cash in connection with the private placements. In addition, the Company issued 4,000,000 shares in exchange for an option to acquire a 100% interest in Similco Mines Ltd. The Company has its corporate and administrative office in Vancouver, British Columbia. On June 20, 2007, the Company filed its Initial Public Offering prospectus (the "IPO"). The IPO financing consisted of 3.45 million units (each a "Unit") at a price of $1.45 per Unit and 1.15 million common shares issued on a flow-through basis under the Income Tax Act of Canada (the "Flow-Through Shares") at a purchase price of $1.75 per Flow-Through Share. Each Unit consisted of one common share and one half of one common share purchase warrant (the "Warrant"). Each whole Warrant entitled the holder to purchase one common share of the Company at a purchase price of $2.00 per share up until December 28, 2008.

On June 21, 2007, the Company became a reporting issuer upon receipt of filing of the Prospectus from the British Columbia Securities Commission. The Company commenced trading on June 29, 2007, on the TSX Venture Exchange under the trading symbol CUM.

Copper Mountain Project

The Copper Mountain Project is situated 15 km south of Princeton, British Columbia and 180 km east of the port of Vancouver. The former Similco Mine was a prior open pit copper mine that the Company is exploring and evaluating with the objective of restarting production by late 2010. The property consists of 135 Crown granted mineral claims, 132 located mineral claims, 14 mining leases, and 12 fee simple properties covering an area of 6,702.1 hectares or 67 square kilometers.

Copper Mountain was successful in retrieving the historical database during the year and has converted the data into digital format which provides a drill-hole and geological database. The Company initiated a diamond drill program in January 2007 which was quickly expanded into one of the largest exploration drill programs in British Columbia for 2007. A total of 44,000 meters of drilling was completed in 174 holes in order to verify historical drill data, confirm and improve resource classification and to discover and delineate additional resources. The phased drill program was successful in all phases and an interim, independent, NI43-101 compliant resource estimate was completed in September, 2007 based on drilling up to July 20th. Highlights of this resource report are:

- Measured and Indicated resources, based on a 0.2% Cu cut-off grade, are 227.5 million tons grading 0.37% Cu containing 1.7 billion pounds of copper.
- Inferred resources at 0.2% Cu cut-off grade are 197.2 million tons grading 0.31% Cu containing 1.2 billion pounds of copper.
- Gold and silver grades were not reported on, however, historical production records indicate that approximately 12% of the concentrate value was from silver and gold credits and data from the current exploration program suggests that future production will have similar credits.

"The resource estimated was prepared by Giroux Consultants Ltd. of Vancouver British Columbia, an independent qualified person as defined by Canada's National Instrument 43-101. Methods used in determining and reporting the resources are consistent with CIM Best Practices Guidelines for the estimation of mineral resources and mineral reserves".

A preliminary assessment of the project was completed by Merit Consultants International Inc. ("Merit") in the fall of last year and is filed on Sedar. The report contained production parameters, operating costs, capital costs and financial projections. The Preliminary Assessment indicated that the project has attractive economics at long term copper prices of US$1.80/lb. The base case after tax net present value (NPV) at a 5% discount rate over the 15 year mine life is Cdn$251 million. The after tax internal rate of return (IRR) is 20.31% for the project with a capital payback of 2.84 years and the project exceeded the Company's investment hurdle rate.

The company engaged Hatch Engineering to complete a Feasibility Study as recommended by the Merit Report late in 2007. The Feasibility Study will be based on the design criteria in the Preliminary Assessment Report which involves processing 35,000 tonnes per day of mill feed and producing a copper concentrate containing approximately 100 million pounds of copper per year plus gold and silver. Because of the developed infrastructure, substantial resource, extensive historical data base and favorable economics, the Feasibility Study is expected to be completed in early 2008. Part of this Feasibility Study will be an updated 43-101 compliant technical resource report based on drilling up to December 20, 2007. A large portion of the 2007 drill program was to upgrade the inferred resources within the preliminary pit design to the measured and indicated categories as well as extend mineralization to the west of Pit 2.

In the fall of 2007 the Company received the results of the Titan 24 deep penetration geophysical survey which outlined several large areas of high chargeability, both near to surface and at depth. Currently known mineralization and the interpreted geological model for the area, correlate well with the chargeability anomalies, and have provided confidence in the survey's interpretation. The chargeability anomalies provide several large target areas for follow-up drill testing as part of our 2008 exploration program.

Selected Annual Information

The following table represents selected annual financial information derived from the Company's financial statements and should be read in conjunction with the consolidated financial statements.

	Dec 31 2007	Dec 31 2006
Gross Revenue	Nil	Nil
Net loss	$837,560	$236,593
Basic & diluted loss per share	$0.05	$0.03
Total assets	$18,944,071	$7,080,830
Long-Term debt	$101,315	$Nil
Cash dividends per share	Nil	Nil

Results of Operations

The Company recorded a loss of $837,560 or $0.05 per share for the period ended December 31, 2007 as compared to a loss of $236,593 for the comparative period last year. General and Administrative expenses were $191,337 for the period ended December 31, 2007 as compared to $8,037 for the period from incorporation on April 20, 2006 to December 31, 2006 ("Comparative Period"). General and Administrative were made up of: brochures & multimedia of $12,443, donations of $27,350, filing fees of $23,840, insurance of $4,141, office expenses of $23,646, postage & courier charges of $4,145, printing & stationary expenses of $23,726, rent expense of $47,019, telephone charges of $12,727, and website expenses totaling $12,300. The increase in General and Administrative expenses was reflective of the increase in activities for the Company during its first real year of activities as compared to the Comparative Period.

Professional fees were $93,358 for the period ended December 31, 2007 as compared to $500 for the Comparative Period ending December 31, 2006. The Company incurred $29,850 in shareholder communications fees, advertising expenses of $54,246, investment shows of $36,598, transfer agent fees of $8,223, travel expenses of $68,534, and wages and salaries costs of $137,513 during the year ended December 31, 2007. The increase in all of these areas are a result of the Company increasing staffing levels, office activities, and professional help in support of the project advancement.

The Company incurred stock-based compensation expenses of $1,154,286 in connection with options and warrants granted in the year as required under the fair value method of accounting for stock options, as compared to $170,625 for the Comparative Period. The options and warrants granted during the year were valued using the Black-Scholes Option Pricing Model. Amortization expense on the company's office furniture and equipment totaled $10,033 as compared to $7,412 for the Comparative Period. Consulting fees totaling $141,585 were also incurred during the year ended December 31, 2007 as compared to $10,000 for the Comparative Period.

All of the expenditures relating to the acquisition and exploration of the Copper Mountain Project have been deferred during the year. A total of $7,244,592 in exploration expenditures on the property were incurred during the year ended, December 31, 2007, as compared to $1,224,361 in acquisition and exploration expenditures for the Comparative Period.

Liquidity and Capital Resources

As at December 31, 2007, the Company had working capital of $6.5 million (comprised of $6.1 million of cash, $1.1 million of receivables, prepaid expenses and amounts due from a related party offset by $0.7 million of liabilities) compared with a working capital of $3.6 million (comprised of $3.6 million of cash, $0.2 million of receivables and prepaid expenses, offset by $0.2 million of liabilities) at December 31, 2006. The Company's ability to continue as a going concern is dependant upon its ability to raise sufficient capital to meet its cash requirements or until such time that it has developed future profitable operations. The Company will continue to require funds and as a result, will have to continue to rely on equity and debt financing. There can be no assurance that financing, whether debt or equity, will always be available to the Company in the amount required at any particular time.

The following table is selected quarterly financial information derived from the Company's financial statements and should be read in conjunction with the consolidated quarterly financial statements.

Summary of Quarterly Results

Quarter	Revenue	Net Income (Loss)	Basic Income (Loss) per Share	Fully Diluted Income (Loss) Per Share
December 31, 2007	-	($829,646)	($0.05)	($0.05)
September 30, 2007	-	($234,870)	($0.01)	($0.01)
June 30, 2007	-	$82,744	$0.01	$0.01
March 31, 2007	-	$166,040	$0.02	$0.02
December 31, 2006	-	($63,193)	($0.01)	($0.01)
September 30, 2006	-	($2,692)	($0.00)	($0.00)
June 30, 2006	-	($170,708)	($0.00)	($0.02)

Risks and Uncertainties

The Company's success depends on a number of factors, some of which are beyond the control of the Company. Typical risk factors include copper, gold and silver price fluctuations and operating uncertainties encountered in the mining business. Future government, legal or regulatory changes could affect any aspect of the Company's business, including, among other things, environmental permitting and taxation costs which could impact the ability of the Company to develop the Copper Mountain Project. These risks and uncertainties are managed in part, by experienced managers, advisors and consultants, maintaining adequate liquidity, and by cost control initiatives.

Related Party Transactions

During the year, all transactions with related parties have occurred in the normal course of the Company's operations and have been measured at their fair value as determined by management. During the year, the Company paid fees of $194,000 to companies controlled by two directors of the Company for management consulting, and administration services. (2006 - $20,000) Also during the year the Company paid geological consulting fees totaling $73,989 (2006 - $12,431) to a company controlled by one of its officers. The Company advanced $600,000 to Compliance Energy Corporation ("TSX-V: CEC") as a secured demand loan bearing an interest rate of prime plus 1%. Compliance Energy is related by way of common directors and officers.

Disclosure Controls

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to permit timely discussions regarding public disclosures. Management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2007. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings,* are effective to ensure that information required to be disclosed in reports that we file or submit under Canadian securities legislation are recorded, processed and reported within the time period specified in those rules.

The Company's internet web site is www.CuMtn.com

COPPER MOUNTAIN MINING CORPORATION
CONSOLIDATED BALANCE SHEETS

		December 31, 2007		December 31, 2006
ASSETS				
Current assets				
Cash and cash equivalents	$	6,132,345	$	3,569,328
Accounts receivable		305,053		148,737
Prepaid expenses		200,875		17,430
Due from related party (notes 8)		600,000		-
		7,238,273		3,735,495
Reclamation bonding (Note 3)		2,046,500		2,039,000
Property, plant, and equipment (Note 5)		1,190,345		81,974
Mineral property (Note 4)		8,468,953		1,224,361
	$	18,944,071	$	7,080,830
LIABILITIES				
Current liabilities				
Accounts payable	$	369,307	$	150,176
Current portion of lease obligations (Note 6)		353,764		-
		723,071		150,176
Long-term liabilities				
Capital lease obligations (Note 6)		101,315		-
Accrued site reclamation cost (Note 3)		2,189,000		2,189,000
		3,013,386		2,339,176
SHAREHOLDERS' EQUITY				
Share capital (Note 7)		15,492,498		4,807,622
Contributed surplus		1,512,340		170,625
Deficit		(1,074,153)		(236,593)
		15,930,685		4,741,654
	$	18,944,071	$	7,080,830

Continuing operations (Note 1)

Approved on behalf of the board of Directors:

"Marin Katusa"	**Director**	**"John Tapics"**	**Director**
Marin Katusa		**John Tapics**	**Director**

See notes to financial statements

COPPER MOUNTAIN MINING CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	Year ended December 31, 2007	Date of Incorporation on April 20, 2006 to December 31, 2006
EXPENSES		
Amortization	**$** 10,033	**$** 7,412
Advertising	54,246	-
Bad debts expense	-	35,818
Bank charges & interest	15,261	451
Consulting fees	141,585	10,000
Investment shows	36,598	-
Meals and entertainment	11,387	691
General and administration	191,337	8,037
Professional fees	93,538	500
Shareholder communications	29,850	4,830
Stock-based compensation	1,154,286	170,625
Transfer agent	8,223	-
Travel expenses	68,534	2,462
Wages and salaries	137,513	3,325
Loss before other items	(1,952,391)	(244,151)
OTHER ITEMS:		
Interest and other income	177,384	7,558
Future income taxes recovery (Note 10)	937,447	-
NET LOSS FOR THE YEAR	(837,560)	(236,593)
DEFICIT – BEGINNING OF THE PERIOD	(236,593)	-
DEFICIT – END OF PERIOD	$ (1,074,153)	$ (236,593)
Loss per share, basic and diluted	$ (0.05)	$ (0.03)
Weighted average number of common shares outstanding	17,358,955	6,796,717

See notes to financial statements

COPPER MOUNTAIN MINING CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31, 2007		Date of Incorporation on April 20, 2006 to December 31, 2006
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the year	$	(837,560)	$	(236,593)
Net changes in non-cash working capital items:				
Accounts receivable		(156,316)		(111,127)
Prepaid expenses		(183,445)		6,335
Due from related party		(600,000)		-
Accounts payable		(78,116)		129,326
Current portion of lease obligations		353,764		-
Non-cash expenses:				
Amortization		10,033		7,412
Future income tax recovery		(937,447)		-
Stock-based compensation		1,154,286		170,625
		(1,274,801)		(34,022)
INVESTING ACTIVITIES				
Acquisition of Similco Mines Ltd.		-		(1,000,000)
Reclamation bonding		(7,500)		-
Purchase of property, plant and equipment		(1,252,824)		(39,386)
Mineral property costs		(6,812,925)		(112,835)
		(8,073,249)		(1,152,221)
FINANCING ACTIVITY				
Issue of share capital, net of issue costs		11,809,752		4,743,622
Capital lease obligations		101,315		-
		11,911,067		4,743,622
CASH ACQUIRED UPON ACQUISITION OF SIMILCO		-		11,949
CHANGE IN CASH		2,563,017		3,569,328
CASH AND CASH EQUIVALENTS – BEGINNING OF PERIOD		3,569,328		-
CASH AND CASH EQUIVALENTS – END OF PERIOD	$	6,132,345	$	3,569,328

Included in cash and cash equivalents at December 31, 2007 is $5,645,000 (2006 - nil) in guaranteed income certificates and $487,345 (2006 - $3,569,328) held in a treasury account.

Supplemental disclosure with respect to cash flows (Note 10)

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the provisions of the British Columbia *Business Corporations Act* on April 20, 2006 and is an exploration-stage company. On December 22, 2006, the Company acquired all of the issued common shares of Similco Mines Ltd. ("Similco"), a private company incorporated under a predecessor Act to the British Columbia *Business Corporations Act*.

These consolidated financial statements have been prepared on a going-concern basis, which assumes the ongoing ability of the Company to realize its assets and discharge its liabilities in the normal course of business. The Company's status as a going-concern is dependent upon its ability to generate future profitable operations and to receive continued financial support from its lenders and shareholders. Management is of the opinion that sufficient working capital will be obtained from operations and external financing to meet the Company's liabilities as they come due. Should this going-concern assumption not be appropriate, values and classifications of assets and liabilities could change and those changes could be material. Is it not possible to predict the outcome of those matters at this time.

2. SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements include the accounts of the company and its wholly owned subsidiary, Similco Mines Ltd. All significant intercompany transactions have been eliminated.

Use of Estimates

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

Earnings per Share

Loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share is not presented because it is anti-dilutive.

Mineral Properties

The Company records its interests in mineral properties and all direct expenditures incurred on them at cost. All direct and indirect costs relating to the acquisition of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be an impairment in value. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production or charged to operations in the year of abandonment or sale. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of the property sold.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Mineral Properties *(continued)*

The recorded cost of mineral exploration interests is based on cash paid, the value of any common share consideration issued and exploration costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Property, Plant and Equipment

Equipment and building are recorded at a cost and amortized over their estimated useful economic lives on the straight-line basis. The estimated economic lives are 5 years for automobiles, equipment and furniture and 25 years for buildings.

Financial Instruments

The Company's financial instruments consist of current assets and liabilities, the fair values of which approximates their carrying values due to the short-term nature of the items. The Company's reclamation bond is a term deposit lodged with a bank to secure the Company's accrued site reclamation costs.

Flow-through shares

The Company may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from the expenditure of the proceeds. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), and share capital is reduced. Previously unrecognized tax assets may then offset or eliminate the liability recorded.

Income taxes

The Company accounts 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 tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. 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 assets are recognized. Such an allowance has been applied to all potential income tax assets of the Company.

Share Capital

Common shares issued for non-monetary consideration are recorded at their fair market value on the date of the agreement to issue the shares.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Stock-based Compensation

The Company measures and records compensation expense in connection with stock options granted using the fair value method, and records the expense when the options vest with the recipients. Any consideration paid on the exercise of stock options is credited to share capital.

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized on an undiscounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to expected payment dates of the obligation amount.

3. ACQUISITION OF SIMILCO MINES LTD. ("Similco")

The Company acquired all the outstanding share capital of Similco on December 22, 2006. The acquisition was accounted for by the purchase method with the Company identified as the acquirer and the consideration comprised of 4,000,000 shares valued at $64,000 for the initial purchase option and the Company paid an additional $1,000,000 to complete the purchase. These amounts were allocated to mineral property acquisition costs, together with $47,526 representing liabilities assumed net of other identifiable assets of Similco, as listed below:

Other indentifiable assets acquired:		
Cash	$	11,949
Accounts receivable		37,610
Prepaid expenses		23,765
Reclamation bond		2,039,000
Property, plant and equipment		50,000
		2,162,324
Liabilities assumed:		
Accounts payable		20,850
Accrued reclamation costs		2,189,000
		2,209,850
Excess of liabilities assumed over non-mineral property assets acquired	$	47,526

4. MINERAL PROPERTY

Copper Mountain Project, Princeton, British Columbia

The Company acquired mineral claims, leases and properties covering 6,702.1 hectares of the Copper Mountain project upon the acquisition of Similco Mines Ltd. Approximately 10% of the claims are subject to royalties of 1% to 5%.

Refer to note 3.

The details of the carrying amounts of the Company's resource property costs are as follows:

	December 31, 2007	December 31, 2006
Property acquisition costs	$ 1,111,526	$ 1,111,526
Claim costs	584,703	8,846
Geological consulting	399,455	60,259
Exploration expenditures		
Amortization	134,420	-
Assays	274,451	626
Claim fees	8,276	2,291
Consulting	87,298	-
Contract labour	73,969	11,683
Core cutting	137,841	-
Data recovery	7,008	6,189
Drilling	4,650,864	4,500
Equipment rental	38,925	11,663
Feasibility study	151,629	-
House rental	9,650	-
Liability insurance	17,395	-
Mapping	10,844	605
Miscellaneous	70,544	6,173
Salaries	196,243	-
Scoping study	121,423	-
Surveying	315,893	-
Travel	62,747	-
Utilities	3,849	-
	$ 8,468,953	$ 1,224,361

5. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Automobiles	$ 58,934	$ (5,862)	$ 53,072	$ -	$ -	$ -
Building	50,000	(3,920)	46,080	50,000	(2,000)	48,000
Computer equipment	94,874	(21,173)	73,701	36,969	(4,929)	32,040
Mining equipment	1,067,155	(107,035)	960,120	-	-	-
Other equipment	18,632	(2,491)	16,141	2,417	(483)	1,934
Office equipment	49,826	(12,623)	37,203	-	-	-
Office furniture	4,289	(261)	4,028	-	-	-
	$1,343,710	$ (153,365)	$ 1,190,345	$ 89,386	$ (7,412)	$ 81,974

6. LONG TERM DEBT

a) The Company has financed the acquisition of certain mining equipment with a 23 month lease carrying an effective interest rate of 5.2% per annum and as at December 31, 2007, future minimum lease payments are as follows:

Year ended December 31	
2008	$ 374,199
2009	104,018
	478,217
Less imputed interest	(23,138)
Present value of net minimum lease payments	455,079
Less current portion	(353,764)
Long term portion of lease payments	$ 101,315

7. SHARE CAPITAL

(a) Authorized – unlimited number of common shares without par value

Issued:

	Common Shares	Amount	Contributed Surplus
Issued at April 20, 2006			
Shares issued for cash:			
Private placements	10,338,500 [(1)]	$ 5,058,500	-
Share issue costs	-	(314,878)	-
Non-cash items:			
Shares issued for acquisition of Similco	4,000,000	64,000	-
Stock based compensation	-	-	170,625[(2)]
Issued at December 31, 2006	14,338,500	$ 4,807,622	170,625
Shares issued for cash:			
Private placements	7,181,000	12,717,500	-
Options exercised	6,250	6,250	-
Warrants exercised	143,000	192,625	-
Share issue costs	-	(1,261,583)	-
Non-cash items:			
Shares issued for finder's fee	84,160	154,960	-
Stock-based compensation	-	-	1,154,286
Options exercised	-	2,427	(2,427)
Broker warrants granted	-	(208,967)	208,967
Broker warrants exercised	-	19,111	(19,111)
Flow-through renounced	-	(937,447)	-
Issued at December 31, 2007	21,752,910	$ 15,492,498	1,512,340

(1) Refer to note 7 (e).
(2) The Company estimated the fair value of 3,250,000 shares which were issued at $0.01 per share ($32,500) as $203,125 ($0.0625 per share).

7. SHARE CAPITAL *(Continued)*

(b) Stock Options

The Company has a stock option plan whereby it can issue up to 3,000,000 stock options exercisable for a period up to five years from the grant date. The Company has issued 2,630,000 options exercisable at prices ranging from $1.00 to $2.30 per share for a period five years commencing June 29, 2007.

The fair value of the stock options granted are estimated on the date of grant using the Black-Scholes Option Pricing Model with the following assumptions: a risk free interest rate of 4.50%, expected life of 5 years, an expected volatility of 30.0 to 40.0%, and no expectation for dividend payments.

Stock options outstanding	For the year ended December 31, 2007 Number of options	Weighted average exercise price
Beginning of year	-	-
Granted during the year	2,630,000	$ 1.17
Exercised /forfeited /cancelled during year	(6,250)	$ 1.00
End of period	2,623,750	$ 1.17

Weighted average fair value of options granted during 2007	$ 0.44
Weighted average remaining life of options outstanding, December 31, 2007	4.29 years

(c) Warrants

As at December 31, 2007, 2,714,500 share purchase warrants are outstanding entitling the holders to acquire shares of the Company at a weighted average price of $1.66 per share exercisable up to December 19, 2008 as to 778,000 share purchase warrants, December 28, 2008 as to 1,686,500 share purchase warrants and February 14, 2009 as to 250,000 share purchase warrants.

Warrants outstanding	For the year period ended December 31, 2007		Date of incorporation on April 20, 2006 to December 31, 2006	
	Number of warrants	Weighted average exercise price Cdn.	Number of warrants	Weighted average exercise price Cdn.
Beginning of year	795,500	$ 1.10	-	$ -
Granted during year	1,975,000	1.89	795,500	1.10
Exercised in year	(56,000)	1.72	-	-
End of year	2,714,500	$ 1.66	795,500	$ 1.10

7. SHARE CAPITAL *(Continued)*

(d) Broker Warrants

As at December 31, 2007, 655,582 broker warrants were outstanding entitling the holders to acquire shares of the Company at an average price of $1.57 per share exercisable up to December 18, 2008 as to 187,750 broker warrants, until December 28, 2008 as to 344,250 broker warrants and until January 2, 2009 as to 123,582 broker warrants.

Warrants outstanding	**Year ended December 31, 2007**		**From the date of incorporation on April 20, 2006 to December 31, 2006**	
	Number of warrants	**Weighted average exercise price Cdn.**	**Number of warrants**	**Weighted average exercise price Cdn.**
Beginning of year	379,102	$ 1.10	-	$ -
Granted during the year	363,480	1.95	379,102	1.10
Exercised in the year	(87,000)	1.11	-	-
End of year	655,582	$ 1.57	379,102	$ 1.10

(e) Escrowed Shares

As required by the TSX Venture Exchange, a total of 5,900,150 common shares of the Company are currently subject to an escrow agreement of which 4,980,150 common shares are to be released in instalments of 878,850 every six months and the remaining 920,000 common shares will be released in two increments of 460,000 shares each on March, 2008 and June, 2008.

8. RELATED PARTY TRANSACTIONS

- During the year ended December 31, 2007, the Company advanced $600,000 to Compliance Energy Corporation ("Compliance") as a demand loan secured by the equivalent value of common shares of the Company owned by Compliance, with the loan bearing an interest rate of prime plus 1%. Compliance is a public company, listed on the TSX Venture Exchange and related by certain common directors and officers, and at December 31, 2007 it owned 2,750,000 common shares of the Company.

- During the year ended December 31, 2007, the Company paid fees of $194,000 to companies controlled by two of its officers and directors for management consulting and administration services (2006 - $20,000).

- During the year ended December 31, 2007, the Company paid geological consulting fees of $73,989 to a company controlled by one of its officers (2006 - $12,431).

All related party transactions have occurred at fair value as determined by management.

9. COMMITMENT

During 2007, the Company raised $7,333,000 by issuing 3,231,000 flow-through common shares and at December 31, 2007 is obligated to spend the remaining amount of $4.2 million on Canadian exploration expenditures prior to December 31, 2008.

10. SUPPLEMENTARY CASH FLOW DISCLOSURES

- During 2007, the Company deferred $134,420 of amortization costs on vehicles and mining equipment.
- As of December 31, 2007, there was $297,247 in accounts payable that related to mineral property costs.
- During 2007, 84,160 common shares valued at $154,960 and brokers' warrants valued at $208,967 were issued for finders' fees.
- During 2006, the Company issued 4,000,000 shares valued at $64,000 for an option to purchase the shares of Similco Mines Ltd.

11. INCOME TAXES

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	December 31, 2007	December 31, 2006
Net income (loss)	$ (837,560)	$ (236,593)
Effective statutory rate	34.12 %	34.12 %
Expected taxes payable	(285,776)	(80,726)
Net effect of non-deductible amounts	(28,226)	60,982
Unrecognized benefit of non-capital losses	314,002	19,744
	$ -	$ -

Future income tax assets reflect the net effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The significant components of the Company's future income tax assets at December 31, 2007 and December 31, 2006 are as follows:

	December 31, 2007	December 31, 2006
Future income tax assets		
Non capital loss carry-forwards	$ 2,556,000	$ 298,570
Capital cost allowance	103,847	-
Share issue costs	1,198,193	-
Deferred costs	33,575,135	13,925,242
	37,433,175	14,223,812
Statutory rate	34.12 %	34.12 %
Potential future income tax assets	12,772,199	4,853,165
Valuation allowance	(12,772,199)	(4,853,165)
	$ -	$ -

The Company has non capital losses of approximately $2,556,000 expiring in stages to 2027 as follows:

Expiry Date	December 31, 2007	December 31, 2006
31-Dec-10	123,000	123,000
31-Dec-11	-	-
31-Dec-12	98,000	98,000
22-Dec-16	7,000	7,000
31-Dec-16	1,408,000	1,408,000
31-Dec-27	920,000	-
	2,556,000	1,636,000