

**ANADIAN GOLDEN DRAGON RESOURCES LTD.**

FINANCIAL STATEMENTS

APRIL 30, 2007  
and  
APRIL 30, 2006

# **D E V I S S E R G R A Y L L P**

## **CHARTERED ACCOUNTANTS**

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### **AUDITORS' REPORT**

To the Shareholders of Canadian Golden Dragon Resources Ltd.,

We have audited the balance sheets of Canadian Golden Dragon Resources Ltd. as at April 30, 2007 and 2006 and the statements of operations 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 April 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.

"De Visser Gray LLP"

### **CHARTERED ACCOUNTANTS**

Vancouver, British Columbia  
August 22, 2007

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Balance Sheets

As at April 30,

	2007	2006
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	1,097,887	536,309
Amounts receivable	44,026	14,819
Marketable securities (note 9)	11,250	2,000
	<u>1,153,163</u>	<u>553,128</u>
Mineral properties (Schedule) (note 4)	2,190,211	2,057,630
	<u>3,343,374</u>	<u>2,610,758</u>

**LIABILITIES**

<b>Current</b>		
Accounts payable and accrued liabilities	34,825	181,887
Due from related parties (note 7)	3,659	30,960
	<u>38,484</u>	<u>212,847</u>

**SHAREHOLDERS' EQUITY**

Share capital (note 6(a))	12,737,325	11,770,867
Contributed surplus	799,290	498,694
Deficit	(10,231,725)	(9,871,650)
	<u>3,304,890</u>	<u>2,397,911</u>
	<u>3,343,374</u>	<u>2,610,758</u>

Continuing operations (note 1)

Approved on behalf of the Board of Directors:

"Elliot Strashin"

Director

"Ken Crosby"

Director

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

## Statements of Operations and Deficit

For the Years Ended April 30,

	2007	2006
	\$	\$
<b>Expenses</b>		
Amortization	-	699
Bank charges and interest	(1,556)	(1,949)
Consulting	140,572	23,203
Interest	(10,168)	(662)
Future income tax recovery (note 6(a))	(162,000)	(44,000)
Legal and accounting	32,352	16,991
Management fees	80,000	60,000
Office and administration	47,264	32,751
Stock-based compensation (note 6(b))	224,087	175,324
Travel and public relations	17,527	17,968
Trust and filing	<u>20,782</u>	<u>27,243</u>
Loss before other items:	(388,860)	(307,568)
Debts reclassified to contingencies	120,495	-
Joint Venture Management revenue	14,081	-
Write-off of ExtrEL Technology	-	(75,000)
Write-off of mineral property costs	<u>(105,791)</u>	<u>(29,560)</u>
Net loss for the year	(360,075)	(412,128)
Deficit - beginning of year	<u>(9,871,650)</u>	<u>(9,459,522)</u>
Deficit - end of year	<u><u>(10,231,725)</u></u>	<u><u>(9,871,650)</u></u>
Loss per share (note 7)	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>51,181,450</u>	<u>38,650,405</u>

See notes to the financial statements

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Statements of Cash Flows  
For the Years Ended April 30,

	2007	2006
	\$	\$
<b>Cash provided by (used for):</b>		
<b>Operating Activities</b>		
Net loss for the year	(360,075)	(412,128)
Adjustments for items not involving cash:		
Amortization	-	699
Future income tax recovery	(162,000)	(44,000)
Debts reclassified to contingencies	(120,495)	-
Write-off of mineral property costs	105,791	29,650
Write-off deferred technology costs	-	50,000
Options issued for consulting	45,112	-
Recovery of mineral property expenditures from optionee	(102,577)	-
Stock-based compensation	224,087	175,324
	<u>(370,157)</u>	<u>(200,455)</u>
Changes in non-cash working capital components:		
Amounts receivable	(29,207)	4,026
Accounts payable	(9,059)	(7,131)
Due to related parties	(27,301)	(119,939)
	<u>(435,724)</u>	<u>(323,499)</u>
<b>Investing Activities</b>		
Mineral property expenditures:		
Net acquisition costs	(76,050)	(126,590)
Exploration, net of recoveries	(166,003)	(271,298)
Option payments received	115,000	-
	<u>(127,053)</u>	<u>(397,888)</u>
<b>Financing Activity</b>		
Cash received for common shares - net of share issue costs	<u>1,124,355</u>	<u>1,134,990</u>
Net cash provided during the year	561,578	413,603
Cash - beginning of year	<u>536,309</u>	<u>122,706</u>
Cash - end of year	<u><u>1,097,887</u></u>	<u><u>536,309</u></u>

*Supplementary disclosure of non-cash investing and financing activities: Refer to note 3.*

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Schedule of Mineral Property Costs

	April 30, 2005 \$	Net Expenditures (Option proceeds) \$	Write-offs \$	April 30, 2006 \$	Net Expenditures (Option proceeds) \$	Write-offs \$	April 30, 2007 \$
<b>ONTARIO</b>							
<b>Seagull/Disraeli Property</b>							
Acquisition	43,906	-	-	43,906	-	-	43,906
Assay	33,067	-	-	33,067	14,558	-	47,625
Camp accommodations and travel	20,828	(363)	-	20,465	1,017	-	21,482
Drilling	306,870	582	-	307,452	107,295	-	414,747
Geological and geophysical	164,190	970	-	165,160	15,851	-	181,011
Field office expenses	15,749	8	-	15,757	63	-	15,820
	<u>584,610</u>	<u>1,197</u>	<u>-</u>	<u>585,807</u>	<u>138,784</u>	<u>-</u>	<u>724,591</u>
<b>Vanguard</b>							
Acquisition	147,363	50,000	-	197,363	(8,080)	-	189,283
Assays	7,232	4,371	-	11,603	-	-	11,603
Camp accommodations and travel	19,885	12,818	-	32,703	8,294	-	40,997
Drilling	90,947	94,099	-	185,046	7	-	185,053
Geological and geophysical	247,890	67,581	-	315,471	45,961	-	361,432
Field office expenses	18,076	7,423	-	25,499	1,800	-	27,299
	<u>531,393</u>	<u>236,292</u>	<u>-</u>	<u>767,685</u>	<u>47,982</u>	<u>-</u>	<u>815,667</u>
<b>Tilly</b>							
Acquisition	41,934	4,000	(29,560)	16,374	-	(16,374)	-
Assay	693	-	-	693	143	(836)	-
Camp accommodations and travel	724	900	-	1,624	-	(1,624)	-
Drilling	19,937	1,645	-	21,582	-	(21,582)	-
Geological and geophysical	36,004	3,322	-	39,326	-	(39,326)	-
	<u>99,292</u>	<u>9,867</u>	<u>(29,560)</u>	<u>79,599</u>	<u>143</u>	<u>(79,742)</u>	<u>-</u>
<b>Nighthawk Joint Venture</b>							
Acquisition	100,190	-	-	100,190	-	-	100,190
Assay	3,652	-	-	3,652	-	-	3,652
Camp accommodations and travel	3,325	-	-	3,325	-	-	3,325
Drilling	13,558	-	-	13,558	-	-	13,558
Geological and geophysical	45,275	-	-	45,275	-	-	45,275
Field office expenses	18,277	-	-	18,277	-	-	18,277
	<u>184,277</u>	<u>-</u>	<u>-</u>	<u>184,277</u>	<u>-</u>	<u>-</u>	<u>184,277</u>
<b>West Porcupine Joint Venture</b>							
Acquisition	20,376	-	-	20,376	-	-	20,376
Camp accommodations and travel	8,315	-	-	8,315	-	-	8,315
Drilling	19,586	-	-	19,586	-	-	19,586
Geological and geophysical	84,534	-	-	84,534	-	-	84,534
Field office expenses	133	-	-	133	63	-	196
	<u>132,944</u>	<u>-</u>	<u>-</u>	<u>132,944</u>	<u>63</u>	<u>-</u>	<u>133,007</u>

See notes to the financial statements

**CANADIAN GOLDEN DRAGON RESOURCES LTD.**

Schedule of Mineral Property Costs *(continued)*

	April 30, 2005 \$	Net Expenditures (Option proceeds) \$	Write-offs \$	April 30, 2006 \$	Net Expenditures (Option proceeds) \$	Write-offs \$	April 30, 2007 \$
<b>Norton Lake</b>							
Acquisition	3,576	-	-	3,576	(55,000)	-	(51,424)
Assays	1,800	-	-	1,800	-	-	1,800
Camp accommodations and travel	20,693	-	-	20,693	-	-	20,693
Drilling	37,218	-	-	37,218	-	-	37,218
Geological and geophysical	8,908	-	-	8,908	-	-	8,908
Norton - Other	-	-	-	-	25,423	-	25,423
	<u>72,195</u>	<u>-</u>	<u>-</u>	<u>72,195</u>	<u>(29,577)</u>	<u>-</u>	<u>42,618</u>
<b>South Legris</b>							
Acquisition	4,594	-	-	4,594	(55,000)	-	(50,406)
Camp accommodations and travel	44	-	-	44	-	-	44
Geological and geophysical	111	-	-	111	-	-	111
	<u>4,749</u>	<u>-</u>	<u>-</u>	<u>4,749</u>	<u>(55,000)</u>	<u>-</u>	<u>(50,251)</u>
<b>Dorothy</b>							
Acquisition	48,956	31,600	-	80,556	33,450	-	114,006
Geological and geophysical	-	16,108	-	16,108	21,255	-	37,363
	<u>48,956</u>	<u>47,708</u>	<u>-</u>	<u>96,664</u>	<u>54,705</u>	<u>-</u>	<u>151,369</u>
<b>Elephant Lake</b>							
Acquisition	5,550	-	-	5,550	10,100	-	15,650
Assay	-	530	-	530	1,610	-	2,140
Drilling	-	40,884	-	40,884	-	-	40,884
Geological and geophysical	-	15,870	-	15,870	1,562	-	17,432
	<u>5,550</u>	<u>57,284</u>	<u>-</u>	<u>62,834</u>	<u>13,272</u>	<u>-</u>	<u>76,106</u>
<b>Grand Bay</b>							
Acquisition	-	-	-	-	-	-	-
Office and administration	326	-	-	326	-	-	326
	<u>326</u>	<u>-</u>	<u>-</u>	<u>326</u>	<u>-</u>	<u>-</u>	<u>326</u>
<b>Amp Lake</b>							
Acquisition	-	10,000	-	10,000	-	-	10,000
<b>Dobe Lake</b>							
Acquisition	-	19,500	-	19,500	28,000	-	47,500
<b>Copper Island</b>							
Acquisition	-	11,050	-	11,050	15,000	(26,050)	-
<b>Kasagiminnis</b>							
Acquisition	-	30,000	-	30,000	25,000	-	55,000
Total Mineral Property Costs	<u>1,664,292</u>	<u>422,898</u>	<u>(29,560)</u>	<u>2,057,630</u>	<u>238,372</u>	<u>(105,791)</u>	<u>2,190,211</u>

See notes to the financial statements

# CANADIAN GOLDEN DRAGON RESOURCES LTD.

Notes to the Financial Statements

April 30, 2007 and 2006

## 1. NATURE AND CONTINUANCE OF OPERATIONS.

The Company is incorporated in British Columbia and is involved in the acquisition and exploration of resource properties. At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties and the ability of the Company to realize the costs it has incurred to date on these properties is dependent upon it being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the property. These activities are conducted primarily in the Province of Ontario, Canada.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and at April 30, 2007 has an accumulated operating deficit of \$10.2 million (2006 - \$9.9 million). The ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to raise adequate financing.

There can be no assurance that the Company will be able to continue to raise funds in which case it may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Mineral properties**

The acquisition costs of mineral properties and all directly related exploration and development expenditures are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized over the estimated useful life of the properties following the commencement of production or written-off if the properties are sold, allowed to lapse, or abandoned.

Cost includes the cash consideration and the fair market value of shares as they are issued, if any, on the acquisition of mineral properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is included in income for the year.

The recorded amounts of mineral claim acquisition costs and their related deferred exploration and development costs represent actual expenditures incurred and are not intended to reflect present or future values.

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

Administrative costs are expensed as incurred.

### **Marketable securities**

Marketable securities are carried at the lower of cost, carrying amount and current estimated fair value.

### **Equipment**

Equipment consists of computer equipment and are recorded at cost and are amortized over their estimated useful economic lives on the declining-balance basis at the rate of 30% per annum.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Financial instruments**

The Company's financial instruments consist of current assets and current liabilities. The fair values of the current assets and current liabilities approximate their carrying amounts due to the short-term nature of these instruments.

### **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 amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. Actual results could differ from those estimated.

### **Share capital**

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares or the date of share issuance, whichever is lower. Flow-through shares are common shares which are issued under an agreement that, as provided for in the Canadian *Income Tax Act*, the Company transfers to the purchaser of the shares the benefits of the exploration expenditures that are financed by the proceeds of the share issue.

Costs incurred to issue shares are deducted from share capital.

### **Stock-based compensation**

The Company records compensation associated with stock options granted using a fair value measurement basis and records the expense as the options vest with the recipients.

The proceeds received by the Company on the exercise of options are credited to share capital.

### **Flow-through financing**

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 tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these 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 asset is recognized. The Company has taken a valuation allowance against all such potential tax assets.

### **Asset retirement obligations**

The Company recognizes a liability for an asset retirement obligation when it is determinable and calculates the liability based upon discounted future payments to be made. A corresponding amount is added to the carrying amount of the related long-lived asset, and this amount is subsequently allocated to expense over its expected life. Adjustment will also be made in subsequent periods to changes in asset retirement obligations due to changes in estimates. As at April 30, 2007, the Company does not have any asset retirement obligations.

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

### **Retirement of long-lived assets**

Long-lived assets are assessed for impairment when events and circumstances warrant, when the carrying amount of the assets exceed its estimated undiscounted net cash flow from use or its fair value, at which time the impairment is charged to earnings.

## 3. **SUPPLEMENTARY DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES**

- During the current fiscal year, the Company issued 270,000 common shares for \$35,500 pursuant to the terms of mineral property acquisition agreements. The Company also recorded \$224,087 in stock-based compensation.
- During the comparative year, the Company issued 240,000 common shares for \$25,100 pursuant to the terms of the mineral property acquisition agreements. The Company also recorded \$175,324 in stock-based compensation.

## 4. **MINERAL PROPERTIES** **ONTARIO PROPERTIES**

### a) **Seagull and Disraeli**

The Company and East West Resource Corporation (“East West”) (collectively, “the Companies”) have acquired a 60% interest in 509 (2004 - 685) mineral claim units in the Thunder Bay Mining Division. The Companies obtained their 60% interest by each paying \$22,500 and issuing 150,000 common shares, and by collectively incurring \$1,000,000 in exploration expenditures. During the 2003 year, the Companies purchased the remaining 40% interest held by Avalon for \$20,000 in cash and a 0.4% Net Smelter Returns (“NSR”) royalty, which may be purchased for \$1 million at any time. The property is also subject to a 2% NSR royalty in favour of the original vendor.

### b) **Vanguard**

The Company has acquired a 100% interest in 53 mineral claims in the Thunder Bay Mining Division in consideration for the payment of \$150,000 by October 22, 2005 (paid) and the issuance of 200,000 common shares (issued). This property is subject to a 2.0% NSR. On May 18, 2006 the Company announced that it has optioned sixteen claim units on the western part of the Vanguard Property to Alto Ventures Ltd. for cash payments of \$90,000 (\$15,000 paid) and 400,000 common shares of Alto payable over three years (75,000 shares issued), and a 1% NSR royalty.

Effective December 2006 the balance of the property became the subject of a joint venture with Everett Resources Ltd. The agreement calls on Everett to spend \$3 million in exploration before January 20, 2011, to earn a 50% interest in the Vanguard Property. In addition starting January 20, 2008, Everett must pay a total of \$150,000 in option payments. Everett will also issue 200,000 common shares of its stock to Dragon in tranches of 50,000. After earning a 50% interest, Everett has the right to earn an additional 20% in two stages: a first 10% by completing a bankable feasibility study, and then an additional 10% by taking the property to production.

### c) **Nighthawk Joint Venture**

The Company has a 20% interest in a joint venture comprising 357 claim units, together with Cross Lake Minerals Ltd. (“Cross Lake”) (40%) and East West (40%). Repadre Capital Corporation sold its 60% interest in the joint venture to the three other participants, based on their existing pro-rata joint venture interests relative to each other, in exchange for a 2.5% NSR royalty, which can be reduced to 1% with the payment of \$1,500,000. In addition, certain portions of the property are subject to NSRs ranging from 2% to 3%.

4. **MINERAL PROPERTIES** *(continued)*

d) **West Porcupine Joint Venture**

The Company had a 15% interest in certain mineral claims located in Sewell and Reeves Townships, with Mega Uranium Ltd. ("Mega"), a public company related by a common director, holding a 15% interest and Battle Mountain Gold ("BMG") a 70% interest. Certain of these mineral claims are subject to NSR royalties ranging from 1% to 3%, with 1.5% of the 3% NSR royalty able to be purchased by the Company for \$1,500,000. The Company and Mega have subsequently entered into a property transfer agreement with Newmont Canada Ltd. ("Newmont"), which acquired BMG, whereby Newmont transferred its 70% interest in the West Porcupine property equally to the Company and Mega. The Company and Mega each now own a 50% interest in the West Porcupine property with Newmont retaining a 2% NSR.

e) **Norton Lake**

During the 2004 fiscal year, East West and the Company finalized an exchange of options to earn 20% interests in each other's Norton Lake properties. In exchange for receipt of banked credits of \$65,000 from East West the Company agreed to incur total expenditures of \$65,000 on East West's Norton West Property and another jointly-owned property if necessary. In October of 2003, both Norton Lake Properties in question were optioned to Cascadia International Resources Inc. ("the optionee"), which must pay the optionors a total of \$150,000 (divided equally) and incurred exploration expenditures of \$1.5 million to earn a 51% interest in both Norton properties. A joint venture is now in force for the property where Dragon owns 9.8% of the Norton West and 39.2% of the Norton East Property.

f) **South Legris**

The Company has acquired a 100% interest in 24 claim units located in the Thunder Bay Mining Division, subject to a 2% NSR, 0.8% of which may be purchased by the Company at any time for \$800,000. The Company was originally required to pay \$50,000 by April 7, 2004 (paid) and issue 100,000 common shares (issued). The Company subsequently optioned up to a 50% interest in the property to Platinum Group Metals Ltd. ("PGM"), in consideration for assuming the Company's residual payment obligations under the original option agreement (paid), paying the Company \$48,300 (paid) and incurring \$1,000,000 in exploration expenditures. The Company and PGM subsequently renegotiated whereby PGM assumed 100% ownership of the property by paying the Company \$50,000 and granting the Company a 1% NSR royalty on the same terms as the 2% NSR royalty set out in the original agreement, of which 0.5% may be purchased at any time for \$750,000 and another 0.25% may be purchased for \$500,000.

g) **Tilly**

The Company obtained the option to acquire a 100% interest in 86 claim units located in the Thunder Bay Mining Division in consideration for staged payments to the underlying property owners of \$50,000 by March 28, 2007, the issuance of 200,000 shares of the Company by September 28, 2005 and the retention by the optionor of a 2% NSR, of which 1% can be purchased at any time for \$1.0 million. The second anniversary payment was not made and the property was returned to the property owners and the surrounding claims which the Company has staked have now lapsed.

h) **Dorothy**

In the 2005 fiscal year, the Company obtained the option to acquire a 100% interest in 26 claim units, located in the Thunder Bay Mining Division, pursuant to which the Company is to make option payments totalling \$100,000 by February 10, 2009 (\$50,000 paid), pay advance royalties after the sixth anniversary date totalling \$150,000 and issue 200,000 common shares (issued) by August 10, 2006. The optionor retains a 2% NSR, 1% of which may be purchased by the Company at any time for \$1.0 million, with the remaining 1% being subject to a right of first refusal.

4. **MINERAL PROPERTIES** (continued)

i) **Dobe**

Consideration for acquisition of the property consists of option payments totalling \$70,000 cash (\$30,000 paid) in stages over a five-year period plus advance royalty cash payments after the sixth anniversary totalling \$150,000 and the issuance of 200,000 common shares (issued). A two per cent NSR royalty is retained by the optionor, of which one per cent may be purchased by the Company at any time for \$1-million with the remaining one per cent being subject to a right of first refusal. Sufficient exploration expenditures must be incurred to maintain the property in good standing.

j) **Kasagaminnis**

Consideration for acquisition of the property consists of option payments totalling \$150,000 cash (\$55,000 paid) in stages over a four-year period. A two per cent net smelter royalty is retained by the optionor, of which one per cent may be purchased by the Company at any time for \$1 million with the remaining one percent being subject to a right of first refusal. Sufficient exploration expenditures must be incurred to maintain the property in good standing.

k) **Elephant**

Consideration for acquisition of the property consists of one option payment of \$5,000 cash and the issuance of 80,000 common shares payable in four tranches of 20,000 common shares, in stages over a 18-month period (completed). A 2 per cent net smelter return is retained by the optionor, 1 per cent of which may be purchased by the Company at anytime for \$1 million, with the remaining 1 per cent being subject to a right of first refusal. Sufficient exploration expenditures must be incurred to maintain the property in good standing.

l) **Grand Bay**

By agreement dated June 30, 1999 Colby Resources Corporation (Now Canplats Resources Corporation) was granted the exclusive option to earn a 50% interest in the property by paying \$26,000 over two years and expending \$100,000 in exploration over the two years (completed). Canplats has a second option to spend an additional \$400,000 in exploration expenditures to earn an additional 25% interest in the property.

5. **LOSS PER SHARE**

Loss per share is calculated using the weighted-average number of common shares outstanding during the year. Diluted loss per share is not disclosed as it is anti-dilutive.

6. **SHARE CAPITAL**

a) Authorized share capital of the Company ~~consists of 99,625,000 common~~ shares without par value.

	Years Ended April 30,			
	2007		2006	
	Number of Shares	Amount	Number of Shares	Amount
		\$		\$
Issued - beginning of year	47,054,565	11,770,867	34,722,899	10,604,777
Warrants	74,500	11,175	-	-
Private placements	<sup>(3)</sup> 9,361,922	1,167,600	<sup>(1)</sup> 11,723,333	<sup>(2)</sup> 1,087,490
Consulting fee			-	-
Finder's fee	-	<sup>(4)</sup> (247,817)	35,000	3,500
ExtrIEL technology	-	-	333,333	50,000
Mineral properties	270,000	35,500	240,000	25,100
Issued - end of year	<u>56,760,987</u>	<u>12,737,325</u>	<u>47,054,565</u>	<u>11,770,867</u>

6. **SHARE CAPITAL** (continued)

(1) 983,333 shares are flow-through

(2) Inclusive of \$2,500 in share issue costs and \$44,000 as the cost of the tax benefit given up upon the issue of flow-through shares.

(3) 2,998,286 shares are flow-through shares.

(4) Inclusive of \$85,817 in share issue costs and \$162,000 as the cost of the tax benefit given up upon the issue of flow-through shares.

During the year ended April 30, 2007, the Company recorded the fair value of the stock options granted as stock-based compensation expense of \$224,087 (2006 - \$175,324). All fair values have been estimated using the Black-Scholes Options Pricing Model with the following assumptions: a risk-free interest rate of 3.86% to 4.13% (2006: 3.5% to 3.85%); an expected stock price volatility of 88.03% to 110.1% (2006: 95.12% to 127.8%) an expected option life of 2 to 5 years (2006: 5 years); and no expectation for the payment of dividends.

b) **Stock Options**

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

	Years Ended April 30,			
	2007		2006	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
		\$		\$
Fixed options				
Balance at beginning of year	5,300,000	0.16	4,035,000	0.16
Granted	4,081,945	0.17	1,465,000	0.15
Expired/cancelled	-	-	(200,000)	0.15
Outstanding and exercisable at end of fiscal year	<u>9,381,945</u>	0.16	<u>5,300,000</u>	0.16

\* At April 30, 2007, the weighted-average remaining contractual life of stock options outstanding is 2.89 years.

c) Summary of stock options outstanding at April 30, 2007:

Type of Issue	Number Outstanding	Exercise Price	Expiry Date
		\$	
Options	270,000	0.20	06/10/07
	300,000	0.20	07/28/07
	997,000	0.15	12/10/07
	365,000	0.15	02/26/08
	650,000	0.15	08/12/08
	500,000	0.15	06/29/09
	200,000	0.15	01/31/10
	553,000	0.15	03/29/10
	100,000	0.15	07/04/10
	1,365,000	0.15	01/17/11
	550,000	0.15	12/11/08
	960,000	0.15	12/10/11
	2,000,000	0.20	02/20/12
	171,945	0.12	03/02/12
	400,000	0.15	04/19/09
	<u>9,381,945</u>	0.16	

6. **SHARE CAPITAL** (continued)

d) Summary of warrants outstanding at April 30, 2007:

Type of Issue	Number Outstanding	Exercise Price	Expiry Date
Warrants	(a) 2,323,333	0.20	08/29/07
	2,000,000	0.12	12/29/07
	7,000,000	0.12	02/27/08
	(b) 714,286	0.20 / 0.25	06/12 07/08
	2,727,273	0.15	01/22/09
	454,546	0.15	03/14/09
	344,520	0.15	01/22/09
	40,250	0.15	02/01/09
	<u>15,604,208</u>		

(a) 583,333 are flow-through warrants

(b) are flow-through warrants

7. **RELATED PARTY TRANSACTIONS**

All transactions with related parties have occurred in the normal course of operations and are measured at their fair value as determined by management. The year end balances are non-interest bearing, unsecured, payable on demand and have arisen from the provision of services and expense reimbursements described. All material transactions and balances with related parties are described below.

Consulting fees of \$36,000 (2006 - 36,000) were accrued to the Company's exploration manager under a management agreement. The exploration manager is owed an aggregate of \$3,309 at April 30, 2007 (2006 - \$30,610) for consulting fees and other expenses incurred on behalf of the Company.

A private company controlled by the President of the Company is owed \$350 at April 30, 2007 (2006 - \$350) for the unpaid portion of management fees and travel and office expense reimbursements. During the current year, management fees of \$80,000 (2005 - \$60,000) were accrued to this private company.

8. **INCOME TAXES**

A reconciliation of income taxes at statutory rates as follows:

	2007	2006
	\$	\$
Loss for the year	<u>416,011</u>	<u>412,128</u>
Expected income tax recovery	143,482	142,143
Net adjustment for amortization, deductible and non-deductible amounts	21,414	72,975
Unrecognized benefit of non-capital losses	<u>(164,896)</u>	<u>(215,118)</u>
Total income taxes	<u>-</u>	<u>-</u>

## 8. **INCOME TAXES** (continued)

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

	2007	2006
	\$	\$
Future income tax assets:		
Mineral properties	2,602,000	2,450,000
Equipment	10,000	10,000
Non-capital loss carryforwards	1,449,000	1,860,000
	<u>4,061,000</u>	<u>4,320,000</u>
Valuation allowance	(4,061,000)	(4,320,000)
Net future tax assets	<u><u>-</u></u>	<u><u>-</u></u>

The Company has non-capital losses of approximately \$1.4 million (2006 - \$1.9 million) which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire in stages through to 2027. Subject to certain restrictions, the Company also has mineral property expenditures of approximately \$4.8 million (2006 - \$4.5 million) available to reduce taxable income in future years. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance as noted above.

## 9. **MARKETABLE SECURITIES**

	Number of Shares	Cost	Market Value
		\$	\$
Alto Ventures Ltd.	75000	9,250	8,250
Great Southern Enterprises	7142	2,000	536
Vangold Reosurces Ltd.	5000	-	3,500
		<u>11,250</u>	<u>12,286</u>

## 10. **COMMITMENT AND CONTINGENCY**

At April 30, 2007, the Company is required to incur approximately \$467,600 (2006 - \$127,500) of qualifying exploration expenditures prior to December 31, 2007 to meet obligations under flow-through share purchase agreements.

The Company has reclassified \$120,495 of old liabilities to contingent debt as no claims have been made for them; if any of these liabilities are claimed and settled in the future, they will be recognized at that time.

## 11. **SUBSEQUENT EVENTS**

In addition to items disclosed elsewhere in the financial statements, the following occurred during the period subsequent to April 30, 2007:

- The Company issued a total of 50,000 common shares pursuant to the terms of the Dobie Lake and other mineral property agreements.
- The Company announced the appointment of Rene Gulliver to its board of directors
- The Company announced a private placement for gross proceeds of \$200,000 by the issue of 1,176,471 flow-through shares at a price of \$0.17.