



Crowflight Minerals Inc.
Canada's Next Nickel Producer

FINANCIAL STATEMENTS

for the six months ended June 30, 2007

Q2

BALANCE SHEETS

As at

(in Canadian dollars - unaudited - prepared by management)

	June 30, 2007	December 31, 2006
ASSETS		
Current		
Cash and cash equivalents	\$ 32,219,264	\$ 13,800,920
Amounts receivable (Notes 3 and 4(a))	1,620,690	298,580
Prepaid expenses and deposits	198,824	143,092
Future income tax asset	-	842,000
	34,038,778	15,084,592
Deposits and advances	187,915	206,571
Prepaid exploration expenditures	-	327,311
Exploration property, plant and equipment and deferred exploration expenditures (Note 3)	48,972,596	35,371,564
Equipment	104,493	64,879
	\$ 83,303,782	\$ 51,054,917
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 5,446,123	\$ 2,201,979
Future income tax liability	4,940,788	-
	10,386,911	2,201,979
SHAREHOLDERS' EQUITY		
Common Shares (Note 4(a))	82,417,816	58,437,271
Warrants (Note 4(b))	2,297,830	1,773,748
Contributed surplus (Note 4(d))	7,733,548	6,328,590
Deficit	(19,532,323)	(17,686,671)
	72,916,871	48,852,938
	\$ 83,303,782	\$ 51,054,917

Commitments and Contingencies (Notes 1, 3 and 7)

STATEMENTS OF OPERATIONS AND DEFICIT

(in Canadian dollars _ prepared by management, unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Expenses				
Professional, consulting and management fees (Note 4(c))	\$ 1,062,446	\$ 290,801	\$ 1,769,919	\$ 658,338
Shareholder communication and promotion	165,831	90,803	253,989	166,198
General and office	97,963	23,166	122,163	48,248
Travel	87,509	14,228	103,916	21,474
Amortization	1,152	4,156	2,447	10,784
Interest expenses and bank charges	1,320	615	2,455	1,007
	1,416,221	423,769	2,254,889	906,049
Loss before the undernoted	(1,416,221)	(423,769)	(2,254,889)	(906,049)
Interest and dividend income	299,487	253	409,237	558
Recovery of expenses	-	-	-	6,068
Loss for the period	(1,116,734)	(423,516)	(1,845,652)	(899,423)
DEFICIT, beginning of period	(18,415,589)	(16,430,258)	(17,686,671)	(15,954,351)
DEFICIT, end of period	\$ (19,532,323)	\$ (16,853,774)	\$ (19,532,323)	\$ (16,853,774)
Loss per share _ basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average number of shares basic and diluted	231,188,581	109,359,130	215,436,775	109,359,130

STATEMENTS OF CASH FLOWS

(in Canadian dollars - prepared by management)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
OPERATING ACTIVITIES:				
Net loss for the period	\$ (1,116,734)	\$ (423,516)	\$ (1,845,652)	\$ (899,423)
Charges not affecting cash:				
Amortization	1,152	4,156	2,447	10,784
Stock-based compensation expense (Note 4(c))	849,886	134,291	1,517,224	355,335
	-	-		
Net change in non-cash working capital	(1,106,715)	(113,819)	(1,675,408)	358,224
	(1,372,411)	(398,888)	(2,001,389)	(175,080)
FINANCING ACTIVITIES:				
Common shares issued through private placements	23,640,625	5,208,300	23,640,625	9,483,350
Warrants issued through private placements	1,359,375	-	1,359,375	349,450
Shares issued from exercise of warrants and options	5,736,601	-	7,404,789	-
Financing costs	(2,229,639)	(378,171)	(2,229,639)	(716,530)
	28,506,962	4,830,129	30,175,150	9,116,270
INVESTING ACTIVITIES:				
Exploration properties and deferred exploration expenditures	(8,494,578)	(2,318,261)	(13,589,873)	(4,561,196)
(Increase) decrease in deposits and prepaid exploration expenditure	(95,465)	(466,250)	345,967	(1,436,389)
(Decrease) increase in accounts payable attributable to property exploration	2,090,389	117,856	3,541,709	(645,895)
Property, plant and equipment	(44,842)	(21,138)	(53,220)	(25,044)
	(6,544,496)	(2,687,793)	(9,755,417)	(6,668,524)
CHANGE IN CASH AND CASH EQUIVALENTS	20,590,055	1,743,448	18,418,344	2,272,666
CASH AND CASH EQUIVALENTS, beginning of period	11,629,209	1,162,887	13,800,920	633,669
CASH AND CASH EQUIVALENTS, end of period \$	\$ 32,219,264	\$ 2,906,335	\$ 32,219,264	\$ 2,906,335
Cash and cash equivalents consists of:				
Cash	3,074,063	2,906,335	3,074,063	2,906,335
Cash Equivalents	29,145,201	-	29,145,201	-
	\$ 32,219,264	\$ 2,906,335	\$ 32,219,264	\$ 2,906,335

STATEMENTS OF CASH FLOWS, continued

(in Canadian dollars - prepared by management)

	Three months ended June 30,		Six months ended June 30,	
	2007	2006	2007	2006
SUPPLEMENTAL INFORMATION:				
Common shares issued for interest in exploration properties	\$ -	\$ 270,000	\$ -	\$ 270,000
Common shares issued as cost of issue	\$ -	\$ -	\$ -	\$ 87,400
Warrants granted as cost of issue	\$ 547,594	\$ 99,999	\$ 547,594	\$ 133,579
Amortization of assets deferred to exploration properties	\$ 5,584	\$ -	\$ 11,159	\$ -
Interest received	\$ 223,958	\$ 253	\$ 329,260	\$ 558
Interest paid	\$ 498	\$ -	\$ 977	\$ -
Income taxes paid	\$ -	\$ -	\$ -	\$ -

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2007 and June 30, 2006
(prepared by management – Unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

These interim financial statements are unaudited and are not reviewed by the Company's auditors.

The management of Crowflight Minerals Inc. (the "Company") has prepared these unaudited financial statements for the six months ended June 30, 2007 in accordance with generally accepted accounting principles in Canada. The most significant of these accounting principles have been set out in the December 31, 2006 audited financial statements. The Company uses the same methods and accounting policies described in the December 31, 2006 audited financial statements except as described in note 2 below. These financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2006.

The disclosures in these interim financial statements do not include the full disclosure required under generally accepted accounting principles in Canada for annual financial reporting.

These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Operating results for the six months ended June 30, 2007 are not indicative of the results that may be expected for the full year ending December 31, 2007.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, and non compliance with regulatory requirements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The Company has a need for equity capital and financing for working capital, and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed below, these financial statements are prepared using the same accounting policies and methods of application as those disclosed in note 2 to the Company's financial statements for the year ended December 31, 2006.

New accounting pronouncements

On January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountant ("CICA") Handbook Sections 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; and Section 3865, *Hedges*. These new standards resulted in no changes to amounts previously reported.

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2007 and June 30, 2006
(prepared by management – Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments

Under the new standards, financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

(ii) Comprehensive Income

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income for the Company includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity.

(iii) Hedging

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at and during the six month period ended June 30, 2007, the Company had no hedges.

The application of these new standards has had no impact on the Company's financial statements as at and for the six month period ended June 30, 2007, and as such, a statement of comprehensive income has not been included in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2007 and June 30, 2006
(prepared by management – Unaudited)

3. EXPLORATION PROPERTY PLANT AND EQUIPMENT AND DEFERRED EXPLORATION EXPENDITURES

	MANITOBA		SUDBURY, ONTARIO			TOTAL
	Bucko Deposit	Thompson Nickel Belt	AER Kidd	Peter's Roost	New Exploration	
<u>Acquisition costs</u>						
Balance, December 31, 2006	1,769,118	478,927	1,094,924	127,757	-	3,470,726
Acquisition and property costs	457	72,547	52,347	-	-	125,351
Write off of property costs	-	-	-	-	-	-
Balance, June 30, 2007	1,769,575	551,474	1,147,271	127,757	-	3,596,077
<u>Exploration and development expenditure</u>						
Balance, December 31, 2006	16,812,781	9,475,605	4,939,586	669,604	3,262	31,900,838
Drilling	241	1,580,866	-	-	-	1,581,107
Assaying, laboratory, metallurgy	23,109	83,296	-	-	-	106,405
Geology & Geophysics	-	150,297	-	-	-	150,297
Advanced technical studies	112,680	-	-	-	-	112,680
Staff and consultants	308,710	306,597	-	-	-	615,307
Roads and trenches	-	123,039	-	-	-	123,039
Travel and transportation	114,799	58,883	-	-	-	173,682
Reports	56,891	-	-	-	-	56,891
Mine and mill design	34,256	-	-	-	-	34,256
Surface development	1,024,338	-	-	-	-	1,024,338
Underground development	1,117,885	-	-	-	-	1,117,885
Operating costs	10,457	-	-	-	-	10,457
Off_take contract	1,772	-	-	-	-	1,772
Mine closure bond	281,066	-	-	-	-	281,066
Engineering and procurement	1,126,665	-	-	-	-	1,126,665
Environment and permitting	136,918	-	1,094	-	-	138,012
Human Resources	74,928	-	-	-	-	74,928
Field and office support	116,246	96,261	2,028	-	-	214,535
Management fees	24	2,695	-	-	-	2,719
Amortization charge for use of assets	9,484	1,675	-	-	-	11,159
Incurred to date	21,363,250	11,879,214	4,942,708	669,604	3,262	38,858,037
Capital purchases	6,647,146	-	-	-	-	6,647,146
Less: Government assistance	-	(128,664)	-	-	-	(128,664)
Balance, June 30, 2007	28,010,396	11,750,550	4,942,708	669,604	3,262	45,376,519
TOTAL DEFERRED COSTS						
June 30, 2007	29,779,971	12,302,024	6,089,979	797,361	3,262	48,972,596

MANITOBA

Bucko Deposit and Thompson Nickel Belt

On January 30, 2007, the Company amended their existing option agreements with Xstrata Nickel ("Xstrata") by entering into the Bucko Lake Lease Transfer Agreement which includes the Exploration Option Agreement and the Off-take agreement. The Bucko Lake Lease Transfer Agreement provides for the transfer of the Bucko Lake Lease to the Company free and clear of all liens on the Closing Date, which will be the 10th business day following the date on which the Company delivers the Bankable Feasibility Study ("BFS") and BFS Acceptance Letter to Xstrata.

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2007 and June 30, 2006
(prepared by management – Unaudited)

3. EXPLORATION PROPERTY PLANT AND EQUIPMENT AND DEFERRED EXPLORATION EXPENDITURES (continued)

As well, on the Closing Date, the Company will issue 2,000,000 shares to Xstrata, and deliver a royalty agreement where the Company grants to Xstrata a 2.5% Net Smelter Royalty with respect to the Bucko Lake Lease. In order to retain its 100% undivided interest in the Bucko Lake Lease following the Closing Date, the Company is required to make a decision within six months of the completion of the BFS to put the Bucko Deposit into commercial production.

The Exploration Option Agreement amalgamates both the Thompson Nickel Belt South and North agreements whereby the Company can earn a 100% interest in these properties by incurring \$13,200,000 in expenditures from January 1, 2007 up to and including December 31, 2013 (the "Option Period") according to the following schedule:

- " \$2,500,000 by December 31, 2007;
- " \$2,500,000 by December 31, 2008;
- " \$2,200,000 by December 31, 2009;
- " \$1,500,000 by December 31, 2010;
- " \$1,500,000 by December 31, 2011;
- " \$1,500,000 by December 31, 2012;
- " and \$1,500,000 by December 31, 2013.

In addition, the Company will become the operator of the project during the Option Period.

The amended agreement also provides Xstrata a back in right, property buy-back right, Joint Venture bump-up option, Net Smelter Returns royalty, an off-take right, and an off take option on both the Peter's Roost Property and Airport Property.

Certain areas of the property are subject to underlying agreements whereby those portions are subject to i) a 2% NSR; ii) a 10% net proceeds of production royalty; or iii) a \$500,000 payment due on commencement of commercial production.

A balance of \$326,159 remains in trust with Xstrata at June 30, 2007, and as the Company became operator of the project effective January 1, 2007 according to the revised terms of the agreement, this balance will be refunded to the Company and has been recorded in Amounts Receivable at June 30, 2007. This sum was received from Xstrata subsequent to June 30, 2007.

Also, throughout the current period, the Company purchased and paid deposits on various capital assets and leases for the development of the Bucko Deposit amounting to \$6,647,146. As well, the Company received \$128,664 in government assistance related to its exploration expenditure which has been applied directly against this expenditure.

4. CAPITAL STOCK

Authorized

- Unlimited common shares without par values
- Unlimited class A preference shares with a par value of \$10 each,
issuable in series, cumulative dividends
- Unlimited class B preference shares with a par value of \$50 each,
issuable in series, cumulative dividends

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2007 and June 30, 2006
(prepared by management – Unaudited)

4. CAPITAL STOCK (continued)

a) <u>Common shares issued</u>	<u>Shares</u>		<u>Value</u>
Balance, December 31, 2005	98,621,254	\$	30,375,246
Private placement _ non flow_ through	6,000,000		1,140,000
Private placement _ flow_ through	10,377,776		2,335,000
Private placement _ non flow_ through	6,050,000		1,149,500
Private placement _ flow_ through	17,361,000		5,208,300
Private placement _ non flow_ through	20,854,859		7,299,200
Private placement _ flow_ through	21,300,000		8,520,000
Issue of warrants _ warrant valuation	-		(1,194,072)
Commission shares issued	460,000		87,400
Shares issued in acquisition of property	1,000,000		270,000
Shares issued in acquisition of asset	1,666,667		500,000
Exercise of warrants	14,426,500		5,230,600
Exercise of warrants _ warrant valuation	-		1,196,737
Exercise of options	400,000		88,000
Exercise of options _ option valuation	-		128,974
Flow_ through shares tax effect	-		(1,341,000)
Cost of issue	-		(2,556,614)
Balance, December 31, 2006	198,518,056	\$	58,437,271
Private placement, flow through (i)	12,500,000		12,500,000
Private placement, non flow through (ii)	15,625,000		12,500,000
Value of warrants granted (ii)	-		(1,359,375)
Exercise of warrants	16,181,271		7,159,251
Exercise of warrants _ warrant valuation	-		1,276,385
Exercise of options	882,500		245,538
Exercise of options _ option valuation	-		218,766
Cost of issue	-		(2,777,232)
Flow_ through shares income tax effect	-		(5,782,788)
Balance, June 30, 2007	243,706,827	\$	82,417,816

On April 12, 2007, the Company completed a bought deal private placement of 15,625,000 units of the Company at a price of \$0.80 per unit and 12,500,000 flow-through common shares of the Company at a price of \$1.00 per share for gross proceeds of \$25,000,000. Each unit consists of one common share and one half of one common share purchase warrant, each whole common share purchase warrant entitling the holder to purchase one common share of the Company for \$1.15 for a period of one year, subject to a shorter exercise period based on certain market price conditions. The offering was completed by a syndicate of underwriters who received a commission of 6% of the gross proceeds received as well as 1,546,875 compensation options, each of which entitle the underwriter to purchase one unit at a price of \$0.80 per unit until April 12, 2008. The fair value of the warrants was estimated using the Black Scholes option pricing model with the following assumptions: expected dividend yield of 0% (2006: 0%); expected volatility of 91% (2006: 69% to 90%); risk free interest rate of 4.1% (2006: 3.8% to 4.3%); and an expected life of 1 year (2006: eighteen months).

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2007 and June 30, 2006
(prepared by management – Unaudited)

4. CAPITAL STOCK (continued)

On May 11, 2007, the Company announced that it was exercising its right to have the share purchase warrants that were issued in October 2006 expire early. As the majority of the common shares of the Company traded on the TSX Venture Exchange at prices over \$0.75 per share during the 15 consecutive trading days ended May 8, 2007, the Company provided warrant holders with notice of the accelerated expiry time, in accordance with the terms of the warrant agreement. These warrants were to expire on June 26, 2007 unless duly exercised. During the six months ended June 30, 2007, 16,181,271 warrants were exercised at a weighted average exercise price of \$0.44 generating gross proceeds of \$7,159,251. As well, 882,500 options were exercised at a weighted average exercise price of \$0.28 for gross proceeds of \$245,538. As a result of the expiration date being so close the period end date, some proceeds were received subsequent to the end of the quarter and as such an amount of \$902,000 is recorded in Amounts Receivable at June 30, 2007.

b) Warrants

	June 30, 2007		December 31, 2006	
	Number of warrants	Average price (\$)	Number of warrants	Average price (\$)
Balance, beginning of period	22,308,769	0.42	29,434,356	0.45
Granted, private placements	7,812,500	1.15	16,452,429	0.43
Granted, broker warrants	2,320,312	0.92	3,756,340	0.35
Exercised	(16,181,271)	0.44	(14,426,500)	0.36
Expired or cancelled	(1,000,000)	0.55	(12,907,856)	0.54
Balance, end of period	15,260,310	0.84	22,308,769	0.42

A summary of the outstanding warrants as of June 30, 2007 are as follows:

Value (\$)	Number of Warrants	Exercise Price (\$)	Expiry Date
174,000	3,000,000	0.30	20-Jul-07
87,519	911,660	0.30	21-Dec-07
16,156	132,424	0.35	30-Apr-08
107,823	1,017,200	0.40	30-Apr-08
5,363	66,214	0.50	30-Apr-08
413,016	1,546,875	0.80	12-Apr-08
1,493,953	8,585,937	1.15	12-Apr-08
2,297,830	15,260,310		

CROWFLIGHT MINERALS INC.
(A development stage company)

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2007 and June 30, 2006

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4. CAPITAL STOCK (continued)

c) Stock Options

The following are the stock option transactions during the period:

	Six months ended June 30, 2007		Twelve months ended December 31, 2006	
	Number of options	Average price	Number of options	Average price
Balance, beginning of period	9,070,000	\$ 0.27	7,405,000	\$ 0.30
Granted	8,650,000	\$ 0.65	4,070,000	\$ 0.25
Exercised	(882,500)	\$ 0.28	(400,000)	\$ 0.22
Cancelled/Expired	(257,500)	\$ 0.41	(2,005,000)	\$ 0.36
Balance, end of period	16,580,000	\$ 0.46	9,070,000	\$ 0.27

As of June 30, 2007, the following stock options were outstanding:

Value (\$)	Number of Options	Number of Options Exercisable	Exercise Price (\$)	Expiry Date
811,200	2,000,000	2,000,000	0.200	05-Jun-08
10,140	25,000	25,000	0.350	05-Jun-08
40,560	100,000	100,000	0.560	21-Nov-08
20,280	50,000	50,000	0.700	17-Nov-08
50,700	125,000	125,000	0.620	11-Dec-08
14,925	75,000	75,000	0.620	17-Jun-09
175,000	875,000	875,000	0.245	12-Oct-09
14,850	50,000	50,000	0.390	20-Oct-09
19,600	100,000	100,000	0.300	10-Jan-10
39,800	200,000	200,000	0.280	14-Feb-10
39,600	200,000	200,000	0.290	21-Feb-10
235,000	1,000,000	1,000,000	0.330	01-Mar-10
7,100	50,000	50,000	0.200	14-Jul-10
473,647	2,543,750	1,958,750	0.225	13-Mar-11
75,976	350,000	175,000	0.280	05-Jul-11
11,487	50,000	50,000	0.300	09-Aug-11
26,902	100,000	50,000	0.365	15-Aug-11
36,201	150,000	75,000	0.350	28-Sep-11
44,138	150,000	150,000	0.360	29-Nov-11
707,699	3,036,250	755,000	0.405	10-Jan-12
39,159	150,000	37,500	0.500	20-Feb-12
136,888	1,000,000	250,000	0.600	30-Mar-09
122,305	1,000,000	250,000	0.700	30-Mar-09
109,805	1,000,000	250,000	0.800	30-Mar-09
99,388	1,000,000	250,000	0.900	30-Mar-09
90,534	1,000,000	250,000	1.000	30-Mar-09
138,600	200,000	200,000	1.020	09-Apr-12
3,591,485	16,580,000	9,551,250		

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2007 and June 30, 2006
(prepared by management – Unaudited)

4. CAPITAL STOCK (continued)

During the six months ended June 30, 2007, 8,650,000 stock options (2006 - 3,270,000) were granted to directors, officers and consultants of the Company. Of these options granted, 5,000,000 vest one quarter every quarter over a one year term, 3,450,000 options vest one eighth every quarter from the date of grant over a two year term and 200,000 vest immediately. The fair value of each option granted was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: expected dividend yield 0% (2006 - 0%); expected volatility of 73% to 117% (2006 - 78% to 136%); risk free interest rate ranging from 4.0% to 4.1% (2006 - 4.0%); and an expected average life of 2 to 5 years (2006 - 2 to 5 years). For the six months ended June 30, 2007, an amount of \$1,517,224 (2006 - \$355,335) was recorded for all vested options and is included in Professional, consulting and management fees.

d) Contributed Surplus

	Six months ended June 30, 2007	Twelve months ended December 31, 2006
Balance, beginning of period	\$ 6,328,590	\$ 3,842,714
Stock options granted and/or vested during the period:		
Directors and officers	\$ 861,678	\$ 653,544
Consultants	\$ 655,546	\$ 161,968
Property acquisition	\$ -	\$ 9,450
Exercise of stock options, reallocation of valuation	\$ (218,766)	\$ (128,974)
Expiry of warrants, reallocation of valuation	\$ 106,500	\$ 1,789,888
Balance, end of period	\$ 7,733,548	\$ 6,328,590

5. RELATED PARTY TRANSACTIONS

Related party transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company shares its premises with other companies that have common directors. The Company reimburses the related companies for their proportionate share of the expenses. At June 30, 2007 an amount of \$88,690 (2006 - \$16,227) is payable in relation to these expenses. As well, the Company is owed \$18,847 (2006 - \$7,240) at June 30, 2007 for shared expenses.

During the six months ended June 30, 2007, the Company granted 2,850,000 (2006: 2,550,000) stock options to directors and officers of the Company. As well, during the current quarter, a director of the Company exercised 1,071,428 warrants at an exercise price of \$0.50 for gross proceeds of \$535,714.

NOTES TO THE FINANCIAL STATEMENTS

For the three and six months ending June 30, 2007 and June 30, 2006
(prepared by management – Unaudited)

6. FUTURE TAX LIABILITIES

In February 2007, the Company renounced \$16,063,300 of Canadian exploration expenditures related to proceeds from flow through shares with an effective date of December 31, 2006. As a result, assuming a statutory tax rate of approximately 36%, an amount of \$5,782,788 was debited to common stock. Consequently, this reduced the future income tax asset by \$842,000 and increased the future income tax liability by \$4,940,788.

7. COMMITMENTS

Pursuant to the issuance of 49,038,776 flow through shares during 2006, the Company renounced \$16,063,300 on qualified exploration expenditures with an effective date of December 31, 2006 in February 2007. As of June 30, 2007, the Company has spent \$13,940,168 related to these flow through funds and will be committed to spend the balance of \$2,123,132 between July 1 and December 31, 2007. The Company raised a further \$12,500,000 in April of 2007 which it intends to renounce with an effective date of December 31, 2007. The Company will be required to spend these funds on qualified exploration expenses by December 31, 2008.

The Company is party to certain management contracts which require that additional payments of up to \$3,300,000 be made upon the occurrence of certain events such as a change of control or termination without cause. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements.

8. FINANCIAL INSTRUMENTS

Fair Value

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying value of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities reflected in the balance sheet approximate fair value because of the limited term of these instruments.

Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company are directly related to the market price of certain minerals.

9. SUBSEQUENT EVENTS

Subsequent to the end of the quarter, 3,500,000 warrants were exercised for total proceeds of \$1,150,000.

Also, on July 3, 2,965,000 stock options were granted to directors, officers, employees and consultants of the Company at an exercise price of \$0.94 to expire in 5 years from the date of grant. These options will vest in equal amounts over 8 quarters, and are subject to a hold period of 4 months.