COMMERCE RESOURCES CORP.

REPORT AND FINANCIAL STATEMENTS

October 31, 2007 and 2006

BDO Dunwoody LLP
Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of
Commerce Resources Corp.

We have audited the balance sheets of Commerce Resources Corp. as at October 31, 2007 and 2006 and the statements of net loss and comprehensive loss, shareholders' equity 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 October 31, 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.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, Canada
February 26, 2008

COMMERCE RESOURCES CORP.
BALANCE SHEETS
October 31, 2007 and 2006

ASSETS	2007	2006
Current		
Cash and cash equivalents	$ 29,189,043	$ 3,182,794
Marketable securities – Notes 2(l) and 3	48,110	53,352
Amounts receivable	4,439	7,500
Goods and services tax receivable	184,956	60,505
Prepaid expenses	2,694	89,710
	29,429,242	3,393,861
Asset-backed commercial paper – Note 4	6,559,643	-
Reclamation bonds	24,500	17,000
Resource properties – Notes 5, 6 and Schedule I	7,779,101	2,137,422
	$ 43,792,486	$ 5,548,283

LIABILITIES

Current		
Accounts payable and accrued liabilities – Note 7	$ 233,898	$ 106,484

SHAREHOLDERS' EQUITY

Share capital – Note 6	49,555,396	9,156,025
Share subscriptions receivable – Note 6	(112,500)	(166,100)
Contributed surplus – Note 6	3,729,480	722,895
Accumulated other comprehensive loss – Note 2(l)	(1,668,651)	-
Deficit	(7,945,137)	(4,271,021)
	43,558,588	5,441,799
	$ 43,792,486	$ 5,548,283

Commitments – Notes 5 and 6
Subsequent Events – Note 6

APPROVED BY THE DIRECTORS:

"Shaun Ledding" Director
Shaun Ledding

"David Hodge" Director
David Hodge

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS
for the years ended October 31, 2007 and 2006

	2007	2006
Administrative costs		
Administration fees – Note 7	$ 542,000	$ 24,300
Advertising and website	453,217	196,083
Amortization	-	633
Bank charges and interest	3,075	1,455
Consulting fees	5,994	83,296
Filing and transfer agent fees	26,852	55,926
Investor relations	408,512	131,361
Office, telephone and miscellaneous – Note 7	25,712	36,252
Professional fees	79,183	37,700
Property investigation – Note 7	9,742	-
Rent – Note 7	28,000	28,500
Stock-based compensation – Note 6	2,323,458	622,929
Travel and promotion	210,054	77,527
Wages and benefits – Note 7	142,690	123,939
Loss before other items and income taxes	(4,258,489)	(1,419,901)
Other items:		
Interest income	524,457	11,425
Gain on disposal of resource properties	17,660	-
Loss before income taxes	(3,716,372)	(1,408,476)
Recovery of future income taxes – Note 8	42,256	50,822
Net loss for the year	(3,674,116)	(1,357,654)
Other comprehensive loss		
Unrealized loss on asset-backed commercial paper – Note 4	(1,639,911)	-
Unrealized loss on marketable securities – Note 3	(28,740)	-
	(1,668,651)	-
Comprehensive loss for the year	$ (5,342,767)	$ (1,357,654)
Basic and diluted loss per share	$ (0.05)	$ (0.03)
Weighted average number of shares outstanding	77,903,070	38,824,723

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF SHAREHOLDERS' EQUITY
for the years ended October 31, 2007 and 2006

	Share Capital Number	Share Capital Dollars	Share Subscriptions Receivable	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, October 31, 2005	26,821,758	$ 3,744,715	$ -	$ 147,750	$ -	$ (2,913,367)	$ 979,098
Issued for cash:							
Private placements	24,451,427	5,301,415	(166,100)	-	-	-	5,135,315
Less: share issuance costs	163,666	(191,157)	-	-	-	-	(191,157)
Exercise of warrants	1,291,500	232,470	-	-	-	-	232,470
Exercise of options	1,873,500	71,620	-	-	-	-	71,620
Stock-based compensation	-	-	-	622,929	-	-	622,929
Net loss	-	-	-	-	-	(1,357,654)	(1,357,654)
Transfer of contributed surplus on exercise of options	-	47,784	-	(47,784)	-	-	-
Renunciation of flow-through shares	-	(50,822)	-	-	-	-	(50,822)
Balance, October 31, 2006	53,310,351	9,156,025	(166,100)	722,895	-	(4,271,021)	5,441,799
Issuance of share capital	28,877,442	33,257,580	53,600	-	-	-	33,311,180
Share issue costs	263,212	(2,705,666)	-	926,153	-	-	(1,779,513)
Exercise of warrants	25,366,760	7,970,383	-	-	-	-	7,970,383
Exercise of stock options:							
Cash proceeds	2,885,500	615,730	-	-	-	-	615,730
Ascribed value	-	419,628	-	(419,628)	-	-	-
Shares and warrants for property	735,000	1,014,300	-	176,602	-	-	1,190,902
Stock-based compensation	-	-	-	2,323,458	-	-	2,323,458
Renunciation of flow-through shares	-	(172,584)	-	-	-	-	(172,584)
Net loss	-	-	-	-	-	(3,674,116)	(3,674,116)
Write-down of asset-backed commercial paper	-	-	-	-	(1,639,911)	-	(1,639,911)
Unrealized losses on available-for-sale financial assets	-	-	-	-	(28,740)	-	(28,740)
Balance, October 31, 2007	111,438,265	$ 49,555,396	$ (112,500)	$ 3,729,480	$ (1,668,651)	$ (7,945,137)	$ 43,558,588

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF CASH FLOWS
for the years ended October 31, 2007 and 2006

	2007	2006
Operating Activities		
Net loss for the year	$ (3,674,116)	$ (1,357,654)
Add (deduct) items not affecting cash:		
Amortization	-	633
Gain on disposition of marketable securities	(997)	-
Gain on disposal of resource properties	(17,660)	-
Stock-based compensation	2,323,458	622,929
Recovery of future income taxes	(42,256)	(50,822)
	(1,411,571)	(784,914)
Changes in non-cash working capital items related to operations:		
Amounts receivable	3,061	1,546
Goods and services tax receivable	(124,451)	(48,626)
Prepaid expenses	87,016	(89,710)
Accounts payable	127,414	(2,258)
Cash used in operating activities	(1,318,531)	(923,962)
Financing Activities		
Issue of share capital for cash, net	39,933,852	5,220,796
Share subscriptions receivable	53,600	(166,100)
Advances from related parties	-	40,208
Cash provided by financing activities	39,987,452	5,094,904
Investing Activities		
Acquisition of resource properties	(124,411)	(15,000)
Proceeds from property option agreements	10,000	10,000
Proceeds from disposition of equipment	-	3,150
Asset-backed commercial paper	(8,199,554)	-
Reclamation bond	(7,500)	(5,000)
Deferred exploration and development costs	(4,341,207)	(1,016,794)
Cash used in investing activities	(12,662,672)	(1,023,644)
Increase in cash during the year	26,006,249	3,147,298
Cash and cash equivalents, beginning of year	3,182,794	35,496
Cash and cash equivalents, end of year	$ 29,189,043	$ 3,182,794
Cash and cash equivalents consist of:		
Cash	$ 3,576,927	$ 2,432,794
Guaranteed Investment Certificates	25,612,116	750,000
	$ 29,189,043	$ 3,182,794

Non-cash Transactions – Note 9

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP. Schedule I

SCHEDULE OF RESOURCE PROPERTIES

for the year ended October 31, 2007

	Blue River Claims	Eldor Property	Other Claims	Totals
Acquisition costs				
Balance, beginning of the year	$ -	$ -	$ 33,767	$ 33,767
Cash	45,000	-	10,000	55,000
Staking	69,411	-	-	69,411
Shares	-	1,190,901	-	1,190,901
Less: option proceeds	-	-	(14,840)	(14,840)
Balance, end of the year	114,411	1,190,901	28,927	1,334,239
Deferred exploration and development costs				
Balance, beginning of the year	2,036,759	-	66,896	2,103,655
Drilling	833,260	-	-	833,260
Drafting and engineering	1,136,451	532,129	-	1,668,580
Environmental consulting fees	973,523	-	-	973,523
Geological consulting fees – Note 7	324,151	13,122	21,917	359,190
Lab analysis	163,013	-	-	163,013
Overhead	98,368	76,672	824	175,864
Recording fees and staking	3,250	2,652	20,260	26,162
Travel	84,705	56,910	-	141,615
	3,616,721	681,485	43,001	4,341,207
Balance, end of the year	5,653,480	681,485	109,897	6,444,862
Balance, October 31, 2007	$ 5,767,891	$ 1,872,386	$ 138,824	$ 7,779,101

…/Cont'd

Schedule 1
Continued

COMMERCE RESOURCES CORP.
SCHEDULE OF RESOURCE PROPERTIES
for the year ended October 31, 2006

	Blue River Claims	Other Claims	Totals
Acquisition costs			
Balance, beginning of the year	$ -	$ 28,767	$ 28,767
Cash	-	15,000	15,000
Shares	-	32,000	32,000
Less: option proceeds	-	(42,000)	(42,000)
Balance, end of the year	-	33,767	33,767
Deferred exploration and development costs			
Balance, beginning of the year	1,080,569	6,292	1,086,861
Drilling	409,792	-	409,792
Equipment rent	44,796	3,448	48,244
Geological consulting fees	308,662	44,814	353,476
Lab analysis	48,256	-	48,256
Overhead	46,172	6,933	53,105
Recording fees	48,337	794	49,131
Supplies and miscellaneous	13,727	3,061	16,788
Travel	36,448	1,554	38,002
	956,190	60,604	1,016,794
Balance, end of the year	2,036,759	66,896	2,103,655
Balance, October 31, 2006	$ 2,036,759	$ 100,663	$ 2,137,422

SEE ACCOMPANYING NOTES

Note 1 Nature of Operations

Commerce Resources Corp. (the "Company") is a public company listed on the TSX Venture Exchange in Canada and on the Frankfurt Stock Exchange in Germany. The Company was incorporated on May 19, 1999 under the Company Act of British Columbia and is in the business of acquiring, exploring, developing and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At October 31, 2007, the Company was in the exploration stage and had interests in properties located in British Columbia ("B.C."), Canada.

The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results could vary from these estimates.

The financial statements have in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to cash within 90 days when purchased.

b) Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

Note 2 Summary of Significant Accounting Policies – (cont'd)

b) Resource Properties – (cont'd)

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

c) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated over the estimated useful lives using the declining balance method at the following annual rates:

Furniture and equipment	20%
Computer equipment	30%

Additions during the year are amortized at one-half the annual rates.

d) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities are exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Fully dilutive amounts are not presented when the effect of the computations is anti-dilutive due to the losses incurred. However, shares issuable on exercise of stock options and warrants totalling 36,985,793 (2006: 29,838,510) were not included in the computation of diluted loss per share because the effect would have been anti-dilutive.

e) Fair Market Value of Financial Instruments

The Company's financial instruments, consist of cash and cash equivalents, marketable securities, amounts receivable, share subscriptions receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Note 2 Summary of Significant Accounting Policies – (cont'd)

f) Income Taxes

Income taxes are calculated using the asset and liability method of accounting. Future income tax assets and liabilities relate to the expected future tax consequences of temporary differences between the carrying value of balance sheet items and their corresponding tax values. Future income tax assets and liabilities are calculated using tax rates anticipated to apply in periods that the temporary differences are expected to reverse and are adjusted for the effects of changes in tax law and rates on the date of enactment or substantive enactment. Future income tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the net future income tax assets will be realized.

g) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset. At October 31, 2007 and 2006, the Company has estimated the fair value of the resource properties' site restoration costs, if any, are insignificant.

h) Mining Tax Credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in B.C., Canada and are recorded as a reduction of the related deferred exploration expenditures.

i) Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction dates. Foreign currency denominated revenues and expenses are translated at exchange rates prevailing at the transaction dates. Gains or losses arising from the translations are recognized in the current year.

Note 2 Summary of Significant Accounting Policies – (cont'd)

j) Stock-based Compensation

The standard requires that all stock-based awards be measured and recognized in these financial statements using a fair value based method such as the Black-Scholes option pricing model. The fair value of stock options granted to non-employees is re-measured on each balance sheet date. Compensation expense for employees is generally amortized using the straight line method over the period from the grant date to the date the options vest. Compensation expense for non-employees is recognized immediately for past services and pro-rata for future services over the service provision period.

k) Flow-through Shares

Effective March 19, 2004, the Canadian Institute of Chartered Accountants issued additional guidance on the accounting treatment of Canadian flow-through shares through its Emerging Issues Committee Abstract ("EIC") No. 146. All flow-through shares issued by the Company on or after March 19, 2004 are accounted for in accordance with this Abstract. The Abstract recommends that upon renunciation to the shareholders, the Company will reduce share capital and recognize a temporary future income tax liability for the amount of tax reduction renounced to the shareholders. In instances where the Company has sufficient available tax loss carry forwards or other deductible temporary differences available to offset the renounced tax deduction is more likely-than-not able to utilize these tax losses before expiring, the realization of the deductible temporary differences will be credited to income in the period of renunciation.

l) Changes in Accounting Policies

Effective with the commencement of its 2007 fiscal year, the Company has adopted the Canadian Institute of Chartered Accountants (''CICA'') Handbook Section 1530, *Comprehensive Income*, CICA Handbook Section 3251, *Equity*, CICA Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, CICA Handbook Section 3861, *Financial Instruments - Disclosure and Presentation*, and CICA Handbook Section 3865, *Hedges*. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied.

Consistent with the requirements of the new accounting standards, the Company has not restated any prior period amounts as a result of adopting the accounting changes. The effect of the adoption of these standards is summarized below:

Note 2 Summary of Significant Accounting Policies – (cont'd)

l) Changes in Accounting Policies – (cont'd)

i) Comprehensive Income, Section 1530

This Section establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with generally accepted accounting principles. A new category of shareholders' equity has been presented in relation to the new standards.

The Company has adopted this standard and accordingly, the Company now reports an "accumulated other comprehensive loss" in the shareholders' equity section of the balance sheet.

ii) Financial instruments – Recognition and Measurement, Section 3855

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on the balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in either the statements of operations or the statement of comprehensive income.

All financial assets and liabilities are recognized when the Company becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect.

Under these new standards, all financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held to maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and transaction costs are amortized into net earnings (loss), using the effective interest method.

Note 2 Summary of Significant Accounting Policies – (cont'd)

l) Changes in Accounting Policies – (cont'd)

ii) Financial instruments – Recognition and Measurement, Section 3855 – (cont'd)

- Available for sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is realized, at which time they will be recorded in net earnings.

- Held for trading financial instruments is measured at fair value. All gains and losses resulting from changes in their fair value are included in the statement of operations in the period in which they arise.

- All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses resulting from changes in their fair value are included in the statement of operations in the period in which they arise.

In accordance with this new standard, the Company has classified its financial instruments as follows:

- Cash and cash equivalents, marketable securities and asset-backed commercial paper are classified as available for sale. They are recorded at fair value at initial recognition. Subsequent revaluation resulting in gains or losses is recorded in the statements of other comprehensive income. There was no impact on the opening balance of accumulated other comprehensive income upon the adoption of these new standards.

- Amounts receivable is classified as loans and receivables. They are recorded at cost, which on initial recognition represents their fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

- Accounts payable and accrued liabilities are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.

iii) Financial Instruments – Disclosure and Presentation, Section 3861

This standard sets out standards which address the presentation of financial instruments and non-financial derivates, and identifies the related information that should be disclosed. These standards also revise the requirements for entities to provide accounting policy disclosures, including disclosure of the criteria for designating as held-for-trading those financial assets or liabilities that are not required to be classified as held-for-trading; whether categories of normal purchases and sales of financial assets are accounted for at trade date or settlement date; the accounting policy for transaction costs on financial assets and financial liabilities classified as other than held-for-trading; and provides several new requirements for disclosure about fair value.

Note 2 Summary of Significant Accounting Policies – (cont'd)

l) Changes in Accounting Policies – (cont'd)

iii) Financial Instruments – Disclosure and Presentation, Section 3861 – (cont'd)

The Company has chosen to recognize all transaction costs to the statement of net loss on all financial liabilities that have been designated as other than held for trading.

iv) Hedging, Section 3865

This standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not hold any financial instruments designated for hedge accounting.

v) Accounting Changes, Section 1506

Section 1506 revised the standards on changes in accounting policy, estimates or errors to require a change in accounting policy to be applied retrospectively (unless doing so is impracticable or is specified otherwise by a new accounting standard), changes in estimates to be recorded prospectively, and prior period errors to be corrected retrospectively. Voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information. In addition, these revised standards call for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact of this new standard cannot be determined until such time as the Company makes a change in accounting policy, other than the changes resulting from the implementation of the new CICA Handbook standards discussed in this note.

m) International Financial Reporting Standards

The CICA plans to converge Canadian GAAP with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Company's financial statements has yet to be determined.

Note 3 Marketable securities

	Cost	Unrealized Loss	Fair Value October 31, 2007	Fair Value October 31, 2006
Available-for-sale	$ 76,850	$ 28,740	$ 48,110	$ 53,352

Note 4 Asset-Backed Commercial Paper

As at October 31, 2007, notes held in asset-backed commercial paper ("paper") at Canaccord Capital Inc. totaled $8,199,554. Included in this amount is $2,157,305 which should have matured by August 27, 2007 and September 26, 2007, was not paid and remains outstanding. The investment was rated "R1" by Dominion Bond Rating Services.

Management of the Company has assessed the market value of the paper and has decided to write down the paper by 20% ($1,639,911), based on Canaccord Capital Inc. writing down its asset-backed commercial paper by a similar percentage in the nine months ended December 31, 2007.

Note 5 Resource Properties

Blue River Claims – (formerly Verity and Fir Claims)

The Company has a 100% interest in its Verity and Fir claims, located in the Blue River region of the Kamloops Mining District of B.C., Canada, which were previously acquired by staking. During the year ended October 31, 2007, the Company acquired a 100% interest in three additional Fir claims.

Eldor Property

The Company acquired by staking and a purchase agreement with Virginia Mines Inc. ("Virginia Mines") a 100% interest in the Eldor Carbonatite Complex, located in the Labrador Trough area of Quebec, Canada. The Company has agreed to purchase 8 mineral claims covering a portion of the Eldor Carbonatite. The claims are adjacent to the approximately 88 claims staked previously. Pursuant to the terms of the purchase agreement, the Company issued 710,000 common shares and 290,000 share purchase warrants to Virginia Mines. The share purchase warrants are exercisable at $1.12 per share with an expiry date of two years from date of issuance. In connection with this transaction, the Company issued 25,000 common shares as a finder's fee. The total of 735,000 common shares issued for this transaction is valued at $1,014,300 which is determined by the closing price of the Company's shares on the date of the execution of the option agreement. A charge of $176,602 has been recorded in resource properties acquisition costs in respect to the share purchase warrants. The fair value of these warrants has been determined using the Black-Scholes option pricing model with the following assumptions:

		2007
Weighted average fair value of warrants issued	$	0.61
Expected dividend yield		0.0%
Expected volatility		62.1%
Risk-free interest rate		4.50%
Expected term in years		2 years

Note 5 Resource Properties – (cont'd)

Eldor Property – (cont'd)

Virginia Mines will also be entitled to a 1% net smelter royalty. A total of 5 claims noted above are subject to an underlying 5% net profit royalty, which can be purchased for $500,000.

Other Claims

Other claims consist of mineral claims located in B.C., Canada known as the Cable Creek, Mud Lake, Carbo and Au/WEN claims. During the year ended October 31, 2007 the Company sold all of its interest in the Au/WEN claims.

Note 6 Share Capital

Authorized:

Unlimited common shares without par value

Issued:

		Number	Amount
Balance, October 31, 2005		26,821,758	$ 3,744,715
Issued for cash:			
– Private placements	- at $0.12	10,576,000	1,269,120
	- at $0.16	930,950	148,952
	- at $0.30	12,944,477	3,883,343
Less: share issuance costs		163,666	(191,157)
– Exercise of warrants	- at $0.18	1,291,500	232,470
– Exercise of options	- at $0.10	350,000	35,000
	- at $0.13	140,000	18,200
	- at $0.18	30,000	5,400
	- at $0.21	62,000	13,020
Transfer of contributed surplus on exercise of options		-	47,784
Less: renunciation of flow-through shares		-	(50,822)

…/cont'd

Note 6 Share Capital – (cont'd)

Issued: – (cont'd)

		Number	Amount
Balance, October 31, 2006		53,310,351	9,156,025
Issued for Eldor property:	- at $1.38	735,000	1,014,300
Issued for cash:			
– Private placements	- at $0.32	1,585,625	507,400
	- at $1.20	27,291,817	32,750,180
Less: share issuance costs		263,212	(2,705,666)
– Exercise of warrants	- at $0.12	2,083,333	250,000
	- at $0.18	10,195,450	1,835,181
	- at $0.42	146,250	61,425
	- at $0.45	12,941,727	5,823,777
– Exercise of options	- at $0.10	600,000	60,000
	- at $0.15	500,000	75,000
	- at $0.18	700,000	126,000
	- at $0.20	100,000	20,000
	- at $0.21	113,000	23,730
	- at $0.30	500,000	150,000
	- at $0.35	135,000	47,250
	- at $0.40	50,000	20,000
	- at $0.50	187,500	93,750
Transfer of contributed surplus on exercise of options		-	419,628
Less: renunciation of flow-through shares		-	(172,584)
Balance, October 31, 2007		111,438,265	$ 49,555,396

During the year ended October 31, 2007, the Company issued 28,877,442 common shares pursuant to the following private placements:

a) Issued 1,585,625 common shares pursuant to a non-brokered private placement of units at $0.32 per unit for total proceeds of $507,400. Each unit consists of one flow-through common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $0.42 per share until January 9, 2009. Of the 1,585,625 common shares issued pursuant to the private placement, 640,625 common shares were issued to directors of the Company.

Note 6 Share Capital – (cont'd)

Issued: – (cont'd)

b) Issued 27,291,817 common shares pursuant to a private placement of units at $1.20 per unit for total proceeds of $32,750,180. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $1.50 per share until July 24, 2009. Of the 27,291,817 common shares issued pursuant to the private placement, 145,000 common shares were issued to directors of the Company and a company with a common director. Finders' fees relating to this offering were 263,212 common shares (valued at $1.20 per share, which is the offering price of the private placement) cash of $1,909,841 and 1,232,101 brokers warrants entitling the holders to purchase one unit at $1.20 per unit for each warrant held up to August 1, 2009. The units have the same terms as in this private placement. The fair value of the brokers' warrants issued is $926,153 which has been determined using the Black-Scholes option pricing model with the following assumptions:

		2007
Weighted average fair value of warrants issued	$	0.75
Expected dividend yield		0.0%
Expected volatility		103%
Risk-free interest rate		4.73%
Expected term in years		2 years

Subsequent to October 31, 2007, the Company received payment in respect to the subscriptions receivable of $112,500.

During the year ended October 31, 2006, the Company issued 24,615,093 common shares pursuant to the following private placements.

a) 3,371,950 (930,950 flow-through) units at $0.12 per unit (flow-through at $0.16) for total proceeds of $441,872. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $0.18 per share for a period of one year. Finders' fees relating to this offering were 102,416 common shares and cash of $12,090.

b) 8,135,000 units at $0.12 per unit for total proceeds of $976,200. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $0.18 per share for a period of one year. A finder's fee relating to this offering was 50,000 common shares and cash of $5,000.

Note 6 Share Capital – (cont'd)

Issued: – (cont'd)

c) 12,944,477 units at $0.30 per unit for total proceeds of $3,883,343. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $0.45 per share for a period of one year. Finders' fees relating to this offering were 11,250 common shares and cash of $174,067. As at October 31, 2006, the Company had received $3,717,243 of the total proceeds. The remaining balance of $166,100 was received during the year ended October 31, 2007.

All proceeds from the above private placements were allocated to share capital with no amounts allocated to the attached warrants.

Stock Options

The Company has a stock option plan for officers, directors, employees and consultants. Options are granted with an exercise price determined by the Board of Directors, which may not be less than 25% of the Company's stock price on the date of the grant. All stock options vest immediately, except for those granted to employees and/or consultants engaged in investor relations activities, of which no more than one-quarter of the options granted may vest in any three month period.

A summary of the stock options as of October 31, 2007 is presented below:

	2007		2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at the beginning of the year	4,593,000	$0.24	1,765,000	$0.12
Granted	5,100,000	$0.84	3,910,000	$0.26
Exercised	(2,885,500)	$0.19	(582,000)	$0.12
Forfeited	(75,000)	$0.10	(500,000)	$0.14
Options outstanding, end of the year	6,732,500	$0.70	4,593,000	$0.24
Options exercisable, end of the period	5,532,500	$0.63	4,405,500	$0.23

Note 6 Share Capital – (cont'd)

Stock Options – (cont'd)

During the year ended October 31, 2007, a compensation charge associated with stock-based compensation in the amount of $2,323,458 (2006: $622,929) has been recorded in the statements of operations. The fair value of the compensation charges has been determined using the Black-Scholes option pricing model with the following assumptions:

	2007	2006
Weighted average fair value of options granted	$0.84	$0.10
Expected dividend yield	0.0%	0.0%
Expected volatility	58% - 63%	90.8%
Risk-free interest rate	4.00% - 4.50%	4.00%
Expected term in years	2-5 years	2-5 years

At October 31, 2007, the Company had 6,732,500 (2006: 4,593,000) share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

Number 2007	Number 2006	Exercise Price	Expiry Date
-	100,000	$0.20	January 6, 2007
-	300,000	$0.10	January 23, 2007
-	375,000	$0.10	July 24, 2007
62,500	250,000	$0.50	June 9, 2008
250,000	750,000	$0.15	February 6, 2011
20,000	720,000	$0.18	February 20, 2011
250,000	363,000	$0.21	February 20, 2011
500,000	500,000	$0.30	March 15, 2011
-	135,000	$0.35	September 14, 2011
-	500,000	$0.30	September 27, 2011
550,000	550,000	$0.35	September 27, 2011
-	50,000	$0.40	September 27, 2011
2,000,000	-	$0.67	March 16, 2012
500,000	-	$0.55	March 31, 2012
500,000	-	$0.75	March 31, 2012
550,000	-	$1.15	April 16, 2012
100,000	-	$1.25	April 17, 2012
250,000	-	$1.12	June 6, 2012
1,000,000	-	$1.00	September 20, 2012
200,000	-	$1.15	October 3, 2012
6,732,500	4,593,000		

At October 31, 2007, the 6,732,500 share purchase options outstanding have exercise prices between $0.15 and $1.25 and a weighted average remaining contractual life of 3.82 years.

Note 6 Share Capital – (cont'd)

Stock Options – (cont'd)

During the year ended October 31, 2007, a total of 2,885,500 stock options were exercised at prices ranging from $0.10 - $0.50 per share for proceeds of $615,730.

Share Purchase Warrants

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)	Number of Warrants	Weighted Average Exercise Price	Weighted Average Life (Years)
Balance, beginning of year	25,243,260	$0.31	1.0	2,733,333	$0.15	1.0
Issued	28,877,442	$1.44	2.0	24,451,427	$0.32	1.0
Exercised	(25,364,510)	$0.31	1.0	(1,291,500)	$0.18	1.0
Expired	(25,000)	$0.23	1.0	(650,000)	$0.25	1.0
Balance, end of year	28,731,192	$1.45	2.0	25,243,260	$0.31	1.0

The following share purchase warrants are outstanding entitling the holder thereof the right to purchase one common share for each warrant held:

Number 2007	Number 2006	Exercise Price	Expiry Date
-	2,230,450	$0.18	November 25, 2006
-	385,000	$0.18	December 6, 2006
-	7,600,000	$0.18	December 20, 2006
-	2,083,333	$0.12	January 18, 2007
-	9,517,478	$0.45	September 25, 2007
-	3,426,999	$0.45	October 13, 2007
1,439,375	-	$0.42	January 9, 2009
3,761,003	-	$1.50	June 26, 2009
14,674,600	-	$1.50	July 24, 2009
8,856,214	-	$1.50	August 1, 2009
28,731,192	25,243,260		

a) 12,278,783 share purchase warrants expiring on or before January 18, 2007 were exercised at $0.12 - $0.18 for total proceeds of $2,085,181.

Note 6 Share Capital – (cont'd)

Share Purchase Warrants – (cont'd)

b) 13,085,727 share purchase warrants with an exercise price of $0.42 to $0.45 per share were exercised for proceeds of $5,884,190.

c) 20,000 share purchase warrants with an exercise price of $0.18 per share expired unexercised and 5,000 share purchase warrants with an exercise price of $0.45 per share expired unexercised.

Subsequent to October 31, 2007, 95,750 warrants were exercised for total proceeds of $40,215.

Brokers Units and Warrants

The following brokers units and warrants are also outstanding entitling the holder thereof the right to purchase one common share for each unit or warrant held:

Number			Exercise	
2007	2006	Description	Price	Expiry Date
-	2,250	Warrants	$0.45	September 25, 2007
290,000	-	Warrants	$1.12	June 19, 2009
1,232,101	-	Brokers' units	$1.20	August 1, 2009
1,232,101	-	Warrants*	$1.50	August 1, 2009
2,754,202	2,250			

*Exercisable only if units are taken

During the year, 2,250 warrants were exercised for total proceeds of $1,012.

Flow-through Shares

In December, 2006 the Company issued 1,585,625 flow-through common shares at $0.32 per share for proceeds of $507,400. The Company has spent the proceeds on exploration and development activities and renounced the expenditures to the flow-through shareholders. A reduction in share capital of $172,584 was recognized during the year ended October 31, 2007 as a result of this renunciation.

In November 2005, the Company issued 930,950 flow-through common shares at $0.16 per share for proceeds of $148,952. As at October 31, 2006, the Company had spent the proceeds on exploration and development activities and renounced the expenditures to the flow-through shareholders. A reduction in share capital of $50,822 was recognized during the year ended October 31, 2006 as a result of this renunciation.

Note 6 Share Capital – (cont'd)

Contributed surplus

	2007	2006
Balance, beginning of year	$ 722,895	$ 147,750
Stock based compensation	2,323,458	622,929
Reduction from the exercise of options	(419,628)	(47,784)
Issuance of warrants for resource property	176,702	-
Issuance of warrants for private placement	926,153	-
Balance, end of year	$ 3,729,480	$ 722,895

Note 7 Related Party Transactions

Except as disclosed elsewhere in these financial statements, the Company had the following related party transactions with directors of the Company and a company with a common director:

	2007	2006
Administration fees	$ 20,000	$ 24,300
Deferred exploration and development costs	1,519,564	427,715
Office, telephone and miscellaneous	-	26,700
Property investigation	8,762	-
Rent	-	28,500
Wages and benefits	106,840	94,250
	$ 1,655,166	$ 601,465

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

At October 31, 2007, accounts payable includes $104,903 (2006: $53,512) due to a director and a company with a common director of the Company. In addition, the Company has a receivable of $2,364 (2006: $Nil) from a director of the Company. These amounts are non-interest bearing, unsecured and have no specific terms of repayment.

Note 8 Corporation Income Taxes

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

	2007	2006
Statutory tax rate	34.12%	34.12%
Loss before income taxes	$ (3,716,372)	$ (1,408,476)
Expected income tax recovery	1,268,026	480,572
Increase (decrease) in income tax recovery resulting from:		
Resource allowance adjustment	-	(48,263)
Non-deductible stock-based compensation	(792,764)	(212,543)
Share issue costs	144,181	19,077
Other non-deductible items	(70,350)	(1,875)
Change in the valuation allowance for future income tax assets	(506,837)	(186,236)
Income tax recovery	$ 42,256	$ 50,822

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

	2007	2006
Non-capital losses carry forward	$ 1,416,072	$ 816,649
Canadian development and exploration expenditures	(271,634)	(38,760)
Share issue costs	561,160	53,089
Other comprehensive loss	569,344	-
Other	2,330	2,554
	2,277,272	833,532
Less: valuation allowance	(2,277,272)	(833,532)
	$ -	$ -

The Company has recorded a valuation allowance against its net future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward period to utilize all the net future tax assets.

During the year ended October 31, 2007, the Company renounced exploration expenditures relating to flow-through shares totalling $507,400 (2006: $148,952). These amounts are not available to the Company for future deduction from taxable income.

Note 8 Corporation Income Taxes – (cont'd)

Subject to certain restrictions, the Company has accumulated $7,159,000 of Canadian development and exploration expenditures available to reduce taxable income of future years. In addition, the Company has accumulated non-capital losses totalling $4,150,271 that are available to reduce taxable income of future years. The non-capital losses expire as follows:

2008	$ 386,319
2009	386,658
2010	254,663
2014	296,389
2015	336,430
2026	703,156
2027	1,786,656
	$ 4,150,271

Note 9 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows:

During the year ended October 31, 2007:

a) The Company received 50,000 common shares of another public company, having a market value of $15,000, pursuant to an agreement to sell certain mineral claims.

b) The Company issued 263,212 shares as finders' fees valued at $315,854 (Note 6).

c) The Company issued 735,000 common shares and 290,000 warrants on the acquisition of the Eldor Carbonatite Property, valued at $1,190,902 (Note 5).

During the year ended October 31, 2006:

a) The Company received 100,000 common shares of another public company, having a market value of $32,000, pursuant to an agreement to sell certain mineral claims;

b) The Company sold 100,000 common shares of another public company, having a market value of $32,000, pursuant to an agreement to acquire certain mineral claims;

c) The Company issued 152,416 common shares at $0.12 per share for a total of $18,290 as finders' fees on two private placements; and

d) The Company issued 11,250 common shares at $0.30 per share for a total of $3,375 as finders' fees on a private placement.

Note 10 Comparative figures

Certain figures included in the comparative financial statements as at October 31, 2006 and for the year then ended have been reclassified to conform with the presentation used in the current year.