Financial Statements

Plato Gold Corp.

For the Years Ended December 31, 2007 and 2006

INDEX

PLATO GOLD CORP

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements and other financial information for this annual report were prepared by the management of Plato Gold Corp., reviewed by the Audit Committee of the Board of Directors, and approved by the Board of Directors.

Management is responsible for the preparation of the financial statements and believes that they fairly represent the Company's financial position and the results of operations in accordance with Canadian generally accepted accounting principles. Management has included amounts in the Company's financial statements based on estimates, judgements, and policies that it believes reasonable in the circumstances.

To discharge its responsibilities for financial reporting and for the safeguarding of assets, management believes that it has established appropriate systems of internal accounting control which provide reasonable assurance that the assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's books and records.

"Anthony J. Cohen"
President and CEO

"Greg K. W. Wong"
CFO

Toronto, Ontario
April 18, 2008

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AUDITORS' REPORT

To the Shareholders of
Plato Gold Corp.

We have audited the balance sheets of Plato Gold Corp. as at December 31, 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 December 31, 2007 and 2006 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Smith Nixon LLP

Licensed Public Accountants
Chartered Accountants
Toronto, Ontario
February 14, 2008

Plato Gold Corp.

Balance Sheets
As at December 31

	2007	2006
Assets		
Current Assets		
Cash	$ 790,724	$ 418,877
Other receivables	6,735	43,261
Deposits and prepaid expenses	-	34,976
	797,459	497,114
Mineral Properties and Deferred Exploration Costs (note 4)	2,869,553	2,411,420
Property, Plant and Equipment (note 5)	3,167	4,523
	$ 3,670,179	$ 2,913,057
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 131,433	$ 336,195
Due to related parties (note 6)	-	102,537
	131,433	438,732
Shareholders' Equity		
Share Capital (note 7)	4,151,864	3,436,910
Warrants (note 8)	552,867	135,246
Stock Options (note 9)	501,042	282,910
Contributed Surplus (note 10)	214,555	155,503
Deficit	(1,881,582)	(1,536,244)
	3,538,746	2,474,325
	$ 3,670,179	$ 2,913,057

The accompanying notes form an integral part of these financial statements.

Approved on behalf of the Board

"Anthony J. Cohen", Director "Robert E. Van Tassell", Director

Plato Gold Corp.

Statements of Operations and Deficit
For the Years Ended December 31

	2007	2006
Revenue		
Interest income	$ 10,666	$ 1,923
Expenses		
Amortization	1,356	1,938
Consulting fees	129,350	125,601
Insurance	19,335	25,060
Interest and financing costs	1,429	643
Investor relations	30,000	-
Office and general	10,413	15,991
Professional fees	116,270	45,587
Publicity and advertising	11,900	13,050
Rent	22,641	22,518
Salaries and benefits	147,207	138,515
Stock-based compensation (note 9)	198,687	254,724
Transfer and filing fees	32,575	36,553
	721,163	680,180
Loss Before the Undernoted Items	(710,497)	(678,257)
Write-down of mineral properties and deferred exploration costs	(300)	(9,867)
Loss before Income Taxes	(710,797)	(688,124)
Future Income Tax Recoveries	365,459	282,458
Net loss for the Year	(345,338)	(405,666)
Deficit - Beginning of Year	(1,536,244)	(1,130,578)
Deficit - End of Year	$ (1,881,582)	$ (1,536,244)
Loss per Share - basic and diluted	$ (0.01)	$ (0.01)
Weighted Average Number of Common Shares Outstanding - basic and diluted	42,925,155	27,331,382

The accompanying notes form an integral part of these financial statements.

Plato Gold Corp.

Cash Flow Statements
For the Years Ended December 31

	2007	2006
Cash Flows from Operating Activities		
Net loss	$ (345,338)	$ (405,666)
Items not affecting cash		
Amortization	1,356	1,938
Stock-based compensation	198,687	254,724
Write-down of mineral properties and deferred exploration costs	300	9,867
Future income tax recoveries	(365,459)	(282,458)
	(510,454)	(421,595)
Changes in non-cash working capital		
Other receivables	36,526	39,563
Deposits and prepaid expenses	34,976	2,502
Accounts payable and accrued liabilities	(32,545)	(40,889)
	(471,497)	(420,419)
Cash Flows from Financing Activities		
Proceeds from private placements	1,720,800	1,557,000
Share issuance costs	(154,269)	(40,029)
Proceeds from exercise of stock options	-	41,271
Due to related parties	(102,537)	-
	1,463,994	1,558,242
Cash Flows from Investing Activities		
Expenditures on mineral properties and deferred exploration costs	(844,276)	(845,857)
Quebec Government exploration rebate	223,626	-
	(620,650)	(845,857)
Change in cash	371,847	291,966
Cash - beginning of year	418,877	126,911
Cash - end of year	$ 790,724	$ 418,877
Non-cash financing and investing activities		
Stock options granted to agent	$ 107,397	$ 9,896
Stock options granted to directors, officers and employees	$ 198,687	$ 254,724
Shares issued for acquisition of mineral properties	$ 10,000	$ 160,000

The accompanying notes form an integral part of these financial statements.

1. Nature of Operations

Plato Gold Corp. (the "Company") is an Ontario corporation formed by amalgamation on May 30, 2005.

A predecessor corporation (Plato Gold Corp.) commenced operations in November 1996 when it entered into an agreement to acquire an interest in mining properties in the Timmins area of Northern Ontario.

The other predecessor corporation (Shatheena Capital Corp.) was classified as a Capital Pool Company as defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4.

The Company is now a public junior gold exploration company with three projects. The first project is the Timmins Gold Project in Northern Ontario which includes five properties (Guibord, Harker, Harker-Garrison, Holloway and Marriott) in what is sometimes referred to as the Harker/Holloway gold camp located east of Timmins. The second project, the Val d'Or Project in Northern Quebec, includes 7 properties (Nordeau Bateman, Vauquelin, Pershing Denain, Vauquelin Pershing, Vauquelin Horseshoe, Hop O'My Thumb and Once Upon a Time, which was acquired subsequent to the year end - note 14(b)). The third project, the Lolita Project in San Cruz, Argentina, includes three adjoining concessions in Southern Argentina where active exploration activities are underway by other international junior exploration companies.

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain economic mineral reserves. Consequently, the Company considers itself to be an exploration stage company.

2. New Accounting Policy

Effective January 1, 2007, the Company adopted the recommendations of the following sections of the Canadian Institute of Chartered Accountants Handbook ("CICA Handbook"): Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments - Disclosure and Presentation. These new sections provide standards for classification and measurement of financial instruments.

All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in the statement of operations in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses, included in the statement of comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held to maturity and other financial liabilities are measured at amortized cost using the effective interest method.

2. New Accounting Policy (continued)

The Company has made the following classifications:

Cash	Held for trading
Other receivables	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Due to related parties	Other liabilities

Transaction costs are expensed as incurred for financial instruments classified as held for trading. For other financial instruments, transaction costs are capitalized on initial recognition.

The Company adopted the new standards retrospectively without restatement. There was no material effect as a result of the adoption of the new policy.

3. Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and reflect the following significant accounting policies:

a) Basis of Presentation - Going Concern

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. There is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced recurring losses and has experienced negative cash flows from operations over a number of years. The application of the going concern concept is dependent on the Company's ability to generate future profitable operations. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become payable.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments may be necessary in the carrying value of assets and liabilities and the balance sheet classifications used.

b) Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of operations during the reporting period. Significant estimates and assumptions include those related to the recoverability of resource properties, valuation of options and warrants and the ability to continue as a going concern. While management believes that the estimates and assumptions are reasonable, actual results could differ from those estimates.

3. Significant Accounting Policies (continued)

c) Mineral properties and deferred exploration costs

The Company records its interests in mineral properties and deferred exploration expenditures at cost. Acquisition costs of resource properties together with direct exploration and development expenditures thereon are deferred in the accounts. When production is attained, these costs will be amortized on a units-of-production basis. If the properties are abandoned, sold or considered to be impaired in value, the costs of the properties and related deferred expenses will be written down at that time. When deferred expenditures on individual producing properties exceed the estimated net realizable value of undiscounted proven reserves, the properties are written down to the estimated fair value.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Senior management regularly reviews the carrying amount of mineral properties and deferred exploration and development costs to assess whether there has been any impairment in value.

d) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Amortization is provided over the estimated useful lives of the assets using the declining-balance method at the following rates per annum:

Computer equipment	30%
Furniture and fixtures	30%

Additions during the year are amortized using the half year rule.

e) Flow-through Financing

The Company has financed a portion of its exploration activities through the issuance of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investors. Proceeds received on the issuance of such shares have been credited to capital stock. Related exploration expenditures have been charged to mineral properties and deferred exploration costs. Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation reduce share capital.

f) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on the differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using the substantively enacted tax rates expected to apply when these temporary differences are reversed. Future income tax assets are recorded to recognize tax benefits only to the extent that, based on available evidence, it is more likely than not that they will be realized.

3. Significant Accounting Policies (continued)

g) Stock-Based Compensation

The Company has one stock option plan that is described in note 9.

The Company uses the fair value method to account for stock options granted. Under the fair value method, the Company recognizes estimated compensation expense related to stock options over the vesting period of the options granted, with the related credit being allocated to stock options under shareholders' equity. Upon exercise of these stock options, amounts previously credited to stock options under shareholders' equity are reversed and credited to share capital.

h) Other Stock-Based Payments

The Company accounts for other stock-based payments based on the fair value of services granted or the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions as at the measurement date, whichever is the more reliably measurable.

i) Foreign Currency Translation

The Company translates monetary assets and liabilities at the rate of exchange in effect at the balance sheet date and non monetary assets and liabilities at historical exchange rates. Income and expenses are translated at average rates in the month they occurred. Gains and losses on translation are recorded in loss from operations.

j) Asset Retirement Obligations

The Company is subject to the provisions of CICA Handbook Section 3110, *Asset Retirement Obligations*, which require the estimated fair value of any asset retirement obligations to be recognized as a liability in the period in which the related environmental disturbance occurs and the present value of the associated future costs can be reasonably estimated. As at December 31, 2007 and 2006 the company has not incurred and is not committed to any asset retirement obligations in respect of its mineral exploration properties.

k) Loss Per Share

Loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year, including contingently issuable shares which are included when the conditions necessary for issuance have been met. Diluted loss per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of common share purchase options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for options and warrants. As the Company had a loss in each of the two years presented, basic and diluted loss per share are the same, as the exercise of all options and warrants would be anti-dilutive.

3. Significant Accounting Policies (continued)

l) Related Party Transactions

All transactions with related parties are in the normal course of business and are measured at the exchange amount.

m) Future Accounting Pronouncements

The CICA issued the following new accounting standards which will become effective for fiscal years beginning January 1, 2008.

Section 1535, Capital Disclosures, establishes disclosure requirements relating to an entity's objectives, policies and processes for managing capital. The Company is currently assessing the impact of these new accounting standards on its financial statements. Beyond additional disclosure, the adoption of these new pronouncements is not expected to have an effect on the Company's financial position or results of operations.

Sections 3862, Financial Instruments – Disclosures and 3863, Financial Instruments – Presentation will replace Section 3861 Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements on the nature and extent of risks arising from financial instruments and how a company manages those risks. The Company is currently assessing the impact of these new accounting standards on its financial statements. Beyond additional disclosure, the adoption of these new pronouncements is not expected to have an effect on the Company's financial position or results of operations.

Section 1400 has been amended for new requirements relating to the assessment of an entity's ability to continue as a going concern. The Company has determined that these new standards will have no material impact on the financial statements.

4. Mineral Properties and Deferred Exploration Costs

	December 31, 2007				
	Timmins Gold Project	Val d'Or Project	Lolita Project	Other	Total
Acquisition costs	$ 56,007	$ 81,238	$ 22,943	$ -	$ 160,188
Diamond drilling	6,359	347,682	-	-	354,041
Geochemical	-	33,148	-	-	33,148
Geology	1,387	103,266	22,443	-	127,096
Other	1,878	5,708	-	-	7,586
Current expenditures	65,631	571,042	45,386	-	682,059
Less Quebec Government exploration rebate	-	(223,626)	-	-	(223,626)
Net current expenditures	65,631	347,416	45,386	-	458,433
Balance - beginning of year	1,393,316	1,017,804	-	300	2,411,420
Write-down of mineral properties	-	-	-	(300)	(300)
Balance - end of year	$ 1,458,947	$ 1,365,220	$ 45,386	$ -	$ 2,869,553

	December 31, 2006				
	Timmins Gold Project	Val d'Or Project	Lolita Project	Other	Total
Acquisition costs	$ -	$ 378,873	$ -	$ -	$ 378,873
Diamond drilling	30,121	374,368	-	-	404,489
Geology	-	262,977	-	6,544	269,521
Geophysical	-	-	-	-	-
Linecutting	-	-	-	-	-
Other	8,463	1,586	-	3,623	13,672
Current expenditures	38,584	1,017,804	-	10,167	1,066,555
Balance - beginning of year	1,354,732	-	-	-	1,354,732
Write-down of mineral properties	-	-	-	(9,867)	(9,867)
Balance - end of year	$ 1,393,316	$ 1,017,804	$ -	$ 300	$ 2,411,420

4. Mineral Properties and Deferred Exploration Costs (continued)

a) Timmins Gold Project

The Timmins Gold Project is comprised of five properties along the Destor-Porcupine Fault Zone located east of Timmins. The properties are comprised of 4 leases and 117 claims for a total of 2,416 hectares in the region. Four properties are subject to a 2% net smelter returns royalty to a former director of the Company. The other property is subject to a 2% net metal royalty to the former owner.

b) Val d'Or Project

During the year ended December 31, 2006, the Company entered into an option agreement with Globex Mining Enterprises Inc. ("Globex") to acquire a 100% interest in mineral claims known as the Nordeau East and Nordeau West Property in Vauquelin Township, Quebec, and a 60% interest in certain contiguous mineral claims known as the Bateman Claims in Vauquelin Township, Quebec ("Nordeau Bateman Properties").

In order to acquire the interests in the Nordeau Bateman Properties , the Company agreed to pay Globex cash payments totalling $500,000 by December 31, 2007 (extended to June 30, 2008), of which $200,000 was paid in 2006 and $25,000 in 2007; issue 1,000,000 common shares to Globex at a deemed price of $0.16 per share (issued in 2006); incur exploration expenditures of $6,000,000 by December 31, 2008 (of which $638,932 was incurred in 2006 and $474,092 in 2007) and complete a bankable feasibility study by December 31, 2009. Globex would retain a 2% net metal royalty on all mineral productions as well as a 10% Net Profit Interest after the Company has first recouped out of the Net Profits from operations $5,000,000 of all monies expended for preproduction costs and/or operating costs.

During 2007, the Company staked 5 additional properties known as Vauquelin, Pershing Denain (subject to a 2% net metal royalty), Vauquelin Pershing, Vauquelin Horseshoe, Hop O'My Thumb which are located in Vauquelin Township. All 7 properties in the Val d'Or Project (including Once Upon a Time - note 14(b)) comprise 266 claims covering 5,430 hectares.

c) Lolita Project

During the year ended December 31, 2007, the Company entered into an agreement to acquire a 75% interest in 29,904 hectares known as the Lolita Property in Argentina. The Company is required to incur $50,000US in initial expenditures before June 19, 2009. As at December 31, 2007, the Company has incurred $28,000US in initial expenditures. After the initial expenditures, a Joint Work Program for up to $500,000US will be jointly developed and be financed 75% by the Company and 25% by the other party. The other party is obliged to fund 25% of the Joint Work Program or have its interest diluted on a pro-rata basis to a carried interest of 2%. The other party will retain a 2% net smelter royalty, which can be bought back by the Company for $500,000US.

5. Property, Plant and Equipment

	2007			2006		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Computer equipment	$ 2,879	$ 1,902	$ 977	$ 2,879	$ 1,484	$ 1,395
Furniture and fixtures	5,256	3,066	2,190	5,256	2,128	3,128
	$ 8,135	$ 4,968	$ 3,167	$ 8,135	$ 3,612	$ 4,523

6. Due to Related Parties

	2007	2006
Related company	$ -	$ 25,858
Director	-	76,679
	$ -	$ 102,537

Amounts due to related parties are non-interest bearing, unsecured and due on demand. The Company and the related company have a director in common. This director is also a shareholder and officer of both companies. These amounts were repaid during the year ended December 31, 2007.

7. Share Capital

a) Authorized:

Unlimited common shares
Unlimited preferred shares

b) Common Shares Issued and Outstanding:

	Number	Amount
Balance - December 31, 2005	22,861,000	$ 2,131,658
Issued for:		
private placements	13,641,663	1,371,829
exercise of options	206,356	55,881
mineral property acquisition	1,000,000	160,000
Tax effect on renunciation of flow-through shares	-	(282,458)
Balance - December 31, 2006	37,709,019	3,436,910
Issued for:		
private placements	15,734,541	1,070,413
mineral property acquisition	100,000	10,000
Tax effect on renunciation of flow-through shares	-	(365,459)
Balance - December 31, 2007	53,543,560	$ 4,151,864

7. Share Capital (continued)

c) 2006 Shares Issued

During the year ended December 31, 2006, the Company:

i) Issued 1,208,330 common shares for cash proceeds of $145,000, of which 416,666 shares were issued to a director.

ii) Issued 206,356 common shares to a director pursuant to the exercise of an equivalent number of stock options for cash proceeds of $41,271. The Company has allocated the $14,610 recorded value of these options to the common shares.

iii) Issued 4,000,000 units for cash proceeds of $400,000 (of which 625,000 units were issued to directors of the Company) pursuant to a private placement.

Each unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.15 per share until February 2, 2008. The fair values of the warrants were estimated at $73,580 and this amount has been allocated to the warrant component of the units. Subsequent to the year end, the Company received approval to extend the expiry date to August 2, 2008.

The fair value of the warrants was estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	4.16%
Expected life	1.5 years
Expected volatility	100%

iv) Issued 1,000,000 common shares to Globex at a deemed price of $0.16 per share as part of the consideration for the Nordeau Bateman Properties as described in note 4.

v) Issued 2,916,668 flow-through common shares for cash proceeds of $350,000 (of which 2,250,000 shares were issued to directors of the Company and 300,000 to an officer) pursuant to a private placement.

vi) Issued 2,083,332 units for cash proceeds of $250,000 pursuant to a private placement.

Each unit consists of one flow through common share and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $0.20 per share until November 3, 2007, and thereafter $0.30 until November 3, 2008 at which time the warrants expire.

The estimated fair values of the warrants were estimated at $61,666 and this amount has been allocated to the warrant component of the units.

7. Share Capital (continued)

c) 2006 Shares Issued (continued)

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	4.05%
Expected life	1.0 years
Expected volatility	100%

In conjunction with this financing, cash finders' fees totalling $12,500, corporate finance and due diligence fees of $12,500 and legal and filing fees of $15,029 were paid, and compensation options were issued to acquire a total of 208,333 Units exercisable at $0.12 per unit until November 3, 2008. The fair values of the options were estimated at $9,896 and this amount has been allocated to the option component of the units.

vii) Issued 3,433,333 flow-through common shares for cash proceeds of $412,000 pursuant to a private placement.

viii) Renounced Canadian exploration expenditures of $782,000 to the investors whom had subscribed for the Company's flow-through shares in 2005 ("the renunciation"), resulting in a taxable temporary difference between the tax value and the carrying value of the Company's resource expenditures and creating a future income tax liability and a reduction in share capital.

As at December 31, 2006, the Company had sufficient unused tax losses and deductions ("losses") to offset the future income tax liability resulting from the renunciation and no future income tax assets have been previously recognized on such losses; therefore, future income tax recoveries of $282,458 related to these losses were recognized and recorded as income during the year ended December 31, 2006 to offset the future income tax liability.

d) 2007 Shares Issued

During the year ended December 31, 2007, the Company:

i) Issued 2,727,270 flow-through units for cash proceeds of $300,000 pursuant to a private placement.

Each unit consists of one flow-through common share and one non-flow through common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.20 per common share until February 19, 2008, and thereafter at $0.30 until February 19, 2009 at which time the warrants expire.

The fair values of the warrants were estimated at $88,724 and this amount has been allocated to the warrant component of the units.

7. Share Capital (continued)

d) 2007 Shares Issued (continued)

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	4.24%
Expected life	2.0 years
Expected volatility	120%

ii) Issued 1,000,000 units for cash proceeds of $100,000 pursuant to a private placement.

Each unit consists of one common share and one warrant. Each warrant will entitle the holder to purchase one common share at $0.15 until February 19, 2008 and thereafter $0.25 until February 19, 2009 at which time the warrants expire.

The fair values of the warrants were estimated at $32,715 and this amount has been allocated to the warrant component of the units.

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	4.24%
Expected life	2.0 years
Expected volatility	120%

In conjunction with the 2,727,270 flow-through units and the 1,000,000 units financing, share issuance costs of $60,239 were paid. Compensation options were issued to acquire a total of 372,727 units exercisable at $0.10 per unit until February 19, 2009. The fair values of the options were estimated at $53,917 and this amount has been allocated to the option component of the units. $10,000 of these share issuance costs have been allocated to warrants and $14,500 have been allocated to options.

iii) Issued 2,727,271flow-through units for cash proceeds of $300,000 pursuant to a private placement.

Each unit consists of one flow-through common share and one non-flow-through common share purchase warrant. Each warrant will entitle the holder to purchase one common share at $0.20 until June 18, 2008 and thereafter $0.30 until June 18, 2009 at which time the warrants expire.

The fair values of the warrants were estimated at $82,281 and this amount has been allocated to the warrant component of the units.

7. Share Capital (continued)

d) 2007 Shares Issued (continued)

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	4.24%
Expected life	2.0 years
Expected volatility	120%

In conjunction with this financing, share issuance costs of $38,530 were paid. Compensation options were issued to acquire a total of 272,727 units exercisable at $0.11 per unit until June 19, 2009. The fair values of the options were estimated at $28,604 and this amount has been allocated to the option component of the units. $16,400 of these share issuance costs have been allocated to warrants and $7,600 have been allocated to options.

iv) Issued 100,000 common shares as payment for Timmins Gold Project claims.

v) Issued 9,280,000 flow-through units for cash proceeds of $1,020,800 pursuant to a private placement.

Each unit consists of one flow-through share and one non-flow-through common share purchase warrant. Each warrant will entitle the holder to purchase one common share at $0.20 until December 12, 2008 and thereafter $0.30 until December 12, 2009 at which time the warrants expire.

The fair values of the warrants were estimated at $255,001 and this amount has been allocated to the warrant component of the units.

The fair value of the warrants and options were estimated at the grant date based on the Black-Scholes pricing model, using the following assumptions

Expected dividend yield	Nil
Risk-free interest rate	4.24%
Expected life	2.0 years
Expected volatility	120%

In conjunction with this financing, share issuance costs of $55,500 were paid. Compensation options were issued to acquire a total of 248,181 units exercisable at $0.11 per unit until December 12, 2009. The fair values of the options were estimated at $24,876 and this amount has been allocated to the option component of the units. $15,000 of these share issuance costs have been allocated to warrants and $6,700 have been allocated to options.

vi) Renounced Canadian exploration expenditures of $1,011,792 to the investors whom had subscribed for the Company's flow-through shares in 2006 ("the renunciation"), resulting in a taxable temporary difference between the tax value and the carrying value of the Company's resource expenditures and creating a future income tax liability and a reduction to share capital.

7. Share Capital (continued)

d) 2007 Shares Issued (continued)

As at December 31, 2007, the Company has sufficient unused tax losses and deductions ("losses") to offset the future income tax liability resulting from the renunciation and no future income tax assets have been previously recognized on such losses; therefore, future income tax recoveries of $365,459 related to these losses were recognized and recorded as income during the year ended December 31, 2007 to offset the future income tax liability.

8. Warrants

	Number	Amount	Weighted Average Exercise Price
Balance - December 31, 2005	1,544,000	$ 84,920	$ 0.35
Issued	4,083,332	135,246	0.18
Expired	(1,544,000)	(84,920)	0.35
Balance -December 31, 2006	4,083,332	135,246	0.23
Issued	15,734,541	417,621	0.20
Balance - December 31, 2007	19,817,873	$ 552,867	$ 0.20

As at December 31, 2007, the following common share purchase warrants ("warrants") were issued and outstanding:

a) 2,000,000 warrants entitling the holder to purchase one common share at $0.15 per share until February 2, 2008. On January 28, 2008, the Company received approval to extend the expiry date to August 2, 2008.

b) 2,083,332 warrants entitling the holder to purchase one common share at $0.20 per share until November 3, 2007 and $0.30 until November 3, 2008.

c) 2,727,270 warrants entitling the holder to purchase one common share at $0.20 until February 19, 2008 and $0.30 until February 19, 2009.

d) 1,000,000 warrants entitling the holder to purchase one common share at $0.15 until February 19, 2008 and $0.25 until February 19, 2009.

e) 2,727,271 warrants entitling the holder to purchase one common share at $0.20 until June 18, 2008 and $0.30 until June 18, 2009.

f) 9,280,000 warrants entitling the holder to purchase one common share at $0.20 until December 12, 2008 and $0.30 until December 12, 2009.

9. Stock Options

a) The Board of Directors has adopted a stock option plan for the Company (the "Plan"). Pursuant to the Plan, the Board of Directors may, from time to time at its discretion, allocate non-transferable options to purchase shares to directors, officers, employees and consultants of the Company.

Under the Plan, the aggregate number of shares to be issued upon the exercise of options granted thereunder may not exceed 10% of the number of issued and outstanding shares at the time of granting the options. Options shall expire no later than five years after the date of grant.

The exercise price of options granted pursuant to the Plan shall be established based on the average closing price of the shares for the five days prior to the date of grant or such other method of pricing as may be acceptable to the stock exchange on which the shares are listed.

b) A summary of changes to stock options is as follows:

	Number	Amount	Weighted Average Exercise Price
Balance - December 31, 2005	1,777 956	$ 71,836	$ 0.220
Granted/vested	2,850,000	254,724	0.130
Agent's options granted	208,333	9,896	0.120
Exercised	(206,356)	(14,610)	0.200
Expired	(400,000)	(38,936)	0.191
Balance - December 31, 2006	4,229,933	282,910	0.158
Granted/vested	1,600,000	198,687	0.100
Agent's options granted	893,635	78,497	0.106
Expired	(621,600)	(59,052)	0.250
Balance - December 31, 2007	6,101,968	$ 501,042	$ 0.126

c) During the year ended December 31, 2006, the Company:

i) Granted 1,050,000 stock options to directors, officers and employees on April 5, 2006. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.175 per share until April 5, 2011. 25% of these options are vested at the date of grant, and the remainder vest at the rate of 25% every six months following the date of the grant.

As at December 31, 2006, 450,000 of these options had vested and the estimated fair value of $81,830 was included as stock-based compensation.

The fair value of stock options to directors, officers and employees was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	4.20%
Expected life	5.0 years
Expected volatility	100%

9. Stock Options (continued)

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

ii) Granted 1,800,000 stock options to directors, officers and employees on November 16, 2006. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.105 per share until November 16, 2011. 25% of these options are vested at the date of grant, and the remainder vest at the rate of 25% every six months following the date of grant.

As at December 31, 2006, 450,000 of these options had vested and the estimated fair value of $45,056 was included as stock-based compensation.

The fair value of stock options to directors, officers and employees was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	4.05%
Expected life	5.0 years
Expected volatility	100%

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

iii) 250,000 of the Company's stock options with an exercise price of $0.20 expired as a result of a director's resignation.

iv) 150,000 of the Company's stock options with an exercise price of $0.175 expired as a result of a director's resignation.

d) During the year ended December 31, 2007, the Company:

i) Granted 1,200,000 stock options to directors, officers and employees on December 18, 2007. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.10 per share until December 18, 2012. Options vested upon grant. The estimated fair value of $69,594 has been included in stock based compensation.

The fair value of stock options to directors, officers and employees was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	4.24%
Expected life	2.0 years
Expected volatility	120%

9. Stock Options (continued)

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

ii) Granted 400,000 stock options to a consulting firm in exchange for public relations services. Each option entitles the holder to purchase one share of the Company's common stock at a price of $0.10 per share until June 4, 2009. 25% of these options are vested at the date of grant, and the remainder vest at the rate of 25% every six months following the date of grant.

As at December 31, 2007, 200,000 of these options have vested and the estimated fair value of $12,410 has been included in stock based compensation.

The fair value of stock options to directors, officers and employees was estimated at the grant date based on the Black-Scholes pricing model, using the following weighted average assumptions:

Expected dividend yield	Nil
Risk-free interest rate	4.24%
Expected life	2.0 years
Expected volatility	120%

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

e) As at December 31, 2007 the following options were outstanding:

	Number of Options		
Exercise Price	**Unvested**	**Vested**	**Expiry Date**
$ 0.10		1,200,000	December 18, 2012
$ 0.10	200,000	200,000	June 4, 2009
$ 0.11	-	272,727	June 18, 2009
$ 0.105	450,000	1,350,000	November 16, 2011
$ 0.11	-	248,181	December 12, 2009
$ 0.12	-	208,333	November 3, 2008
$ 0.175	-	900,000	April 5, 2011
$ 0.10	-	372,727	February 19, 2009
$ 0.20	-	700,000	September 1, 2010
	650,000	5,451,968	

10. Contributed Surplus

	2007	2006
Balance - beginning of year	$ 155,503	$ 31,647
Expiry of warrants	-	84,920
Expiry of options	59,052	38,936
Balance - end of year	$ 214,555	$ 155,503

11. Income Taxes

a) Income tax recovery attributable to the loss differs from the amounts computed by applying the combined federal and provincial tax rates of 36.12% (2006 - 36.12%) to the pretax loss as a result of the following:

	2007	2006
Loss for the year	$ 345,338	$ 405,666
Income tax recovery computed at statutory rates	124,736	146,527
Increase (reduction) in income tax recovery resulting from:		
Permanent differences	(71,766)	(92,223)
Share issuance costs	55,722	-
Renunciation to flow through shareholders	365,459	282,458
Other	(108,692)	(54,304)
	$ 365,459	$ 282,458

b) The income tax effects of temporary differences that give rise to significant portions of the future income tax assets and future income tax liabilities as at December 31, 2007 and 2006 are presented below:

	2007	2006
Future income tax assets (liabilities):		
Canadian exploration expenses	$ (518,079)	$ (267,096)
Non-capital loss carryforwards	552,982	391,383
Share issuance costs	138,625	181,261
	173,528	305,548
Less: valuation allowance	(173,528)	(305,548)
Net future income tax assets	$ -	$ -

11. Income Taxes (continued)

The valuation allowance for future income tax assets as at December 31, 2007 and December 31, 2006 was $173,528 and $305,548 respectively. The net change in the total valuation allowance for the year ended December 31, 2007 was a decrease of $132,020. The tax effect of resource expenditure renounced to shareholders in 2007 of $365,459, has been recognized in the income statement and has been deducted from share capital. In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the periods in which these temporary differences and loss carryforwards become deductible. Based on the absence of historical taxable income and the difficulty of making reliable projections for future taxable income over the periods in which the future income tax assets are deductible, management believes that it is more likely than not the Company will not realize the benefits of these deductible differences and has accordingly provided a valuation allowance.

c) As at December 31, 2007, the Company had non-capital loss carryforwards of approximately $1,907,000 which are available to reduce taxable income of future years and expire as follows:

2010	$ 46,000
2014	213,000
2015	68,000
2015	325,000
2026	590,000
2027	665,000
	$ 1,907,000

d) As at December 31, 2007, the Company has cumulative Canadian exploration expenses of $317,000 (2006 - $1,052,000) and cumulative Canadian development expenses of $766,000 (2006 - $629,000)
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12. Related Party Transactions

During the year ended December 31, 2007 the Company:

a) incurred rent of $22,641 (2006 - $22,518) with a related company. The Company and the related company have an officer in common. This officer is also a director and shareholder of both companies.

b) incurred consulting fees of $75,600 (2006 - $120,000) with one of the Company's officers.

c) incurred consulting fees of $5,250 (2006 - $5,000) with one of the Company's directors.

d) incurred accounting fees of $80,095 (2006 - $63,400) with an accounting firm in which one of the Company's officers is a partner. As at December 31, 2007, accounts payable and accrued liabilities included $62,452 payable to this accounting firm (2006 - $85,425).

12. Related Party Transactions (continued)

e) incurred insurance costs of $Nil (2006 - $25,060) from a company which has an officer who is a director of the Company.

13. Financial instruments

a) Fair Value

The carrying value of cash, other receivables and accounts payable and accrued liabilities approximates fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists.

b) Commodity Price Risk

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

c) Liquidity Risk

The Company has no income and relies on equity fund-raising to support its exploration program. Management prepares budgets and ensures funds are available prior to commencement of any such program.

d) Foreign Exchange Risk

The Company is exposed to market risks from changes in foreign rates as a result of operations in Argentinean pesos. The Company does not hold or issue financial instruments for speculative purposes.

14. Subsequent Events

a) On January 24, 2008, the Company entered into a drilling agreement whereby the contractor will execute a minimum of 3,000 linear metres of diamond drilling holes on the Val d'Or property in Quebec. Management estimates that the cost of this agreement will be a minimum of $400,000.

b) On February 1, 2008, the Company entered into an option agreement to acquire a 100% interest in 19 claims in Cadillac and Bousquet Townships, Quebec, known as Once Upon a Time. The Company issued 125,000 shares and paid $10,000 as an initial payment and is obligated to issue an additional 225,000 shares and pay an additional $15,000 by January 31, 2010 and spend $1,000,000 on the project by January 31, 2011. Upon receipt of the annual Quebec Government rebate, the Company will pay in staged amounts a total of $135,000 representing 13.5% of the exploration expenditures to January 31, 2011. The agreement provides for a 2% Net Smelter Royalty which the Company can purchase for $1,000,000 prior to production and $2,000,000 after production.

c) On March 28, 2008, the Company granted stock options to a consultant with an exercise price of $0.10 per share expiring March 28, 2013. The options vested on the date of the grant.

15. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation. Net loss previously reported has not been affected by this reclassification.