International Tower Hill Mines Ltd.
(An Exploration Stage Company)

Consolidated Financial Statements
(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

August 31, 2007

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3(a)), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

For further information, please contact:

Michael W. Kinley, Chief Financial Officer
Tel: (604) 683-6332
Fax: (604) 408-7499

Consolidated Financial Statements
(Unaudited –Prepared by Management)
(Expressed in Canadian dollars)

August 31, 2007 **Page**

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
Consolidated Balance Sheets
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)

		August 31, 2007		May 31, 2007 (audited)
ASSETS				
Current				
Cash and cash equivalents	**$**	**17,587,605**	$	21,908,273
Accounts receivable		**35,741**		113,870
Prepaid expenses		**125,157**		97,104
		17,748,503		22,119,247
Term deposit (note 5a)		**2,500**		2,500
Equipment (note 4)		**108,363**		115,920
Mineral properties (note 5)		**17,928,098**		13,387,113
	$	**35,787,464**	$	35,624,780
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**1,564,683**	$	955,363
SHARE CAPITAL AND DEFICIT				
Share capital (note 6)		**39,384,837**		39,351,328
Contributed surplus (note 6)		**6,703,739**		6,652,640
Deficit		**(11,865,795)**		(11,334,551)
		34,222,781		34,669,417
	$	**35,787,464**	$	35,624,780

Commitments (note 5)
Subsequent events (note 12)

Approved by the Directors:

“Anton Drescher” (signed) **Director**
Anton Drescher

“Henk Van Alphen” (signed) **Director**
Henk Van Alphen

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
Consolidated Statements of Operations and Deficit
(Expressed in Canadian dollars)
(Unaudited – Prepared by Management)
Three Month Period Ended August 31

		2007		2006
Expenses				
Administration	$	5,250	$	-
Amortization		10,539		3,410
Consulting fees (note 9)		23,818		37,602
Donations		2,645		11,664
Insurance		10,047		-
Investor relations		112,065		17,806
Office and miscellaneous		29,417		10,360
Professional fees (note 9)		58,535		36,855
Property investigations		117,759		124,903
Rent (note 9)		20,182		5,086
Regulatory		49,304		6,395
Travel and promotion		34,530		27,065
Wages		173,625		48,017
		(647,716)		(329,163)
Other items				
Gain(loss) on foreign exchange		(14,952)		(55,528)
Interest income		131,424		26,296
		116,472		(29,232)
Loss for the period		(531,244)		(358,395)
Deficit, beginning of period		(11,334,551)		(2,668,530)
Deficit, end of period	$	(11,865,795)	$	(3,026,925)
Basic and fully diluted loss per share	$	(0.01)	$	(0.02)
Weighted average number of shares outstanding		38,252,157		15,880,498

INTERNATIONAL TOWER HILL MINES LTD.
(An Exploration Stage Company)
Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited – prepared by Management)
Three Month Period Ended August 31

		2007		2006
CASH PROVIDED BY (USED FOR)				
Operating Activities				
Loss for the period	$	**(531,244)**	$	(358,395)
Add item not affecting cash				
Amortization		**10,539**		3,410
Stock based compensation		**59,059**		-
Changes in non-cash items:				
Accounts receivable		**78,129**		(33,758)
Accounts payable and accrued liabilities		**(26,733)**		115,951
Prepaid expenses		**(28,053)**		(5,705)
		(438,303)		(278,497)
Financing Activities				
Issuance of capital stock		**25,550**		11,492,348
Share issuance costs		-		(145,620)
		25,550		11,346,728
Investing Activities				
Mineral property costs		**(3,904,932)**		(388,131)
Expenditures on equipment		**(2,983)**		(125,124)
		(3,907,915)		(513,255)
Increase (decrease) in cash and cash equivalents		**(4,320,668)**		10,554,976
Cash and cash equivalents, beginning of period		**21,908,273**		6,695
Cash and cash equivalents, end of period	$	**17,587,605**	$	10,561,671
Supplemental cash flow information				
Interest received	$	**101,262**	$	422
Interest paid	$	-	$	-
Income taxes paid	$	-	$	-
Non-cash transactions				
Account payables related to property expenditures	$	**1,454,028**	$	967,586
Shares issued to acquire mineral properties	$	-	$	7,496,619
Shares issued as agent's commission	$	**10,974**	$	436,404

1. NATURE OF OPERATIONS

The Company is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At August 31, 2007, the Company was in the exploration stage and had interests in properties in Alaska and Nevada, U.S.A.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presume the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company's ability to continue as a going concern is dependent upon achieving profitable operations and/ or obtaining additional financing. While the Company is expending its best efforts in this regard, the outcome of these matters can not be predicted at this time. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

The recoverability of amounts shown as mineral properties and deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development and future profitable production or disposition thereof.

2. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies used by management in the preparation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles.

a) Basis of consolidation

These consolidated financial statements include the accounts of International Tower Hill Mines Ltd. and its wholly owned subsidiaries Talon Gold Alaska, Inc. (an Alaska corporation), Talon Gold (US) LLC (a Colorado limited liability company), Talon Gold Nevada Inc. (a Nevada corporation) and 813034 Alberta Ltd. (an Alberta corporation).

b) Cash equivalents

The Company considers cash equivalents to consist of highly liquid investments that are cashable on demand, and which are subject to insignificant credit and interest rate risk.

At August 31, 2007 the Company held Guaranteed Investment Certificates of $2,002,500 (May 31, 2007 - $2,002,500), bearing interest between 2.65% and prime less 2.1% per annum, maturing November 21, 2007. The Company also held $14,041,334 of Bank of Nova Scotia bankers' acceptances due October 1 and October 31, 2007 bearing interest between 4.529% and 4.598% per annum.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c) Foreign currency translation

Monetary assets and liabilities are translated at year-end exchange rates; other assets and liabilities have been translated at the rates prevailing at the date of transaction. Revenue and expense items, except for amortization, are translated at the average rate of exchange for the year. Amortization is converted using rates prevailing at dates of acquisition. Gains and losses from foreign currency translation are included in the consolidated statements of operations.

d) Equipment

Equipment is stated at cost, net of accumulated amortization. Amortization is recorded over the estimated useful life of the assets at the following annual rates:

Computer equipment	-	30% declining balance
Furniture and equipment	-	20% declining balance
Computer software	-	3 years straight line

e) Mineral properties

Mineral properties consist of mining claims, leases and options. Acquisition options, leasehold and exploration costs are capitalized and deferred until such time as the property is put into production or the properties are disposed of either through sale or abandonment. If the property is put into production, the costs of acquisition and exploration will be written-off over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property will first be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs will be written-off to operations in the period of abandonment.

Recorded costs of mineral properties and deferred exploration and development expenditures are not intended to reflect present or future values of mineral properties.

Deferred costs related to mineral property interests are periodically reviewed for impairment. A review for potential impairment is subject to potentially material measurement uncertainty. If a review indicates that a mineral property interest has been impaired the related deferred costs are written down or written off.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, based on industry norms for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and inadvertent non-compliance with regulatory requirements.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

f) Asset retirement obligation

The Company has adopted the CICA Handbook Section 3110 "asset retirement obligations" which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standards apply to legal obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standards require that a liability for an asset retirement obligation be recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated future value.

g) Loss per share

Basic loss per share is calculated using the weighted average number of shares outstanding during the period. The weighted average number of shares outstanding during the period was 38,252,157 (Aug 31, 2006 – 15,880,498). Diluted loss per share has not been presented separately as the outstanding options and warrants are anti-dilutive for each of the years presented.

The Company uses the treasury stock method of calculating fully diluted per share amounts whereby any proceeds from the exercise of stock options or other dilutive instruments are assumed to be used to purchase common shares at the average market price during the period.

h) Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk and credit risk. Where practicable, the fair values of financial assets and financial liabilities have been determined and disclosed; otherwise, only available information pertinent to fair value has been disclosed.

i) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those reported.

j) Income tax

Income taxes are accounted for using the future income tax method. Under this method income taxes are recognized for the estimated income taxes payable for the current year and future income taxes are recognized for temporary differences between the tax and accounting bases of assets and liabilities and for the benefit of losses available to be carried forward for tax purposes that are more likely than not to be realized. Future income taxes assets and liabilities are measured using tax rates

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

expected to apply in the years in which the temporary differences are expected to be recovered or settled.

k) Stock based compensation

The Company has adopted the recommendations of the Canadian Institute of Chartered Accountants with respect to the recognition, measurement, and disclosure of stock-based compensation and other stock based payments. Under this policy the Company has elected to value stock-based compensation granted at the fair value as determined using the Black-Scholes option valuation model. Compensation is recognized in the statement of operations over the vesting period.

l) Joint venture accounting

Where the Company's exploration and development activities are conducted with others, the accounts reflect only the Company's proportionate interest in such activities.

m) Measurement uncertainty

The future recovery of the recorded cost of the properties, and the provision for a future asset retirement obligation, are based on estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

3. CHANGE IN ACCOUNTING POLICY

Effective June 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

i) 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 a Company's 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 the statements of operations and comprehensive income.

All financial assets and liabilities are recognized when the entity 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. Any changes to the fair values of assets and liabilities prior to October 1, 2006 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

(Expressed in Canadian dollars)

3. CHANGE IN ACCOUNTING POLICY (cont'd)

All financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, 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.

ii) Comprehensive Income (Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of the net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

The Company believes there is no material difference between comprehensive income (loss) and its net income (loss) for the period as reported.

4. EQUIPMENT

	August 31, 2007			May 31, 2007
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	$ 4,336	$ 615	$ 3,721	$ 3,903
Computer equipment	58,685	11,726	46,959	47,395
Computer software	89,476	31,793	57,683	64,622
	$ 152,497	$ 44,134	$ 108,363	$ 115,920

(Expressed in Canadian dollars)

5. MINERAL PROPERTIES

Accumulated costs in respect of mineral tenures and mineral rights owned, leased or under option, consist of the following:

					Properties Acquired From Anglo	Nevada Properties		Optioned Properties		
	Siwash Silver leases	BMP	West Tanana	South Estelle		Painted Hills	North Bullfrog	LMS	Terra	
	(note 5(a))	(note 5(b))	(note 5(c))	(note 5(d))	sub-total	(note 5(g))	(note 5(g))	(note 5(f))	(note 5(f))	**Total CDN$**
Balance May 31, 2005	$ 1,026,512	-	-	-	-	-	-	-	-	**1,026,512**
Acquisition costs:	3,230	-	-	-	-	-	-	-	-	**3,230**
Cash payments:	574	-	-	-	-	-	-	-	-	**574**
Balance May 31, 2006	1,030,316	-	-	-	-	-	-	-	-	**1,030,316**
Acquisition costs:										
Cash payments	-	-	67,499	-	99,115	22,738	22,738	-	-	**212,089**
Common shares issued	-	-	-	-	7,496,619			-	-	**7,496,619**
Deferred exploration costs:										
Contract services	-	39,377	100,323	1,336	723,299	24,269	48,220	510,073	639,904	**2,086,802**
Assay	-	682	21,945	-	160,348	475	718	78,739	39,839	**302,746**
Drilling	-	-	-	-	651,287	7,897	666,469	488,801	169,315	**1,983,769**
Field costs	-	-	109,949	-	124,601	-	90,586	192,481	187,164	**704,781**
Equipment rental	-	-	1,819	-	130,208	-	9,682	103,305	31,238	**276,253**
Land maintenance & tenure	-	-	77,990	-	372,939	-	34,447	11,645	75,869	**572,891**
Transportation	-	-	18,462	-	19,050	-	4,899	83,538	529	**126,477**
Travel	-	-	8,849	-	23,717	400	16,459	13,543	4,901	**67,869**
	-	40,059	339,338	1,336	2,205,450	33,040	871,480	1,482,126	1,148,759	**6,121,587**
Total expenditures for the period	-	40,059	406,837	1,336	9,801,184	55,778	894,217	1,482,126	1,148,759	**13,830,296**
Write-offs	(1,030,315)				(443,183)					**(1,473,498)**

(Expressed in Canadian dollars)

Balance May 31, 2007	1	40,059	406,837	1,336	9,358,000	55,778	894,217	1,482,126	1,148,759	**13,387,113**
Acquisition costs:										
Cash payments	-	-	-	44,432	-	-	-	-	-	**44,432**
Common shares issued	-	-	-	-	-	-	-	-	-	**-**
Deferred exploration costs:										
Contract services	-	48,754	216,789	42,532	356,680	22,934	16,958	61,698	645,252	**1,411,597**
Assay	-	2,516	40,916	5,380	102,196	-	48,634	23,594	108,127	**331,364**
Drilling	-	-	223,278	-	398,551	230,149	146,866	-	593,678	**1,592,523**
Field costs	-	1,159	23,053	4,043	128,162	44,639	(22,990)	16,626	216,557	**11,250**
Equipment rental	-	3,326	32,475	3,049	91,928	6,612	4,885	15,527	68,656	**226,458**
Land maintenance & tenure	-	-	1,481	-	176,783	-	2,116	-	21,052	**201,432**
Transportation	-	-	15,379	317	33,951	3,540	3,207	9,381	215,275	**281,051**
Travel	-	1,561	2,665	113	19,830	6,917	3,576	189	6,027	**40,879**
	-	57,316	556,037	55,435	1,308,083	314,792	203,252	127,015	1,874,624	**4,496,553**
Total expenditures for the period	-	57,316	556,037	99,867	1,308,083	314,792	203,252	127,015	1,874,624	**4,540,985**
Write-offs	-	-	-	-	-	-	-	-	-	**-**
Balance Aug 31, 2007	1	97,375	962,874	101,202	10,666,083	370,570	1,097,469	1,609,141	3,023,383	17,928,098

	Properties Acquired From Anglo							
	Livengood (note 5(e))	West Pogo (note 5(e))	Coffee Dome (note 5(e))	Gilles (note 5(e))	Cariboo (note 5(e))	Chinsa (note 5(e))	Blackshell (note 5(e))	sub-total
Balance May 31, 2005	-	-	-	-	-	-	-	-
Acquisition costs:	-	-	-	-	-	-	-	-
Cash payments:	-	-	-	-	-	-	-	-
Balance May 31, 2006	-	-	-	-	-	-	-	-
Acquisition costs:								
Cash payments	67,052	5,243	8,940	5,214	1,491	7,450	3,725	99,115

(Expressed in Canadian dollars)

Common shares issued	5071,499	396,519	676,200	394,450	112,698	563,502	281,751	7,496,619
	5,138,551	401,762	685,140	399,664	114,189	570,952	285,476	7,595,734
Deferred exploration costs:								
Contract services	325,036	23,295	24,708	23,502	-	303,624	23,133	723,299
Assay	125,095	6,699	12,665	2,896	-	9,959	3,034	160,348
Drilling	651,287	-	-	-	-	-	-	651,287
Field costs	115,504	125	6,461	90	-	1,299	1,122	124,601
Equipment rental	125,003	-	-	-	-	5,206	-	130,208
Land maintenance & tenure	255,469	237	55,633	13,976	12,761	32,671	2,191	372,939
Transportation	19,012	-	-	-	-	37	-	19,050
Travel	22,334	-	-	-	-	107	1,276	23,717
	1,638,741	30,356	99,467	40,463	12,761	352,903	30,757	2,205,450
Total expenditures for the period	6,777,292	432,118	784,607	440,127	126,950	923,855	316,233	9,801,184
Write-offs					(126,950)		(316,233)	(443,183)
Balance May 31, 2007	6,777,292	432,118	784,607	440,127	-	923,855	-	9,358,000
Acquisition costs:								
Cash payments	-	-	-	-	-	-	-	-
Common shares issued	-	-	-	-	-	-	-	-
Deferred exploration costs:								
Contract services	211,009	-	53,961	36	-	91,673	-	356,680
Assay	81,971	-	6,124	-	-	14,101	-	102,196
Drilling	398,551	-	-	-	-	-	-	398,551
Field costs	100,400	-	7,653	-	-	20,109	-	128,162
Equipment rental	86,021	-	3,385	-	-	2,522	-	91,928
Land maintenance & tenure	113,000	-	53,768	-	-	10,016	-	176,783
Transportation	22,976	-	8,121	-	-	2,854	-	33,951
Travel	8,992	-	5,236	-	-	5,602	-	19,830
	1,022,920	-	138,249	36	-	146,878		1,308,083
Total expenditures for the period	1,022,920	-	138,249	36	-	146,878	-	1,308,083
Write-offs				-			-	-
Balance Aug 31, 2007	**7,800,212**	**432,118**	922,856	**440,164**	**-**	**1,070,733**	**-**	**10,666,083**

5. MINERAL PROPERTIES (cont'd)

(a) Siwash Silver Claims, B.C.

On September 22, 2006, the Company entered into a letter agreement with Ravencrest Resources Ltd. ("Ravencrest") whereby Ravencrest will acquire all of the Company's interest in ninety-seven mineral claims and one lot in exchange for the Company retaining a 5% net smelter returns royalty and Ravencrest's assumption of all liabilities and risks concerning the property. The original mining venture agreement dated March 31, 2005 between the Company and Ravencrest was also terminated. Accordingly, the Company wrote down the Siwash Silver Claims to a nominal value of $1, recognizing a charge to operations of $1,030,315 during the year ended May 31, 2007.

The Company has pledged a $2,500 term deposit as reclamation security for work on Siwash property as required by the Province of British Columbia. Upon Ravencrest posting equivalent security, the term deposit will be released to the Company.

(b) BMP Project, Alaska

In September, 2006, the Company staked a total of 108 Alaska state mining claims at a new location in the Bethel Recording District. The claims cover a base metal target developed from the Company's exploration program conducted in 2006.

(c) West Tanana Project, Alaska

On August 14, 2006, the Company acquired an interest in the West Tanana Project from Doyon Limited ("Doyon"), an Alaska Native Regional Corporation, by way of a mining exploration agreement with the option to lease. The agreement with Doyon is a two stage Exploration Option/Mining Lease, whereby the Company has the option to enter into one or more mining leases over some or all of the Doyon conveyed lands (25,920 acres) and up to three leases totalling 8,000 acres over the Doyon selected lands (25,872 acres) subject to the exploration option agreement.

In order to maintain the option to lease in good standing, the Company is required to pay Doyon USD$350,000 over six years (five years plus one year extension, USD$50,000 first year), make annual scholarship donations of USD$10,000 per year, and incur exploration expenditures totalling USD$2,625,000, subject to reduction to USD$2,125,000 if the lands subject to the option are reduced by 50% or more (USD$75,000 commitment for the first year). If the Company does not terminate the option prior to January 1 in any option year, the specified minimum expenditures for that year become a commitment.

5. MINERAL PROPERTIES (cont'd)

(c) West Tanana Project, Alaska (cont'd)

At any time during the option period, the Company may enter into a mining lease with Doyon with respect to any one or more area(s) of the lands in respect of which it has expended at least USD$600,000, carried out at least 10,000 feet of core drilling, and submitted a pre-feasibility study. Each mining lease will have a term of 15 years and for so long thereafter as commercial production continues and requires advance minimum royalty payments of USD$250,000 per year during the first five years of the term. The Company is also required to incur minimum mandatory exploration expenditures equal to the greater of USD$25/acre or USD$250,000 for each of the first five years and USD$50/acre or USD$500,000 in the sixth and each succeeding year. If, on or before the 5th year of the term, the Company has not produced a feasibility study and made a production decision, the annual advance minimum royalty payments increase to USD$500,000. Advance royalty payments are credited against 50% of production royalties.

Upon commencement of commercial production, the Company is required to pay a production royalty on precious metals, calculated as the greater of 2% of net smelter returns pre-payout and 4% of net smelter returns post-payout or 10% of net profits pre-payout and 20% of net profits post payout, and on base metals, calculated as the greater of 1% of net smelter returns pre-payout and 3% of net smelter return post-payout or 10% of net profits pre-payout and 20% of net profits post payout. Payout occurs when the Company has recouped cumulative gross revenues from production equal to its cumulative expenditures since the effective date of the lease. Upon the Company having made a production decision with respect to any leased area, Doyon will also have the right to acquire a minimum of 5%, and a maximum of 10%, participating interest in the Company's interest in that leased area by contributing an amount equal to 2.25 times Doyon's elected percentage of the Company's cumulative project expenditures to the joint venture to be formed upon Doyon's election to participate. Such contribution will be applied to fund 100% of joint venture expenditures until exhausted following which each party will be required to contribute its pro rata share of further expenditures.

(d) South Estelle Project, Alaska

On June 15, 2007, the Company signed a binding letter of intent with Hidefield Gold Plc. of London, England (AIM: HIF) and its partner, Mines Trust Ltd. (a private Alaskan company) pursuant to which the Company can earn up to a 80% interest in the South Estelle project located in southwest Alaska. The project consists of 168 State of Alaska unpatented lode mining claims.

Under the ITH/Hidefield/Mines Trust LOI the Company can earn up to an aggregate 80% interest in the project as follows:

- the Company can earn an initial 51% interest by making payments of USD$42,000 upon TSX Venture Exchange ("TSXV") acceptance of the transaction (paid) and an additional USD$50,000 on or before January 8, 2008, and incurring aggregate exploration expenditures of USD$2,000,000 prior to December 31, 2009 (USD$75,000 on or before December 31, 2007, which the Company has committed to incur);

- the Company can earn an additional 19% interest (aggregate of 70%) by incurring an additional USD$3,000,000 in exploration expenditures before December 31, 2011; and,

5. MINERAL PROPERTIES (cont'd)

(d) South Estelle Project, Alaska (cont'd)

- the Company can earn an additional 10% interest (aggregate of 80%) by funding all expenditures required to prepare and deliver a positive bankable feasibility study. There is no time limit for the delivery of such feasibility study.

At any time after the Company earns its initial 51% interest, Hidefield/Mines Trust can convert their interest into a 1.5% net smelter return royalty. Following the Company having earned its interest, if Hidefield/Mines Trust do not elect to convert to an NSR, the parties will enter into a joint venture, in which each will be responsible for its pro rata share of further expenditures. If the interest of either the Company or Hidefield/Mines Trust in such joint venture is reduced to 10% or less, such interest will be converted to a 1.5% NSR royalty.

The agreement with Hidefield/Mines Trust is subject to the acceptance for filing thereof by the TSXV on behalf of the Company (received July 4, 2007).

(e) Properties acquired from AngloGold, Alaska

Pursuant to an Asset Purchase and Sale and Indemnity Agreement dated June 30, 2006, as amended on July 26, 2007, (the "AngloGold Agreement") among the Company, AngloGold Ashanti (U.S.A.) Exploration Inc. ("AngloGold") and Talon Gold Alaska, Inc. (the Company's wholly owned Alaskan subsidiary), the Company acquired all of AngloGold's interest in a portfolio of seven mineral exploration projects in Alaska (then aggregating 246 square kilometres) and referred to as the Livengood, Chisna, Gilles, Coffee Dome, West Pogo, Blackshell, and Caribou properties (the "Sale Properties") in consideration of cash payment USD$50,000 on Aug 4, 2006, and the issuance of 5,997,295 common shares, representing approximately 19.99% of the Company's issued shares following the closing of the acquisition and two private placement financings raising an aggregate of $11,479,348. AngloGold has the right to maintain its percentage equity interest in the Company, on an ongoing basis, provided that such right will terminate if AngloGold's interest falls below 10% at any time after January 1, 2009.

5. MINERAL PROPERTIES (cont'd)

(e) Properties acquired from AngloGold, Alaska (cont'd)

As further consideration for the transfer of the Sale Properties, the Company granted to AngloGold a 90 day right of first offer with respect to the Sale Properties and any additional mineral properties in Alaska in which the Company acquires an interest and which interest the Company proposes to farm out or otherwise dispose of. If AngloGold's equity interest in the Company is reduced to less than 10%, then this right of first offer will terminate. Details of the Sale Properties are as follows:

(i) Livengood Property

The Livengood property is located in the Tintina gold belt approximately 110 kilometres north of Fairbanks, Alaska. The property consists of approximately 3,621 acres of mineral rights leased from the State of Alaska, 169 State of Alaska mining claims leased from two individuals, 20 federal unpatented lode mining claims leased from two individuals, three federal patented lode mining claims leased from a group of individuals and two unpatented federal lode mining and four federal unpatented placer mining claims leased from an individual.

Details of the leases are as follows:

- the lease of the Alaska State Lands is for an initial term of 3 years, commencing July 1, 2004 (subject to extension for 2 extensions of three years each) and requires work expenditures of USD$10/acre/year in years 1 – 3, USD$20/acre/year in years 4 – 6 and USD$30/acre/year in years 7 – 9 and advance royalty payments of USD$5/acre/year in years 1 - 3, USD$15/acre/year in years 4 – 6 and USD$25/acre/year in years 7 – 9. An NSR production royalty of between 2.5% and 5.0% (depending upon the price of gold) is payable to the lessor with respect to the lands subject to this lease. In addition, an NSR production royalty of 1% is payable to the lessor with respect to the unpatented federal mining claims subject to the lease below.

- the lease of the Alaska State mining claims is for an initial term of ten years, commencing on September 11, 2006, and for so long thereafter as mining related activities are carried out. The lease requires payments of USD$75,000 on execution (paid), USD$50,000 in each of years 2 – 5 and USD$100,000 in each of years 6 -10 and work expenditures of USD$100,000 in year 1, USD$200,000 in each of years 2 – 5 and USD$300,000 in each of years 6 -10. An NSR production royalty of between 2% and 5% is payable to the lessors (depending upon the price of gold). The Company may buy all interest in the property subject to the lease (including the retained royalty) for USD$10,000,000.

5. MINERAL PROPERTIES (cont'd)

(e) Properties acquired from AngloGold, Alaska (cont'd)

(i) Livengood Property (cont'd)

- the lease of the Federal unpatented claims is for an initial term of ten years, commencing on April 21, 2003 and for so long thereafter as mining related activities are carried out. The lease requires a bonus payment of USD$5,000 on signing (paid), and advance royalties of USD$20,000 on execution (paid), USD$30,000 on or before April 21, 2004 (paid), USD$40,000 on or before April 21, 2005 (paid), USD$50,000 on or before April 21, 2006 (paid), USD $40,000 on or before April 21, 2007 (paid) and an additional USD$40,000 on or before each subsequent April 21 during the term. An NSR production royalty of between 2% and 3% (depending on the price of gold) is payable to the lessors. The Company may purchase 1% of the royalty for USD$1,000,000.

- the lease of the patented federal claims is for an initial term of ten years, and for so long thereafter as the Company pays the lessors the minimum royalties required under the lease. The lease requires a bonus payment of USD$10,000 on signing (paid), and minimum royalties of USD$10,000 on or before January 18, 2008, USD$10,000 on or before January 18, 2009, USD$15,000 on or before January 18, 2010 and an additional USD$20,000 on or before each of January 18 2011 through January 18, 2016 and an additional USD$25,000 on each subsequent January 18 thereafter during the term (all of which minimum royalties are recoverable from production royalties). An NSR production royalty of 3% is payable to the lessors. The Company may purchase all interest of the lessors in the leased property (including the production royalty) for USD$1,000,000 (less all minimum and production royalties paid to the date of purchase), of which USD$500,000 is payable in cash over 4 years following the closing of the purchase and the balance of USD$500,000 is payable by way of the 3% NSR production royalty.

- the mining lease of the unpatented federal mining and four federal unpatented placer claims has an initial term of ten years, commencing on March 28, 2007, and for so long thereafter as mining related activities are carried out. The lease requires payment of advance royalties of USD$3,000 on execution (paid), USD$5,000 on or before March 28, 2009, USD$10,000 on or before March 28, 2010 and an additional USD$ 15,000 on or before each subsequent March 28 thereafter during the initial term (all of which minimum royalties are recoverable from production royalties). The Company is required to pay the lessor the sum of USD$250,000 upon making a positive production decision. An NSR production royalty of 2% is payable to the lessor. The Company may purchase all interest of the lessor in the leased property (including the production royalty) for USD$1,000,000.

5. MINERAL PROPERTIES (cont'd)

(e) Properties acquired from AngloGold, Alaska (cont'd)

(ii) Coffee Dome Property

The Coffee Dome property is located approximately 15 kilometres northeast of the Fort Knox mine. The property consists of 59 State of Alaska mining claims owned 100% by the Company, 6 State of Alaska mining claims leased from an individual and certain mineral lands leased from the University of Alaska.

The lease of the Alaska State mining claims is for an initial term of twenty years, commencing on August 11, 2005 and for so long thereafter as mining related activities are carried out. The lease requires a bonus payment of USD$10,000 on signing (paid), and advance royalties of USD$15,000 on or before December 31, 2005 (paid), USD$25,000 on or before August 11, 2006 (paid) and an additional USD$50,000 on or before each subsequent August 11 (paid for 2007) during the term. A production payment of USD$500,000 is also payable upon the Company making a positive production decision. An NSR production royalty of between 0.5% and 5% (depending on the price of gold) is payable to the lessor. The Company may purchase 1% of the royalty for USD$2,000,000. The lessor also has the right to receive an NSR production royalty on production of gold of between 0.5% and 5% (depending on the price of gold) and a 3% NSR production royalty on production of minerals other than gold, from any lands acquired by the Company within a defined area of interest. In addition, the lessor is entitled to receive an NSR production royalty on all minerals equal to the greater of 1% and one-half of the difference between 4% and the actual NSR production royalty payable by the Company to a third party with respect to certain defined lands held by such third party upon the Company entering into a mining lease with such third party.

The agreement with the University of Alaska is a two stage Exploration Agreement with Option to Lease. The Exploration Agreement has an effective date of January 1, 2007 and covers approximately 1,300 hectares of land. The key terms of the Exploration Agreement (and any resulting mining lease) are as follows:

Exploration Agreement: In order to maintain the option to lease in good standing, the Company is required to pay the University USD$117,500 over five years (USD$15,000 first year (paid)) and incur exploration expenditures totalling USD$400,000 over five years (USD$25,000 commitment for the first year). If the Company does not terminate the option prior to January 1 in any option year, the specified minimum expenditures for that year become a commitment of the Company. The Company is also responsible for all taxes and assessments on the lands subject to the option to lease.

5. MINERAL PROPERTIES (cont'd)

(e) Properties acquired from AngloGold, Alaska (cont'd)

(ii) Coffee Dome Property (cont'd)

Mining Lease: At any time during the option period, the Company has the right to enter into a mining lease over some or all of the lands subject to the option. The mining lease will have an initial term of 15 years and for so long thereafter as commercial production continues and requires escalating advance royalty payments of USD$30,000 in year 1 to USD$150,000 in year 9 and beyond. Advance royalty payments are credited against 50% of production royalties. The Company is also required to incur escalating minimum mandatory exploration expenditures of USD$125,000 in year 1 to USD$350,000 in year 5 and beyond and to deliver a feasibility study within 10 years of the commencement of the lease. Upon the commencement of commercial production, the Company is required to pay a sliding scale net smelter return royalty of from 3% (USD$300 and below gold) up to 5% (USD$500 and up gold). The Company will also pay a sliding scale net smelter return royalty of from 0.5% (USD$450 and below gold) to 1% (USD$450 and above gold) on any federal or Alaska state claims staked by the Company or its affiliates within a 2 mile area of interest surrounding the University land (not including the Company's existing leased claims).

(iii) Blackshell Creek Property

The Blackshell Creek property is located approximately 80 kilometres east of Fairbanks, Alaska, and consists of 35 State of Alaska mining claims owned 100% by the Company. As of May 31, 2007 the Company decided to terminate further work on the project and has written off its investment in the property totalling $316,234.

(iv) West Pogo Property

The West Pogo property is located approximately 50 kilometres north of Delta Junction, Alaska, and consists of 96 State of Alaska mining claims owned 100% by the Company.

(v) Chisna Property

The Chisna property is located in the eastern Alaska Range, Alaska, and consists of approximately 29,411 hectares of State of Alaska mining claims owned 100% by the Company.

(vi) Gilles Property

The Gilles property is located approximately 30 kilometres north of Delta Junction, Alaska, and consists of 86 State of Alaska mining claims owned 100% by the Company.

5. MINERAL PROPERTIES (cont'd)

(e) Properties acquired from AngloGold, Alaska (cont'd)

(vii) Caribou Property

The Caribou property is located approximately 75 kilometres north of Delta Junction, Alaska, and consists of 1,895 acres of mineral rights leased from the State of Alaska.

The lease of the Alaska State Lands is for an initial term of 3 years, commencing July 1, 2004 (subject to extension for 2 extensions of three years each) and requires work expenditures of USD$10/acre/year in years 1 – 3, USD$20/acre/year in years 4 – 6 and USD$30/acre/year in years 7 – 9 and advance royalty payments of USD$5/acre/year in years 1 - 3, USD$15/acre/year in years 4 – 6 and USD$25/acre/year in years 7 – 9. An NSR production royalty of between 2.5% and 5.0% (depending upon the price of gold) is payable to the lessor with respect to the lands subject to this lease.

During the year ended May 31, 2007, the Company determined that results to date on the Caribou property did not warrant further work, and the lease was terminated and the property returned to the lessor. Accordingly, the related mineral property costs of $126,950 were written off.

(f) Properties optioned from AngloGold, Alaska

In conjunction with the closing of the acquisition of the Sale Properties, the Company entered into an option/joint venture with AngloGold with respect to two additional mineral projects in Alaska, referred to as the LMS and the Terra properties (the "Optioned Properties").

The Terra Property consists of 194 State of Alaska unpatented lode mining claims held by or on behalf of Anglogold and 5 State of Alaska unpatented lode mining claims leased from an individual. The lease requires a payment on execution of US$25,000 (paid), and advance minimum royalties of US$25,000 on or before March 22, 2006 (paid), US$ 50,000 on or before March 22, 2007 (paid), US$75,000 on or before March 22, 2008, US$100,000 on or before March 22, 2009 and each subsequent March 22 until March 22, 2015, and thereafter US$125,000 until the expiry of the lease (all of which are recoverable from production royalties). The lessor is entitled to receive a net smelter returns production royalty on gold equal to 3.0% if the gold price is less than US$450/ounce and 4% if the gold price is US$450/ounce or higher, plus a net smelter returns royalty of 4% on all other mineral products other than gold. 1% of the royalty may be purchased for US$1 million and a further 1% for US$3 million.

The LMS property consists of 92 State of Alaska unpatented lode mining claims owned by Anglogold.

(i) With respect to the LMS property, the Company will have the right to earn a 60% interest by incurring aggregate exploration expenditures of USD$3 million by January 30, 2010, of which the Company has committed to incur minimum exploration expenditures of USD$1 million during the 2006 calendar year (incurred) and of USD$750,000 during the 2007 calendar year. Upon the Company having earned its 60% interest in the LMS property,

5. MINERAL PROPERTIES (cont'd)

(f) Properties optioned from AngloGold, Alaska (cont'd)

AngloGold will have the right to re-acquire a 20% interest (for an aggregate 60% interest) and become manager of the joint venture by incurring a further USD$4 million in exploration expenditures over a further two years.

(ii) With respect to the Terra property, the Company will have the right to earn a 60% interest by incurring aggregate exploration expenditures of USD$3 million by January 30, 2010, of which the Company has committed to incur minimum exploration expenditures of USD$500,000 during the 2006 calendar year (incurred) and of USD$750,000 during the 2007 calendar year. Upon the Company having earned its 60% interest in the Terra property, AngloGold will have the right to re-acquire a 20% interest (for an aggregate 60% interest) and become manager of the joint venture by incurring a further USD$4 million in exploration expenditures over a further two years. In either case, following the parties having earned their final respective interests, each party will be required to contribute its pro rata share of further exploration expenditures or be diluted. A party that is diluted to 10% or less will have its interest converted to a 2% net smelter return royalty.

(g) Properties optioned from Redstar Gold Corp., Nevada

On March 15, 2007, the Company signed two binding letters of intent with Redstar Gold Corp. of Vancouver, B.C., pursuant to which the Company can earn up to a 70% interest in two gold projects, referred to as North Bullfrog and Painted Hills, located in Nevada. The Company can earn an initial 60% interest in each project by making payments and exploration expenditures and has the option to earn an additional 10% interest (aggregate 70%) by funding all expenditures to take a project to feasibility. There is no time limit by which a feasibility study is required to be delivered.

North Bullfrog: To earn its initial 60% interest, the Company must make total payments of USD$190,000 and incur total expenditures of USD$4,000,000 over 4 years to March 15, 2011. The first year requirement is a payment of USD$20,000 on TSXV acceptance (paid) plus exploration expenditures of USD$500,000. The second payment of USD$30,000 is due by September 15, 2008.

Painted Hills: To earn its initial 60% interest, the Company must make total payments of USD$170,000 and incur total expenditures of USD$2,500,000 over 4 years to March 15, 2011. The first year requirement is a payment of USD$20,000 on TSXV acceptance (paid) plus exploration expenditures of USD$250,000. The second payment of USD$20,000 is due by September 15, 2008.

The Company is also required to issue an aggregate of 20,000 common shares to Redstar, as to 5,000 on each on September 15, 2008, March 15, 2009, March 15, 2010 and March 15, 2011, so long as the Company is earning into at least one of the North Bullfrog or Painted Hills projects.

(Expressed in Canadian dollars)

6. SHARE CAPITAL

Authorized

500,000,000 common shares without par value

Issued

	Number of shares	Contributed Surplus	Share Capital
Balance, May 31, 2005	9,012,183	$ -	$ 3,515,664
Shares issued for cash			
Private placement	1,000,000	-	200,000
Balance, May 31, 2006	10,012,183	-	3,715,664
Private placement (brokered)	11,704,105	-	21,650,306
Private placement (non-brokered)	9,199,718	-	7,359,842
Agent’s commission	561,365	-	945,785
Agent’s compensation options	-	1,163,089	-
Shares issued for property acquisition	5,997,295	-	7,496,619
Exercise of warrants	420,751	-	515,070
Exercise of options	348,812	-	453,456
Stock based compensation	-	5,737,178	-
Reallocation from contributed surplus	-	(247,627)	247,627
Share issue costs	-	-	(3,033,041)
Balance, May 31, 2007	38,244,229	$ 6,652,640	$ 39,351,328
Private placement (brokered)	-	-	-
Private placement (non-brokered)	-	-	-
Agent’s commission	7,316	-	10,974
Agent’s compensation options	11,212	-	14,575
Shares issued for property acquisition	-	-	-
Exercise of warrants	-	-	-
Exercise of options	-	-	-
Stock based compensation	-	59,059	-
Reallocation from contributed surplus	-	(7,960)	7,960
Share issue costs	-	-	-
Balance, August 31, 2007	38,262,757	$ 6,703,739	$ 39,384,837

6. SHARE CAPITAL (cont'd)

Share issuances

On October 21, 2005, the Company issued 1,000,000 units at $0.20 per unit, for total cash proceeds of $200,000. Each unit consisted of one common share and one non-transferable share purchase warrant. Each warrant is exercisable to acquire one common share at a price of $0.26 until October 21, 2007.

On August 4, 2006, the Company completed a brokered private placement consisting of 5,599,605 units at a price of $1.25 per unit for total proceeds of $6,999,506. Each unit consisted of one common share and one-half of a transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of $1.50 until August 4, 2008.

On August 4, 2006, the Company issued 349,123 commission units at a price of $1.25 per unit for total value of $436,404. Each commission unit consisted of one common share and one-half of a share purchase warrant, each whole warrant entitling the agent to purchase one additional common share at a price of $1.50 until August 4, 2008. In addition, the agent received 498,748 compensation options. Each compensation option entitles the agent to purchase one additional common share at a price of $1.30 until August 4, 2008. The fair value of these options, being $354,070, was charged to share issue costs.

On August 4, 2006, the Company completed a non brokered private placement consisting of 7,999,718 units at a price of $0.56 per unit for total proceeds of $4,479,842. Each unit consisted of one common share and one-half share purchase warrant. Each full warrant entitles the holder to purchase one additional common share at a price of $1.00 until August 4, 2008. Also on August 4, 2006, the Company issued 5,997,295 common shares to Anglogold to acquire the Sale Properties (See Note 5 (e)) at a fair value of $1.25 per share.

On May 9, 2007, the Company completed a brokered private placement of 6,104,500 units at a price of $2.40 per unit for total gross proceeds of $14,650,800. Each unit consisted of one common share of the Company and one transferable common share purchase warrant. Each warrant entitles the holder to acquire one additional share until May 9, 2009 at an exercise price of $3.00. In addition, the agents received a commission of 7% of the gross proceeds of the Offering, payable in a combination of cash ($516,175) and 212,242 commission units. Each commission unit has the same attributes as a unit, except that the warrants are non-transferable. In addition, the Agents received 488,360 compensation options, each compensation option entitling the holder to purchase one share at a price of $2.70 until May 9, 2009. The fair value of these options, being $809,019, was charged to share issue costs.

On May 9, 2007, the Company completed a non-brokered private placement of 1,200,000 units at a price of $2.40 per unit to raise gross proceeds of $2,880,000. Each unit consisted of one common share of the Company and one transferable common share purchase warrant. Each warrant entitles the holder to acquire one additional share until May 9, 2009 at an exercise price of $3.00.

(Expressed in Canadian dollars)

6. SHARE CAPITAL (cont'd)

Warrants

Warrant transactions are summarized as follows:

	Three months ended August 31, 2007		**Year ended May 31, 2007**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants exercisable, beginning of period	15,070,208	$2.04	1,000,000	$0.26
Issued – non-brokered private placement	-	-	3,999,855	$1.00
Issued – brokered private placement	-	-	2,799,802	$1.50
Issued – agent commission	-	-	174,560	$1.50
Issued – non-brokered private placement	-	-	1,200,000	$3.00
Issued – brokered private placement	-	-	6,104,500	$3.00
Issued – agent commission	-	-	212,242	$3.00
Exercised	(7,316)	-	(420,751)	$(1.22)
Warrants exercisable, end of period	15,062,892	$2.04	15,070,208	$2.04

Warrants outstanding are as follows:

	Three months ended August 31, 2007		**Year ended May 31, 2007**	
Expiry date	Number of Warrants	Exercise Price	Number of Warrants	Exercise Price
October 21, 2007	950,000	$0.26	950,000	$0.26
August 4, 2008	3,891,743	$1.00	3,891,743	$1.00
August 4, 2008	2,656,020	$1.50	2,656,020	$1.50
August 4, 2008 – commission warrants	48,387	$1.50	55,703	$1.50
May 9, 2009	7,304,500	$3.00	7,304,500	$3.00
May 9, 2009 – commission warrants	212,242	$3.00	212,242	$3.00
Warrants exercisable, end of period	15,062,892	$2.04	15,070,208	$2.04

Options and stock based compensation

The Company has adopted an incentive stock option plan (the "2006 Plan"). The essential elements of the 2006 Plan provide that the aggregate number of common shares of the Company's capital stock issuable pursuant to options granted under the 2006 Plan may not exceed 10% of the number of issued shares of the Company at the time of the granting of the options. Options granted under the 2006 Plan will have a maximum term of five years. The exercise price of options granted under the 2006 Plan will not be less than the discounted market price of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the issuance of a news release announcing the granting of the options, less the maximum discount permitted under TSXV policies), or such other price as may be agreed to by the Company and accepted by the TSXV. Options granted

(Expressed in Canadian dollars)

6. SHARE CAPITAL (cont'd)

under the 2006 Plan vest immediately, except for options granted to consultants conducting investor relation activities which will become vested with the right to exercise one-fourth of the option upon the conclusion of each three month period subsequent to the date of the grant of the option, unless otherwise determined by the directors at the date of grant.

Pursuant to the Company's brokered private placement completed on August 4, 2006, the Company granted the agent 498,748 compensation options on July 6, 2006. Each compensation option entitles the agent to purchase one additional common share at a price of $1.30 until August 4, 2008.

Pursuant to its 2006 Incentive Stock Option Plan, on January 26, 2007 the Company granted incentive stock options to directors, officers, employees and consultants of the Company to purchase 2,830,000 common shares. The options are exercisable on or before January 26, 2009 at a price of $2.70 per share.

Pursuant to the Company's brokered private placement completed on May 9, 2007, the agent received 488,360 compensation options. Each compensation option entitles the agent to purchase one additional common share at a price of $2.70 until May 9, 2009.

Pursuant to its 2006 Incentive Stock Option Plan, on May 23, 2007 the Company granted incentive stock options to directors, officers, employees and consultants of the Company to purchase 845,000 common shares in the capital stock of the Company. The options are exercisable on or before May 23, 2009 at a price of $2.95 per share.

A summary of the status of the stock option plan as of August 31, 2007, and changes during the period is presented below:

	Three months ended August 31, 2007		**Year ended May 31, 2007**	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Options outstanding, opening:	4,313,296	$2.70	-	$ -
Granted: agent's compensation options	-	$ -	498,748	$1.30
Granted	-	$ -	2,830,000	$2.70
Granted: agent's compensation options	-	$ -	488,360	$2.70
Granted	-	$ -	845,000	$2.95
Exercised	(11,212)	$1.30	(348,812)	$1.30
Options outstanding, ending:	4,302,084	$2.70	4,313,296	$2.70

(Expressed in Canadian dollars)

6. SHARE CAPITAL (cont'd)

Stock options outstanding are as follows:

	Three months ended August 31, 2007			**Year ended May 31, 2007**		
Expiry Date	Exercise Price	Number of Shares	Exercisable At Period End	Exercise Price	Number of Shares	Exercisable At Year End
August 4, 2008	$1.30	138,724	138,724	$1.30	149,936	149,936
January 26, 2009	$2.70	2,830,000	2,755,000	$2.70	2,830,000	2,717,500
May 9, 2009	$2.70	488,360	488,360	$2.70	488,360	488,360
May 23, 2009	$2.95	845,000	845,000	$2.95	845,000	845,000
		4,302,084	4,227,084		4,313,296	4,200,796

The Company uses the fair value method for determining stock-based compensation expense for all options granted during the fiscal periods. The fair value was determined using the Black-Scholes option pricing model based on the following assumptions:

	May 23, 2007 grant	**May 9, 2007 grant**	**January 26, 2007 grant**	**July 6, 2006 grant**
Expected life (years)	2	2	2	2
Interest rate	4.42%	4.22%	4.13%	4.33%
Volatility (average)	110.59%	110.61%	110.56%	108.65%
Dividend yield	0%	0%	0.0%	0.0%
Exercise price	$2.95	$2.70	$2.70	$1.30
Stock price at grant date	$2.95	$2.80	$2.70	$1.25

Stock-based compensation charges of $59,059 (2006 - $Nil), was allocated as follows:

	Before allocation	**Stock-based compensation**	**After Allocation**
Investor relations	$ 53,006	$ 59,059	$ 112,065
		$ 59,059	

In addition, $Nil (2006 - $354,070) of stock-based compensation was allocated to share issue costs.

(Expressed in Canadian dollars)

7. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follow for the three months ended August 31:

		2007		**2006**
Loss before income taxes	$	(539,297)	$	(358,395)
Statutory Canadian corporate tax rate		34.12%		34.10%
Income tax recovery at statutory rates	$	(184,008)	$	(122,213)
Unrecognized items for tax purposes		20,151		-
Difference in tax rates in other jurisdictions		117,051		-
Change in valuation allowance		46,806		122,213
	$	**-**	**$**	**-**

The significant components of the Company's future income tax assets are as follows at August 31:

		2007		**2006**
Future income tax assets				
Mineral properties	$	956,931	$	559,946
Equipment		2,604		-
Share issue costs		786,504		319,208
Cumulative eligible capital		118		118
Net capital losses available		-		841
Non-capital losses available for future periods		473,496		202,294
		2,219,653		1,082,407
Valuation allowance		(2,219,653)		(1,082,407)
	$	**-**	**$**	**-**

At August 31, 2007 the Company has available non-capital tax losses for Canadian income tax purposes of approximately $1,400,000 available for carry-forward to reduce future years' taxable income, if not utilized, expiring as follows:

2025	$	81,776
2026		91,537
2027		1,030,880
2028		183,545
	$	1,387,738

(Expressed in Canadian dollars)

7. INCOME TAXES (cont'd)

In addition, the Company has available mineral resource related expenditure pools for Canadian income tax purposes totalling approximately $2,600,000 which may be deducted against future taxable income in Canada on a discretionary basis. The Company also has available mineral resource expenses that are related to the Company's exploration activities in the United States of approximately $18,500,000, which may be deductible for US tax purposes.

Future tax benefits, which may arise as a result of applying these deductions to taxable income, have not been recognized in these accounts due to the uncertainty of future taxable income.

8. RELATED PARTY TRANSACTIONS

During the three-month period the Company paid $105,812 (Aug 31, 2006 - $49,468) in consulting, rent, management fees and salaries to officers, directors and companies controlled by directors of the Company, $8,370 (Aug 31, 2006 - $22,294) in rent and management fees to a company with common officers and directors and $Nil (Aug 31, 2006 - $Nil) in professional fees to a company controlled by a director of the Company. These figures do not include stock-based compensation (see Note 6).

At August 31, 2007, included in accounts payable and accrued liabilities was $9,839 (Aug 31, 2006 - $536,979) owing to companies controlled by the directors of the Company.

These amounts were unsecured, non-interest bearing and had no fixed terms of repayment. Accordingly, fair value could not be readily determined.

These transactions with related parties have been valued in these financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. GEOGRAPHIC SEGMENTED INFORMATION

	Canada	United States	Total
August 31, 2007			
Mineral properties	$ 1	$ 17,928,097	$17,928,098
Equipment	$ 1,481	$ 106,882	$ 108,363
May 31, 2007			
Mineral properties	$ 1	$ 13,387,112	$13,387,113
Equipment	$ -	$ 115,920	$ 115,920
May 31, 2006			
Mineral properties	$ 1,030,316	$ -	$ 1,030,316
Equipment	$ -	$ -	-

	August 31, 2007	August 31, 2006	August 31, 2005
Net loss for the period- Canada	$ (121,340)	$ (78,363)	$ (27,940)
Net loss for the period- United States	(409,904)	(280,032)	-
Net loss for the three months period	$ (531,244)	$ (358,395)	$ (27,940)

(Expressed in Canadian dollars)

10. FINANCIAL INSTRUMENTS

The Company has accounts payable totalling USD$1,410,629 as at August 31, 2007 (Aug 31, 2006 - $872,958), which has been translated to Canadian dollars at a rate of 1.0564 CAD dollars to 1.00 US dollars.

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP")

These consolidated financial statements are prepared in accordance with GAAP in Canada, which differs in certain respects from GAAP in the United States. The material differences between Canadian and United States GAAP, in respect of these financial statements, are as follows:

a) Mineral property exploration and development

Under United States GAAP, all mineral exploration and development property expenditures are expensed in the year incurred in an exploration stage company until there is substantial evidence that a commercial body of minerals has been located. Canadian GAAP allows mineral exploration and development property expenditures to be deferred during this process. The effect on the Company's financial statements is summarized below:

Three months ended August 31	**2007**	**2006**
Consolidated statements of operations and deficit		
Loss for the year under		
Canadian GAAP	$ (531,244)	$ (358,395)
Mineral property expenditures, net	(4,496,553)	(1,204,481)
United States GAAP	$ (5,027,797)	$ (1,562,876)
Loss per share – US GAAP	$ (0.13)	$ (0.10)

Consolidated balance sheets	**August 31, 2007**	**May 31, 2007**
Mineral Properties		
Canadian GAAP	$ 17,928,098	$ 13,387,113
Mineral property expenditures (cumulative)	(10,574,621)	(6,078,068)
United States GAAP	$ 7,353,477	$ 7,309,045
Deficit		
Canadian GAAP	$ (11,865,795)	$ (11,334,551)
Mineral property expenditures (cumulative)	(10,574,621)	(6,078,068)
United States GAAP	$ (22,440,416)	$ (17,412,619)

(Expressed in Canadian dollars)

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES ("GAAP") (cont'd)

Consolidated statements of cash flows (three months)	**August 31, 2007**	**August 31, 2006**
Operating activities		
Cash provided by (used) per Canadian GAAP	$ (438,303)	$ (278,497)
Effect of the write-off of exploration expenditures	(3,904,932)	(388,131)
Cash generated (used) per United States GAAP	$ (4,343,235)	$ (666,628)
Investing activities		
Cash provided by (used) per Canadian GAAP	$ (3,907,915)	$ (513,255)
Effect of the write-off of exploration expenditures	3,904,932	388,131
Cash generated (used) per United States GAAP	$ (2,938)	$ (125,124)

b) Marketable securities

Under United States GAAP, the Company would classify the marketable securities as "Securities available for resale". The carrying value on the balance sheet at August 31, 2007 would be $Nil (2006 – $10,000, May 31, 2006 - $10,000) and the unrealized gain (loss) of $Nil (2006 - $Nil, 2005 - $Nil) would be posted to shareholder's equity as part of other comprehensive income.

c) Stock based compensation

The Company has adopted Statement of Financial Accounting Standards No. 123, and records compensation cost for stock-based employee compensation plans at fair value. Accordingly, compensation cost for stock options granted is measured as the fair value at the date of grant, and there is no difference in these financial statements.

d) Loss per share

Under both Canadian and United States GAAP basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

Under United States GAAP, the weighted average number of common shares outstanding excludes any shares that remain in escrow, but may be earned out based on the Company incurring a certain amount of exploration and development expenditures. The weighted average number of shares outstanding under United States GAAP for the three month periods ended August 31, 2007 and 2006 was 38,252,157 and 15,880,498 respectively.

e) Income taxes

Under United States GAAP, the Company would have initially recorded an income tax asset for the benefit of the resource deduction pools. This asset would have been reduced to $Nil by a valuation allowance. The result is no difference in net income reported between Canadian and United States GAAP.

12. SUBSEQUENT EVENTS

Subsequent to August 31, 2007, the following events occurred:

a) The Company issued 26,882 shares upon the exercise of warrants for proceeds of $34,912;

b) The Company issued 2,902 shares pursuant to the exercise of agent's options for proceeds of $3,782.

13. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the consolidated financial statement presentation adopted in the current year.