

**UNIVERSAL URANIUM LTD.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2007**  
**and**  
**September 30, 2006**

**DE VISSER GRAY LLP**  
**CHARTERED ACCOUNTANTS**

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**AUDITORS' REPORT**

To the Shareholders of Universal Uranium Ltd.

We have audited the balance sheet of Universal Uranium Ltd. as at September 30, 2007 and 2006 and the statements of operations and deficit and cash flows for the year 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 September 30, 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.

*"De Visser Gray LLP"*

**CHARTERED ACCOUNTANTS**

Vancouver, British Columbia  
January 25, 2008

**UNIVERSAL URANIUM LTD.**  
**BALANCE SHEETS**  
**As at September 30,**

	2007	2006
	\$	\$
<b>A S S E T S</b>		
<b>Current assets</b>		
Cash and deposits	795,252	3,447,508
Funds in trust (Note 5)	505,558	-
Amounts receivable	165,406	15,969
Security deposits	46,915	34,670
Prepaid expense	5,904	29,062
	1,519,035	3,527,209
<b>Reclamation bond</b> (Note 5)	114,455	99,948
<b>Equipment</b> (Note 3)	47,441	50,482
<b>Other Asset</b> (Note 4)	904,118	-
<b>Mineral properties</b> (Note 5)	12,024,319	5,979,816
	14,609,368	9,657,455

**LIABILITIES & SHAREHOLDERS' EQUITY**

<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,834,416	359,979
<b>Shareholders' Equity</b>		
Share capital (Note 6)	19,083,898	14,396,515
Contributed surplus (Note 6)	2,553,719	1,606,078
Deficit	(8,862,665)	(6,705,117)
	12,774,952	9,297,476
	14,069,368	9,657,455
<b>Continuing operations</b> (Note 1)		
<b>Subsequent events</b> (Note 8)		

**Approved on behalf of the Board of Directors:**

“Ronald Atlas”, Director

“Steven Chan”, Director

**UNIVERSAL URANIUM LTD.**  
**STATEMENTS OF OPERATIONS AND DEFICIT**  
**For the Years Ended September 30,**

	2007	2006
	\$	\$
Expenses:		
Bank charges	2,056	1,936
Consulting fees	131,216	120,586
Corporate and administration fees	14,781	13,625
Directors' fees	10,000	12,000
Filing and transfer agent fees	34,531	77,146
Legal & accounting fees	119,509	54,372
Management fees	66,315	114,280
Office rent, services and supplies	60,493	58,859
Property investigation	-	3,148
Salaries and benefits	115,603	76,077
Shareholders' communication & promotion	179,917	313,895
Travel, meals & entertainment	73,892	99,373
	<u>(808,313)</u>	<u>(945,297)</u>
Other income (expenses):		
Amortization	(14,116)	(11,701)
Interest income	47,178	36,026
Investment income	6,580	42,557
Expenses recovered – prior year	36,850	-
Foreign exchange loss	(11,348)	(293)
Future income tax recovery	690,525	-
Stock-based compensation	(1,484,450)	(452,500)
Write-off of other assets	(486,833)	-
Write-off of mineral properties	(133,621)	-
Write-off of uncollectible GST receivable	-	(17,788)
Net loss for the year	<u>(2,157,548)</u>	<u>(1,348,996)</u>
Deficit - beginning of the year	<u>(6,705,117)</u>	<u>(5,356,121)</u>
Deficit - end of the year	<u>(8,862,665)</u>	<u>(6,705,117)</u>
Loss per share	<u>(0.06)</u>	<u>(0.05)</u>
Weighted average number of common shares outstanding	<u>37,906,133</u>	<u>27,342,135</u>

See notes to financial statements

**UNIVERSAL URANIUM LTD.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended September 30,**

	2007	2006
	\$	\$
Cash provided by (used for):		
Operating Activities		
Net loss for the year	(2,157,548)	(1,348,996)
Adjustment which do not affect cash:		
Amortization	14,116	11,701
Stock-based compensation	1,484,450	452,500
Future income tax recovery	(690,525)	-
Write-off of mineral properties	133,621	-
Write-off of other assets	486,833	-
Write-off of uncollectible prior years' GST	-	17,788
	<u>(729,053)</u>	<u>(867,007)</u>
Net changes in non-cash working capital items:		
Trust funds	(505,558)	-
Amounts receivable	(149,437)	(7,396)
Prepays	23,158	(26,558)
Accounts payable	37,507	122,150
	<u>(1,323,383)</u>	<u>(778,811)</u>
Financing Activities		
Issue of share capital	4,128,693	7,613,237
Share issue costs	(222,564)	(625,144)
Repayment of related party loan	-	12,729
	<u>3,906,129</u>	<u>7,000,822</u>
Investing Activities		
Mineral property costs	(3,806,224)	(2,923,739)
Reclamation bonding	(14,507)	(99,948)
Equipment purchased	(11,075)	(32,675)
Security deposits	(12,245)	(11,670)
Other asset (Note4)	(1,390,951)	-
	<u>(5,235,002)</u>	<u>(3,068,032)</u>
Increase (decrease) in cash	(2,652,256)	3,153,979
Cash - beginning of year	3,447,508	293,529
Cash - end of year	<u>795,252</u>	<u>3,447,508</u>
Supplementary disclosures:		
Interest income received	47,178	36,026
Investment income received	6,580	42,557

Refer also to Notes 5 and 6 for disclosure of common shares issued mineral properties and for share issue costs.

**UNIVERSAL URANIUM LTD.**  
**Schedule of Deferred Mineral Property Costs**  
**For the year ended September 30, 2007**

	<b>Balance September 30, 2006 \$</b>	<b>Additions \$</b>	<b>Write-off</b>	<b>Balance September 30, 2007 \$</b>
<b>Lisbon Valley</b>				
Acquisition costs	1,885,572	110,275	-	1,995,847
Exploration costs				
Accommodations	-	13,631	-	13,631
Assays and sampling	802	2,631	-	3,433
Claims and staking maintenance	100,015	144,203	-	244,218
Consultants	101,693	66,556	-	168,249
Drilling	1,036,617	648,600	-	1,685,217
Field work	68,666	30,252	-	98,918
Field office and administration	25,133	8,347	-	33,480
Geophysical	38,460	27,426	-	65,886
Legal	60,105	798	-	60,903
Maps and reports	9,485	1,471	-	10,956
Reclamation costs	30,512	26,915	-	57,427
Site visits	32,548	2,093	-	34,641
Vehicle rental	29,393	9,807	-	39,200
	<u>3,419,001</u>	<u>1,093,005</u>	<u>-</u>	<u>4,512,006</u>
<b>Silver Spruce (Labrador)</b>				
Acquisition costs	45,000	-	-	45,000
Exploration costs				
Airbourne	-	30,437	-	30,437
Claims staking and maintenance	150,431	(130,171)	-	20,260
Consulting – Geology & Geochemistry	-	654,330	-	654,330
Contract magnetics	274,864	10,042	-	284,906
Drafting and mapping	5,355	14,957	-	20,312
Drilling	-	1,770,603	-	1,770,603
Field work and supplies	52,188	612,053	-	664,241
Field administration	5,111	67,105	-	72,216
Geophysics	-	149,104	-	149,104
Legal	-	12,644	-	12,644
Linecutting	-	33,311	-	33,311
SSR – management fees	53,876	283,501	-	337,377
Radiometrics	278,980	85,184	-	364,164
Transport (mobilization)	11,965	1,544	-	13,509
	<u>877,770</u>	<u>3,594,644</u>	<u>-</u>	<u>4,472,414</u>
<b>Artillery (Mohave)</b>				
Acquisition costs	1,156,585	488,995	-	1,645,580
Exploration costs				
Claims staking and recording	23,294	19,126	-	42,420
Consultants – Geology & Geotechnical	6,302	108,251	-	114,553
Drilling	-	11,255	-	11,255
Field work, supplies & equipment	-	36,468	-	36,468
Field administration	7,179	31,849	-	39,028
Legal	39,459	3,424	-	42,883
Road construction	-	24,618	-	24,618
Site visits	-	9,739	-	9,739
	<u>1,232,819</u>	<u>733,725</u>	<u>-</u>	<u>1,966,544</u>

See notes to financial statements

**UNIVERSAL URANIUM LTD.**  
**Consolidated Schedule of Deferred Mineral Property Costs**

	<b>Balance September 30, 2006 \$</b>	<b>Additions \$</b>	<b>Write-off</b>	<b>Balance September 30, 2007 \$</b>
<b>Jamestown/Marshall Pass</b>				
Acquisition costs	22,600	30,103	(52,703)	-
Exploration costs				
Claims staking and maintenance	21,701	36,898	(58,599)	-
Consultants - Geology	2,866	1,524	(4,390)	-
Drafting and mapping	953	-	(953)	-
Field administration	412	3,226	(3,638)	-
Field work and supplies	12,794	544	(13,338)	-
	<u>61,326</u>	<u>72,295</u>	<u>(133,621)</u>	<u>-</u>
<b>Tripple Uranium properties</b>				
Acquisition costs	-	652,500	-	652,500
Exploration costs				
Advances	56,111	-	-	56,111
Air Charters	42,532	-	-	42,532
Claims and maintenance	98,172	-	-	98,172
Consultants	57,113	24,000	-	81,113
Equipments and tools	14,151	-	-	14,151
Field administration	9,667	7,955	-	17,622
Field work and supplies	25,034	-	-	25,034
Site visits	23,831	-	-	23,831
Sub-contracts	31,179	-	-	31,179
Wages and labour	31,110	-	-	31,110
	<u>388,900</u>	<u>684,455</u>	<u>-</u>	<u>1,073,355</u>
<b>TOTAL</b>	<u>5,979,816</u>	<u>6,178,124</u>	<u>(133,621)</u>	<u>12,024,319</u>

**UNIVERSAL URANIUM LTD.**  
**Notes to Financial Statements**  
**September 30, 2007 and 2006**

**1. NATURE AND CONTINUANCE OF OPERATIONS**

The Company is incorporated in the Province of British Columbia and its principal business activity is the acquisition and exploration of resource properties. The Company is currently in the exploration stage of developing its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and has an accumulated operating deficit of \$8,862,665 at September 30, 2007. The ability of the Company to continue as a going-concern depends upon its capacity in the near-term to raise additional equity financing and ultimately to develop profitable commercial operations.

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Use of Estimates**

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

Refer particularly to Note 4 in connection with estimated recoverable amounts of asset-backed commercial paper, and also to Note 6(c) in respect to fair value measurements of share-based compensation.

**Financial Instruments**

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

The Company also follows recent Canadian accounting guidance in connection with the recognition and measurement of certain financial instruments where fair value reporting is required where such values differ from initial costs. However, the Company currently has no financial instruments to which this standard applies and therefore it has no impact on these financial statements.

**Share Capital**

Common shares issued for non-monetary consideration are recorded at their fair market value based upon the trading price of the Company's shares on the TSX Venture Exchange.

**Stock-based Compensation**

The Company follows the Recommendations of the Canadian Institute of Chartered Accountants ("CICA") for the recognition of stock-based compensation which requires that all stock option-based awards made to consultants and employees be recognized and measured using a fair value-based method.

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

Consideration received on the exercise of stock options and compensation options and warrants is recorded as share capital and the related contributed surplus originally recognized when the options were granted, is transferred to share capital.

### **Mineral Properties**

The Company records its interests in mineral properties and all direct expenditures incurred on them at cost. All direct and indirect costs relating to the acquisition of these properties are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or management has determined there to be impairment in value. These costs will be amortized on the basis of units produced in relation to the proven reserves available on the related property following commencement of production or charged to operations in the year of abandonment or sale. Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The recorded cost of mineral properties is based on cash paid, the value of any common share consideration issued and exploration costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

### **Equipment**

Equipment consists of office and computer equipment which is recorded at cost and amortized over its estimated useful economic life on the declining-balance basis at the rates of 20% and 30% per annum.

### **Asset Retirement Obligations**

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

### **Income taxes**

The Company accounts for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, which are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net assets are recognized. Such an allowance has been applied to all potential income tax assets of the Company.

### **Loss per share**

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

### **Translation of Foreign Currencies**

The Company translates the results of foreign operations as follows; monetary items are translated at the rate of exchange in effect at the balance sheet date, non-monetary items at average rates in effect during the period in which they are incurred and expenses are translated at average rates in effect during the period, except for amortization, which is translated using historical rates. Gains and losses resulting from the translation of foreign exchange rates are included in the determination of income.

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

### Flow-through shares

The Company may issue securities referred to as flow-through shares, whereby the investor may claim the tax deduction arising from the expenditure of the proceeds. When resource expenditures are renounced to the investors and the Company has reasonable assurance that expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective corporate tax rate), and share capital is reduced. Previously, unrecognized tax assets may then offset or eliminate the liability recorded.

## 3. EQUIPMENT

	Year ended September 30, 2007		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer equipment	35,278	17,942	17,336
Office equipment	47,834	18,578	29,256
Leasehold improvements	2,114	1,265	849
	<u>85,226</u>	<u>37,785</u>	<u>47,441</u>

  

	Year ended September 30, 2006		
	Cost	Accumulated Amortization	Net
	\$	\$	\$
Computer equipment	25,343	11,492	13,851
Office equipment	46,694	11,335	35,359
Leasehold improvements	2,114	842	1,272
	<u>74,151</u>	<u>23,669</u>	<u>50,482</u>

## 4. OTHER ASSET

During the current year the Company invested \$1,390,951 in a collateralized short term debt obligation (the "Note"), issued by Conventree Inc. and commonly known as "Asset Backed Commercial Paper" ("ABCP"). The redemption of the Note is dependent on the cash generated by the ABCP's underlying assets and the ability of the trust that issued the note to refinance it in the ABCP market.

The Note was due and repayable to the Company on September 1, 2007, however the market for ABCP has ceased to function and the Company's Note was not redeemed upon maturity.

The Company is unable to determine if or when it may obtain the funds due under its Note, or whether the full amount invested will be recoverable. Accordingly, it has reclassified the Note as a non-current asset, and revalued it to \$904,118.

The Company has made an assessment of the estimated recoverable amount of its investment based on the impact on related, but still functioning, markets for comparable financial instruments, and also with reference to the charges recently taken by other companies holding ABCP. The resultant allowance for 35% of the investment balance is only an estimate and the ultimate recovery, assuming that it eventually occurs in some manner, could be materially greater or less than the adjusted balance of the investment.

## 5. MINERAL PROPERTIES

**Lisbon Valley  
San Juan County, Utah, USA**

The Company has an option to acquire a 100% interest in two mining lease agreements comprising 302 unpatented lode mining claims, which was acquired by the reimbursement of \$156,735 in previous acquisition costs (paid), the issue of 3,500,000 shares (issued) and the payment of US\$400,000 (\$300,000 paid) prior to production and the requirement to pay a minimum of US\$100,000 per year once production is attained, which is to be credited against sliding scale royalty based upon the value of uranium recovered. Annual fees of approximately US\$40,000 are also due to government agencies.

A reclamation bond of \$99,948 (US\$84,000) has been posted with the State of Utah.

**Silver Spruce Properties, Labrador, Canada**

On January 18, 2006, the Company optioned from Silver Spruce Resources (SSE) the right to earn a majority interest in a 4,963 claim property (approximately 124,000 hectares / 300,000 acres), located in the Central Mineral Belt (CMB) of Labrador, Canada. Under the terms of the agreement, Universal can earn a 60-per-cent interest by spending \$2-million on exploration over a three year period (completed). During the earn-in period SSE will be the operator. The Company paid the funds in trust to SSE subsequent to year end on account of exploration expenditures.

The Company paid a \$45,000 finder's fee to an arms-length third party.

On April 3, 2007, the Company completed its 60% earn-in on the Silver Spruce Properties and as a result now owns 60% of the Joint Venture. A formal joint venture agreement still has to be finalized.

**Artillery Peak  
Mohave County, Arizona, USA**

On February 14, 2006, the Company had acquired an option to purchase a 100% interest in 36 unpatented lode mining claims, under the following terms:

Date	Cash \$	Shares	Exploration Commitment \$
Execution	100,000 (paid)	150,000 (issued)	
April 18, 2006	150,000 (paid)	500,000 (issued)	
February 20, 2007	200,000 (paid)	500,000 (issued)	250,000 (completed)
February 20, 2008	250,000	850,000	750,000
February 20, 2009	600,000	1,000,000	1,750,000
February 20, 2010			3,000,000
	<u>1,300,000</u>	<u>3,000,000</u>	<u>5,750,000</u>

The Company is also to issue 1,000,000 non-transferable share purchase warrants to purchase 1,000,000 common shares at \$0.88 per share prior to February 20, 2009 (issued) and to pay a royalty of 3% on production. The Company retains an option to reacquire 1/3 of the royalty (1%) for \$1,500,000. The Company has also subsequently staked an additional 36 contiguous claims comprising 1,647 acres.

A reclamation bond of \$14,507 (US\$12,400) has been posted with the State of Arizona.

5. **MINERAL PROPERTIES (continued)**

**Jamestown & Marshall Pass  
Sacuache and Boulder County, Colorado, USA**

On September 1, 2006, the Company acquired an option to purchase a 100% interest in 88 unpatented lode mining claims by the initial payment of US\$30,000 (paid) and the issue of 67,000 shares (issued). Under the option, the Company will also pay US\$30,000 upon receipt of a drilling permit and issue of 66,500 common shares within six months. Annual property payments of US\$10,000 are due on each anniversary date of the agreement for the first five year period, with annual US\$40,000 amounts payable between the sixth and tenth anniversary dates. The Company is also required to incur US\$400,000 in exploration work on the property within three years.

The Company optioned a 60% interest in this property in consideration for cash payments of \$100,000 over three years, the issuance of 1.2 million common shares of the optionee company and the completion of US\$1.1 million of exploration work within three years of the date of the option. Subsequently, the optionee has not completed the minimum expenditures.

**Tripple Uranium properties, Central Mineral Belt  
Labrador, Canada**

On September 13, 2006, the Company acquired an option to earn a 60% interest in 2,727 claims (comprising approximately 165,000 acres) by initially reimbursing 60% of staking costs incurred of \$98,172 (paid), issuing 250,000 common shares (issued), and spending a total of \$1,050,000 on exploration over a three year period as follows: \$200,000 the first year (incurred), \$350,000 the second year and \$500,000 in the third year. In connection with this agreement the Company must also issue an additional 350,000 shares within ten days after the company's shares trade above \$0.75 for twenty consecutive trading days (issued).

6. **SHARE CAPITAL**

- a) Authorized: Unlimited number of common shares  
b) Issued and outstanding:

	2007		2006	
	Number of Shares	\$	Number of Shares	\$
<b>Balance - beginning of year</b>	32,174,493	14,396,515	20,037,932	7,027,925
Issued for cash:				
Private placements (flow-through)	2,700,000	2,025,000	11,037,499	7,572,875
Options exercised	1,285,000	464,250	175,000	43,000
Warrants & agents' options exercised	1,796,910	1,639,442	97,443	58,994
Issued for mineral properties	1,167,000	934,970	650,000	525,000
Finder's fee		-	146,210	93,575
Financing issue costs				
Agents' commissions		(151,874)	-	(515,542)
Broker warrants		(51,300)	-	(238,078)
Finders' fees		-	5,409	(16,632)
Finance fees	25,000	(18,750)	25,000	(45,000)
Legal fees & other costs		(70,689)	-	(109,602)
Tax benefit given from renunciation of flow-through		(690,525)	-	-
Others				
Fair value – Options exercised		437,800	-	-
Fair value – Warrants exercised		169,059	-	-
<b>Balance -end of year</b>	<b>39,148,403</b>	<b>19,083,898</b>	<b>32,174,493</b>	<b>14,396,515</b>

6. **SHARE CAPITAL** (continued)

c) Stock options:

The continuity of share purchase options is as follows:

Expiry Date	Exercise Price	Sept. 30, 2005	Granted	Exercised	Expired / Cancelled	Sept. 30, 2006
12/29/2009	0.20	1,100,000	-	(150,000)	-	950,000
8/15/2010	0.52	150,000	-	-	(150,000)	-
9/10/2010	0.52	3,500	-	-	-	3,500
6/21/2011	0.52	750,000	-	(25,000)	-	725,000
1/16/2011	0.71	-	230,000	-	(40,000)	190,000
5/08/2011	0.67	-	260,000	-	-	260,000
6/13/2011	0.67	-	740,000	-	(100,000)	640,000
7/21/2011	0.48	-	100,000	-	-	100,000
		2,003,500	1,330,000	(175,000)	(290,000)	2,868,500
<b>Weighted average exercise price</b>		0.34	0.68	0.25	0.60	0.48

Expiry Date	Exercise Price	Sept. 30, 2006	Granted	Exercised	Expired / Cancelled	Sept. 30, 2007
12/29/2009	0.20	950,000	-	(720,000)	-	230,000
9/10/2010	0.52	3,500	-	-	(3,500)	-
6/21/2011	0.52	725,000	-	(200,000)	-	525,000
1/16/2011	0.72	190,000	-	(30,000)	(10,000)	150,000
5/08/2011	0.71	260,000	-	(135,000)	-	125,000
6/13/2011	0.67	640,000	-	(50,000)	(150,000)	440,000
7/21/2011	0.48	100,000	-	-	-	100,000
11/13/2011	0.46	-	200,000	(50,000)	-	150,000
2/04/2012	0.48	-	100,000	(100,000)	-	-
3/19/2012	1.77	-	835,000	-	(15,000)	820,000
5/24/2012	1.11	-	25,000	-	-	25,000
		2,868,500	1,160,000	(1,285,000)	(178,500)	2,565,000
<b>Weighted average exercise price</b>		0.47	1.42	0.36	0.76	0.94

The exercise prices of all share purchase options granted during the year were equal to the market price at the grant date. Using an option pricing model with the assumption noted below, the estimated fair value of all options granted during the 2007 and 2006 have been reflected in the statements of operations as follows:

	Years ended September 30,		Value of	
	2007	2006	Option per share	Option per share
	\$	\$		
Exploration				
Engineering	-	-	-	-
Environmental, socioeconomic and land	-	-	-	-
Geological	75,500	85,450	0.60	0.36
Operations and administration	1,408,950	367,050	1.36	0.34
<b>Total compensation cost recognized in operations, credited to contributed surplus</b>	<b>1,484,450</b>	<b>452,500</b>	<b>1.28</b>	<b>0.34</b>

6. **SHARE CAPITAL** (continued)

The weighted average assumptions used to estimate the fair value of options granted during the period were:

	September 30, 2007				September 30
	24-May-07	19-Mar-07	05-Feb-07	15-Nov-06	2006
Risk-free interest rate	4.5	4.5	4.5	4.5	4.5
Expected life	5	5	5	5	5
Vesting period	-	-	-	-	-
Expected volatility	153.74%	149.29%	99.37%	91.6 %	143 %
Expected dividend yield	-	-	-	-	-

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 share purchase options.

d) **Contributed Surplus**

Contributed surplus, September 30, 2005	\$ 665,500
Changes during 2006	
Non-cash stock-based compensation	452,500
Fair value of vendor warrants allocated to Mohave mineral property	250,000
Fair value of broker warrants issued for private placements	238,078
Contributed surplus, September 30, 2006	1,606,078
Changes during 2006	
Non-cash stock-based compensation	1,484,450
Fair value of broker shares and warrants issued for private placements	70,050
Fair value of stock options exercised	(437,800)
Fair value of broker warrants exercised	(169,059)
Contributed surplus, September 30, 2007	2,553,719

e) **Share purchase warrants**

The continuity of share purchase warrants is as follows:

Expiry Date	Exercise Price	Granted	Exercised	Sept. 30, 2005	Granted	Exercised	Expired / Cancelled	Sept. 30, 2006
8/03/2005	0.25	1,500,000	(1,500,000)	-	-	-	-	-
10/03/2005	0.70	350,714	-	350,714	-	(36,000)	(314,714)	-
10/18/2006	0.55	-	-	-	1,140,201	(61,443)	-	1,078,758
3/01/2008	0.88	-	-	-	1,000,000	-	-	1,000,000
3/06/2008	1.00	-	-	-	3,067,832	-	-	3,067,832
3/06/2008	1.00	-	-	-	25,000	-	-	25,000
3/06/2008	0.75	-	-	-	613,566	-	-	613,566
4/28/2008	1.00	-	-	-	1,313,417	-	-	1,313,417
4/28/2008	0.75	-	-	-	262,683	-	-	262,683
		1,850,714	(1,500,000)	350,714	7,422,699	(97,443)	(314,714)	7,361,256
<b>Weighted average exercise price</b>		0.34	.25	.70	0.89	0.61	0.70	0.89

6. **SHARE CAPITAL** *(continued)*

e) Share purchase warrants

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Sept. 30, 2006</b>	<b>Granted</b>	<b>Exercised</b>	<b>Expired / Cancelled</b>	<b>Sept. 30, 2007</b>
10/18/2006	0.55	1,078,758	-	-	(1,078,758)	-
3/01/2008	0.88	1,000,000	-	(49,432)	-	950,568
3/06/2008	1.00	3,067,832	-	(603,500)	-	2,464,332
3/06/2008	1.00	25,000	-	-	-	25,000
*3/06/2008	0.75	613,566	-	(300,533)	-	313,033
4/28/2008	1.00	1,313,417	-	(366,167)	-	947,250
*4/28/2008	0.75	262,683	-	(227,740)	-	34,943
*12/14/2007	0.75	-	270,000	(77,870)	-	192,130
		7,361,256	270,000	(1,625,242)	(1,078,758)	4,927,256
<b>Weighted average exercise price</b>		0.98	0.75	0.90	0.55	0.95

\* Units granted to agents contain one share and half a warrant upon exercise.

Broker units exercised	606,143
Warrants (at \$1.00) issued upon exercise	303,072
Warrants exercised	(171,668)
Warrants outstanding	<u>131,404</u>
3/06/2008	59,539
4/28/2008	32,930
12/14/2007	38,935
	<u>131,404</u>

7. **INCOME TAXES**

A reconciliation of Canadian income taxes at statutory rates is as follows:

	2007
Income (loss) for the year	\$ (2,157,548)
Expected income tax (recovery)	\$ (735,724)
Net adjustment for amortization and non-deductible amounts	428,948
Unrecognized benefit of non-capital losses	<u>306,776</u>
Total income taxes	\$ -

7. **INCOME TAXES (continued)**

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

	2007
Future income tax assets:	
Mineral properties	\$ (372,304)
Non-capital loss carryforwards	829,994
Share issue costs	203,685
Equipment	12,884
	<u>674,259</u>
Valuation allowance	<u>(674,259)</u>
Net future tax assets	<u>\$ -</u>

The Company has non-capital losses of approximately \$2,434,000 which may be carried forward and applied against taxable income in future years. These losses, if not utilized, will expire through to 2027. Subject to certain restrictions, the Company also has mineral property expenditures of approximately \$10,932,518 available to reduce taxable income in future years. Future tax benefits which may arise as a result of these losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

8. **SUBSEQUENT EVENTS**

On October 24, 2007, the Company closed a non-brokered private placement with the MineralFields Group consisting of 2,666,666 flow-through units ("FT Units") at a price of \$0.75 per FT Unit for gross proceeds of \$2,000,000. Each FT Unit consists of one flow-through common share and one-half of a share purchase warrant. Each full warrant will entitle the holder to purchase one additional common share of the Company at \$1.25 in the first year and \$2.00 in the second year. The warrants will be subject to a 30 day early expiration upon formal notification by the Company of a closing price, for 30 consecutive trading days, of \$1.50 or greater in the first year and \$2.25 or greater in the second year.

The Company paid a cash commission equal to 6% of the gross proceeds. In addition, the Company issued finder's options entitling the holder to purchase up to 266,666 non flow-through units of the Company, at a price of \$0.75 per unit, for a period of 24 months.