ABERDEEN INTERNATIONAL INC.
(A Development Stage Company)

FINANCIAL STATEMENTS

JANUARY 31, 2007 AND 2006

AUDITORS' REPORT

To the Shareholders of
Aberdeen International Inc.
(A Development Stage Company)

We have audited the balance sheets of Aberdeen International Inc. (A Development Stage Company) as at January 31, 2007 and 2006 and the statements of operations and deficit and cash flows for each of the years in the two-year period ended January 31, 2007. 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 January 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years in the two-year period ended January 31, 2007 in accordance with Canadian generally accepted accounting principles.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
March 22, 2007

ABERDEEN INTERNATIONAL INC.

(A Development Stage Company)
BALANCE SHEETS
As at January 31,

		2007		2006
ASSETS				
Current				
Cash and cash equivalents	$	**2,536,637**	$	611,057
Amounts receivable		**221,662**		245,462
Prepaid expenses		**72,028**		169,044
Deferred costs (Note 6)		**178,000**		188,000
Future income taxes (Note 13(b))		**161,000**		-
		3,169,327		1,213,563
Long-term				
Convertible royalty debenture (Note 3)		**11,793,000**		11,429,931
Equipment (Note 4)		**2,127**		3,599
Mineral properties (Note 5)		**102,974**		-
Prepaid expenses		**-**		120,000
Deferred costs (Note 6)		**-**		178,000
Future income taxes (Note 13(b))		**101,000**		-
	$	**15,168,428**	$	12,945,093
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**117,701**	$	505,713
Deferred revenue (Note 3)		**112,000**		112,000
Income taxes payable		**85,500**		-
Loans (Note 6)		**3,000,000**		-
		3,315,201		617,713
Long-term				
Deferred revenue (Note 3)		**102,464**		214,235
Loans (Note 6)		-		3,000,000
		3,417,665		3,831,948
SHAREHOLDERS' EQUITY				
Common Shares (Note 7)		**12,275,229**		12,271,808
Warrants (Note 8)		**3,137,486**		3,137,486
Contributed surplus (Note 10)		**1,094,265**		938,831
Deficit		**(4,756,217)**		(7,234,980)
		11,750,763		9,113,145
	$	**15,168,428**	$	12,945,093

Commitments and contingencies (Notes 1, 5 and 12)

APPROVED ON BEHALF OF THE BOARD:

Signed "George Faught", Director *Signed "Stan Bharti"*, Director

See accompanying notes to the financial statements.

ABERDEEN INTERNATIONAL INC.

(A Development Stage Company)
STATEMENTS OF OPERATIONS AND DEFICIT
For the years ended January 31,

	2007	2006
Revenue		
Royalties	$ **3,140,505**	$ 306,079
Interest	**301,385**	63,172
Arrangement fee (Note 3)	**113,432**	21,000
	3,555,322	390,251
Expenses		
Consulting and management compensation (Note 9)	**531,244**	1,442,627
Salaries and wages	**2,087**	11,550
Professional fees	**56,691**	21,691
General and office expenses	**47,912**	41,285
Shareholder communications	**68,649**	122,544
Filing and transfer agent fees	**15,289**	20,979
Travel expenses	**65,950**	35,602
Amortization	**1,472**	742
	789,294	1,697,020
Income (loss) before the undernoted	**2,766,028**	(1,306,769)
Foreign exchange gain (loss)	**341,210**	(234,937)
Interest expense on long-term loan	**(300,000)**	(56,250)
Other interest expense	**(124)**	(80)
Debt arrangement expense (Note 6)	**(188,000)**	(7,500)
Write off of mineral properties (Note 5)	**-**	(266,473)
Write off of amounts receivable	**-**	(1,800)
Income (loss) before income taxes	**2,619,114**	(1,873,809)
Income taxes (Note 13(a))	**(140,351)**	(30,000)
Net income (loss) for the year	**2,478,763**	(1,903,809)
Deficit, beginning of year	**(7,234,980)**	(5,331,171)
Deficit, end of year	$ **(4,756,217)**	$ (7,234,980)
Basic income (loss) per share	$ **0.09**	$ (0.12)
Diluted income (loss) per share	$ **0.09**	$ (0.12)
Weighted average common shares outstanding		
- basic	**27,930,673**	15,355,879
- diluted	**27,959,646**	15,355,879

See accompanying notes to the financial statements.

ABERDEEN INTERNATIONAL INC.

(A Development Stage Company)
STATEMENTS OF CASH FLOWS
For the years ended January 31,

		2007		2006
CASH (USED IN) PROVIDED BY:				
OPERATING ACTIVITIES:				
Net income (loss) for the year	$	**2,478,763**	$	(1,903,809)
Charges not affecting cash and cash equivalents:				
Amortization		**1,472**		742
Stock-based compensation (Note 9)		**165,355**		1,231,390
Debt arrangement expense (Note 6)		**188,000**		7,500
Write off of mineral properties (Note 5)		**-**		266,474
Write off of amounts receivable		**-**		1,800
Interest, royalty and arrangement fee income		**(111,771)**		(183,516)
Future income taxes		**(262,000)**		-
Unrealized foreign exchange		**(353,936)**		238,738
Net change in non-cash working capital		**(83,435)**		(389,291)
		2,022,448		(729,972)
FINANCING ACTIVITIES:				
Shares issued through private placements		**-**		8,629,200
Shares issued from exercise of warrants and options		**8,500**		1,178,320
Financing costs		**(15,000)**		(132,706)
Long-term loan		**-**		2,850,000
Notes payable		**-**		(61,872)
		(6,500)		12,462,942
INVESTING ACTIVITIES:				
Convertible royalty debenture		**-**		(11,158,918)
Mineral property interests		**(102,974)**		(119,367)
Change in exploration accounts payable and accrued liabilities		**12,606**		11,485
Equipment		**-**		(2,491)
		(90,368)		(11,269,291)
CHANGE IN CASH AND CASH EQUIVALENTS		**1,925,580**		463,679
CASH AND CASH EQUIVALENTS, beginning of year		**611,057**		147,378
CASH AND CASH EQUIVALENTS, end of year	**$**	**2,536,637**	**$**	611,057
Cash and cash equivalents consist of:				
Cash	**$**	**2,470,980**	$	611,057
Cash equivalents		**65,657**		-
	$	**2,536,637**	$	611,057
SUPPLEMENTAL INFORMATION				
Interest paid on long-term debt	**$**	**300,000**	$	37,580
Income taxes paid	**$**	**297,851**	$	-
Options issued as part of loan transaction	**$**	**-**	$	223,500
Loan arrangement fee paid from proceeds	**$**	**-**	$	150,000
Debenture arrangement fees applied to reduce funds issued regarding the convertible royalty debenture	**$**	**-**	$	347,235
Interest and royalty revenue applied to reduce funds issued regarding the convertible royalty debenture	**$**	**9,133**	$	162,516

See accompanying notes to the financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Aberdeen International Inc. ("Aberdeen" or the "Company") is a Canadian exploration and royalty company that has created a new financial instrument, a "Secured Convertible Royalty Debenture" or "SECROD", that provides secured convertible loans where the coupon is paid through a combination of a fixed interest rate and a Net Smelter Royalty ("NSR"), which is tied to the price of gold and escalates as the price of gold moves higher. The Company is focusing on expanding its royalty portfolio and acquiring interests in mineral properties. On January 31, 2007, the Company entered into an agreement to acquire a mineral property in Ethiopia.

The business of exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mineral properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material writedowns of the carrying values.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and their basis of application is consistent with that in the previous year. Outlined below are those policies considered particularly significant.

a) Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and deposits that, which generally mature within 90 days from the date of acquisition. Deposits are held in Canadian chartered banks or a financial institution controlled by a Canadian chartered bank.

b) Equipment

Amortization of equipment is calculated on an annual basis using the following rate and method:

Computer - 30% declining balance

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Interest in Mineral Properties and Deferred Exploration Expenditures

Interests in mineral properties and deferred exploration expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit-of-production method based on proven and probable reserves. If a property is subsequently determined not to be economic, the property and related deferred costs are written down to net realizable value. Other general exploration expenses are charged to operations as incurred. The cost of exploration properties abandoned or sold and their related deferred exploration costs are charged to operations in the current year.

The Company reviews its mineral properties to determine if events or changes in circumstances have transpired which indicate that the carrying value of its assets may not be recoverable. The recoverability of costs incurred on the exploration properties is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. An impairment loss is recognized when the carrying amount of the mineral properties is not recoverable and exceeds their fair value. It is reasonably possible, based on existing knowledge, that changes in future conditions in the near-term could require a change in the determination of the need for and amount of any write-down.

Costs include the cash consideration and the fair market value of the shares issued for the acquisition of exploration properties. The carrying value is reduced by option proceeds received until such time as the property cost and deferred expenditures are reduced to nominal amounts. Properties acquired under option agreements or by joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at the time of payment.

d) Asset retirement obligations

The Company is required to record a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its mineral properties. This amount is initially recorded at its discounted present value with subsequent annual recognition of an accretion amount on the discounted liability. An equivalent amount is recorded as an increase to mineral properties and deferred exploration expenditures and amortized over the useful life of the properties. As at January 31, 2007, management does not believe that the Company has any significant legal obligations relating to the reclamation of its mineral properties.

e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions affect the carrying value of assets, impact decisions as to when exploration and development costs should be capitalized or expensed, and estimates for asset retirement obligations and reclamation costs. Other significant estimates made by the Company include factors affecting valuations or stock-based compensation, warrants and brokers' options and income tax accounts. The Company regularly reviews its estimates and assumptions, however, actual results could differ from these estimates and these differences could be material.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the income tax bases of assets and liabilities, and are measured using the substantively enacted income tax rates and laws that are expected to be in effect when the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates is recognized in the period that includes the date of enactment or substantive enactment of the change. 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 asset is recognized.

g) Income (loss) per share

Basic income (loss) per share is calculated using the weighted number of shares outstanding. Diluted loss per share is calculated using the treasury stock method. In order to determine diluted income (loss) per share, the treasury stock method assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. The diluted income (loss) per share calculation excludes any potential conversion of options and warrants that would increase income per share or decrease loss per share.

h) Stock-based compensation

The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of the options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock.

i) Revenue recognition

The Company earns royalty income based on gold production, which is tied to the price of gold through their Secured Gold Royalty Based Convertible Debenture. As well, the Company earns interest income through this debenture. Such revenue is recognized based on contractual obligations and when ultimate collection is reasonably assured. Arrangement fees related to convertible debentures are recorded over the expected term of the debenture.

j) Comparative figures

Certain comparative amounts have been reclassified to conform to the current year's presentation.

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3. CONVERTIBLE ROYALTY DEBENTURE

In August 2005, the Company entered into a binding letter of intent with Simmer and Jack Mines, Limited ("Simmers") to provide Simmers with a loan facility of up to US$10 million to acquire gold assets in South Africa. The Secured Gold Royalty Based Convertible Debenture (the "Convertible Royalty Debenture"), advanced in two tranches of US$5 million, has a three-year term, a 3% coupon at gold prices up to US$400/oz (2.5% at gold prices above US$400/oz) and a net smelter royalty ("NSR"), tied to the price of gold, ranging from a 0.5% NSR at US$300/oz to a 4.75% NSR at gold prices of US$750 or higher on a graduated scale. Repayment of the Convertible Debenture, including interest and royalty payments, is in US dollars.

The Company has an option to convert the Convertible Debenture to equity of Simmers at ZAR$0.80 per share at any time after the first year of the loan, subject to shareholders' approval by Simmers. If the shareholder approval is not granted then the US$10,000,000 principal amount will be due on December 31, 2008 and a 1% NSR will incept for the life of the underlying assets.

At January 31, 2007, US$9,550,000 ($11,262,315) was advanced to Simmers. Interest income of US$43,587 ($51,402), owing to the Company at April 30, 2006 at a rate of 2.5% based on the price of gold, royalty income of US$106,413 ($125,493), owing to the Company at December 31, 2005 at a rate of 2.05% also based on the price of gold, and arrangement fees of US$300,000 ($353,790) were capitalized and applied against the remaining amounts to be advanced to Simmers. As a result, a total of US$10,000,000 ($11,793,000) has been recorded with respect to the Convertible Debenture.

The arrangement fees have been deferred and will be amortized over the term of the Convertible Royalty Debenture. At January 31, 2007, $113,432 had been recorded as revenue in the statement of operations and deficit and the balance of $214,464 has been presented as deferred revenue, with $112,000 being the current portion and $102,464 being the long-term portion.

4. EQUIPMENT

2007	Cost	Accumulated Amortization	2007 Net
	$	$	$
Computer	6,078	3,951	2,127

2006	Cost	Accumulated Amortization	2006 Net
	$	$	$
Computer	6,078	2,479	3,599

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5. MINERAL PROPERTIES

2007	Mineral Properties Ethiopia
Acquisition costs	
Balance, January 31, 2006	-
Acquisition and property costs	274
Balance, January 31, 2007	**274**
Exploration expenditure	
Balance, January 31, 2006	-
Geology and geological consulting	25,781
Travel and transportation	45,309
Field and office support	31,610
Balance, January 31, 2007	**102,700**
TOTAL DEFERRED COSTS January 31, 2007	**102,974**

2006	Mineral Properties Indata, British Columbia	Pioneer, British Columbia	Oil & Gas Properties Wemberly, Texas, USA	TOTAL
Acquisition costs				
Balance, January 31, 2005	-	1	147,106	147,107
Acquisition and property costs	15,000	-	-	15,000
Write off of property costs	(15,000)	(1)	(147,106)	(162,107)
Balance, January 31, 2006	**-**	**-**	**-**	**-**
Exploration expenditure				
Balance, January 31, 2005	-	-	-	-
Drilling	46,812	-	-	46,812
Analysis and laboratory	2,857	-	-	2,857
Geology and geological consulting	28,439	-	-	28,439
Travel and transportation	9,956	-	-	9,956
Field and office support	16,302	-	-	16,302
Write off of property costs	(104,366)	-	-	(104,366)
Balance, January 31, 2006	**-**	**-**	**-**	**-**
TOTAL DEFERRED COSTS January 31, 2006	**-**	**-**	**-**	**-**

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5. MINERAL PROPERTIES (continued)

Ethiopia

On January 31, 2007, the Company entered an agreement with Ethio-Gibe Canada Mining PLC ("Ethio-Gibe") to obtain 100% of the exclusive rights granted by the Ministry of Mineral Energy of Ethiopia to Ethio-Gibe on certain Gold–Copper–Zinc exploration concessions in Ethiopia, subject to a 2% net smelter return royalty ("NSR") to be held by Ethio-Gibe. The Company holds an option to purchase 50% of the NSR for $1,000,000 in cash or in shares of the Company. The Company will also assume any obligations of Ethio-Gibe.

Under the terms of the agreement, the Company is required to issue the following consideration to Ethio-Gibe:

- payment of $200,000 in cash and issuance of 500,000 shares of the Company on or before April 25,2007;
- payment of $250,000 and issuance of 250,000 shares of the Company on or before each of December 31, 2007, December 31, 2008 and December 31, 2009;
- payment of $500,000 on each of December 31, 2010 and December 31,2011, payable in cash or shares of the Company at the Company's option; and
- expand a minimum of $2,000,000 on property exploration.

Indata Property, British Columbia, Canada

In January 2005, the Company entered into an option agreement with Castillian Resources Corp. ("Castillian") to earn a 50% interest in 124 claim units known as the Indata Property located in central British Columbia, north of Fort Saint James. Castillian, who was granted an option to acquire a 65% interest in the property from Eastfield Resources Ltd. ("Eastfield"), had granted a sub-option to the Company to acquire a 50% interest in the property in exchange for the Company assuming the remainder of Castillian's obligations to Eastfield. Castillian and the Company have directors in common. Subsequent to January 31, 2006, the Company terminated its option agreement with Castillian and Eastfield, and consequently $119,366 was written off to operations at January 31, 2006.

Pioneer Extension, British Columbia, Canada

In 2003, the Company entered into an option agreement to acquire a 50% interest, subject to a 2% NSR, in 81 mineral claims located in the Lillooet Mining Division of British Columbia. During 2005 and 2006, the Company wrote off the carrying value of this property.

Wemberly Oil Well, Texas, United States

In 2002, the Company purchased from Dunross Capital Limited ("Dunross") an irrevocable assignment of a 15% working interest and a 12% net revenue interest in the Wemberly Oil Well located in Jack County, Texas. No exploration expenditures were charged to this property during 2006 and at January 31, 2006, the value of the property was written off.

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6. LONG-TERM LOANS

On September 21, 2005, the Company entered into a loan agreement for $1,500,000. Interest is payable quarterly and compounded annually at a rate of 10% per annum. The loan is unsecured and repayable by the Company on or before September 21, 2007.

On January 11, 2006, the Company entered into a further loan agreement for $1,500,000. Interest is payable quarterly and compounded annually at a rate of 10% per annum. The loan is unsecured and repayable by the Company on or before January 11, 2008.

An arrangement fee of $150,000 and 500,000 options to purchase common shares of the Company at $0.80 per share until January 10, 2008 were paid with respect to these loans. The options were valued at $223,500 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 93%; risk-free-interest rate of 3.8%; and an expected average life of 2 years. These costs have been deferred and are being amortized over the term of the loans. At January 31, 2007, $188,000 (2006 - $7,500) was charged to the statement of operations and deficit relating to the amortization of this deferred arrangement fee, and the balance of $178,000 (2006 - $178,000) is shown on the balance sheet as current portion of deferred costs and $Nil (2006 - $178,000) being the long-term portion.

7. COMMON SHARES

Authorized

Unlimited common shares with no par value

Common shares issued

	Number of Shares	Value
Balance, January 31, 2005	11,368,316	$ 5,508,201
Private placement (i)	4,875,000	3,900,000
Private placement (ii)	5,911,500	4,729,200
Issue of warrants - warrant valuation ((i) and (ii))	-	(3,137,486)
Exercise of warrants	4,542,857	608,000
Exercise of stock options	1,208,000	570,320
Exercise of options - option valuation	-	553,779
Cost of issue	-	(460,206)
Balance, January 31, 2006	27,905,673	12,271,808
Exercise of options	25,000	8,500
Exercise of options - option valuation	-	9,921
Cost of issue	-	(15,000)
Balance, January 31, 2007	**27,930,673**	**$ 12,275,229**

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7. COMMON SHARES (continued)

(i) In September 2005, the Company closed a private placement financing with the issuance of 4,875,000 units of the Company priced at $0.80 per unit for gross proceeds of $3,900,000. Each unit consists of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $1.00 until September 21, 2007.

The fair value of the warrants of $874,187 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 93%; risk free interest rate of 3.3%; and an expected life of two years.

(ii) In January 2006, the Company completed another private placement financing with the issuance of 5,911,500 units of the Company priced at $0.80 per unit for gross proceeds of $4,729,200. Each unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.90 until January 23, 2008.

The fair value of the warrants of $2,263,299 was estimated using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; expected volatility of 93%; risk free interest rate of 3.8%; and an expected life of two years.

8. WARRANTS

	2007		2006	
	Number of warrants	**Average price**	Number of warrants	Average price
Balance, beginning of period	**8,349,000**	**$0.93**	4,542,857	$0.13
Granted, private placements	**-**	**-**	8,349,000	0.93
Exercised	**-**	**-**	(4,542,857)	0.13
Balance, end of period	**8,349,000**	**$0.93**	8,349,000	$0.93

The following is a summary of the outstanding warrants as of January 31, 2007:

Value ($)	Number of Warrants	Exercise Price ($)	Expiry Date
874,187	2,437,500	1.00	September 21, 2007
2,263,299	5,911,500	0.90	January 23, 2008
3,137,486	8,349,000		

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9. STOCK BASED COMPENSATION

Pursuant to the Company's stock option plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding capital. The plan is a rolling plan as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Corporation's issued and outstanding share capital increases. Options granted under the Plan will be for a term not to exceed 5 years. The options currently granted under the plan vest immediately pending any regulatory hold period. The plan provides that, it is solely within the discretion of the Board to determine who should receive stock options and in what amounts. In no case (calculated at the time of grant) shall the plan result in:

- The number of options granted in a 12 month period to any one consultant exceeding 2% of the issued shares of the Corporation;
- The aggregate number of options granted in a 12 month period to any one individual exceeding 5% of the outstanding shares of the Corporation;
- The number of options granted in a any 12 month period to employees or consultants undertaking investor relations activities exceeding in aggregate 2% of the issued shares of the Corporation;
- The aggregate number of common shares reserved for issuance to any one individual upon the exercise of options granted under the Plan or any previously established and outstanding stock option plans or grants exceeding 5% of the issued shares of the Corporation in any 12-month period.

The following are the stock option transactions during 2007 and 2006:

	2007		2006	
	Number of stock options	**Weighted average exercise price**	Number of stock options	Weighted average exercise price
Balance, beginning of period	**1,760,000**	**$ 0.80**	$ -	$ -
Granted	**150,000**	**$ 0.82**	2,968,000	$ 0.66
Exercised	**(25,000)**	**$ 0.34**	(1,208,000)	$ 0.47
Cancelled or expired	**(100,000)**	**$ 0.85**	-	$ -
Balance, end of period	**1,785,000**	**$ 0.80**	1,760,000	$ 0.80

As of January 31, 2007, the following stock options were outstanding:

Value $	Number of Options Outstanding	Number of Options Exercisable	Exercise Price $	Expiry Date
223,500	500,000	500,000	0.80	January 10, 2008
144,115*	185,000	185,000	1.00	September 13, 2010
232,050	350,000	350,000	0.85	September 19, 2010
269,500	500,000	500,000	0.69	October 25, 2010
62,500	100,000	100,000	0.80	January 20, 2011
96,300	150,000	150,000	0.82	February 28, 2011
	1,785,000	1,785,000		

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9. STOCK BASED COMPENSATION (continued)

During the year ended January 31, 2007, 150,000 stock options (2006 – 2,968,000) were granted to directors, officers and consultants of the Company. These options vest immediately and expire 5 years from the date of issue (2006 - 2,783,000). During 2006, the remaining 185,000 options were granted (*) with one quarter vesting every three months commencing from the three-month anniversary of the grant date. The fair value of the 2007 options granted was estimated on the date of grant using the Black Scholes option pricing model with the following assumptions: expected dividend yield 0% (2006 - 0%); expected volatility of 105% (2006 - 105%); risk free interest rate 4.5% (2006 – 3.4%-3.8%); and an expected life of 5 years (2006 - 5 years). This generated an expense to consulting and management compensation of $165,355 (2006 –$1,231,390) and deferred costs related to the long-term loan of $Nil (2006 - $223,500).

10. CONTRIBUTED SURPLUS

	2007	2006
Balance, beginning of year	**$ 938,831**	$ 37,720
Stock options granted and/or vested during the period		
Director or officer	**-**	695,044
Consultant	**165,355**	759,846
Exercise of stock options, reallocation of valuation	**(9,921)**	(553,779)
Balance, end of year	$ **1,094,265**	$ 938,831

11. RELATED PARTY TRANSACTIONS

The Company was charged $30,000 during 2007 (2006 - $15,000) by a company controlled by a director of the Company for administration services.

The Company shares its premises with other companies that have common directors and/or officers. The Company reimburses the related companies for their proportional share of expenses.

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

12. COMMITMENTS AND CONTINGENCY

The Company is party to certain management contracts. These contracts contain minimum commitments of approximately $79,000 and additional contingent payments of approximately $238,000 upon the occurrence of a change of control. As the likelihood of a change of control is not determinable, the contingent payments have not been reflected in these financial statements.

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13. INCOME TAXES

(a) Provision for income taxes

Major items causing the Company's income tax rate to differ from the Canadian combined federal and provincial statutory rate of approximately 36% (2006 – 36%) are as follows:

	2007	2006
Net income (loss) before income taxes	$ 2,691,114	$(1,873,809)
Expected income tax expense (benefit)	969,000	(675,000)
Adjustments to benefit resulting from:		
Share issue costs	(9,000)	(166,000)
Stock based compensation	60,000	443,000
Foreign exchange	(127,000)	85,000
Foreign withholding taxes	316,851	30,000
Other	(158,500)	53,000
Expiry of losses	-	71,000
Change in valuation allowance	(911,000)	189,000
Provision for income taxes	$ 140,351	$ 30,000

(b) Future income tax balances

The tax effect of temporary differences that give rise to future income tax assets and liabilities in Canada approximate the following:

Future income tax assets (liabilities)	2007	2006
Non capital losses	$ -	$ 503,000
Resource properties	218,000	331,000
Share issue costs	108,000	139,000
Other	9,000	11,000
Valuation allowance	(73,000)	(984,000)
Net future income taxes	$ 262,000	$ -

Net future income taxes consist of:		
Current	$ 161,000	$ -
Long term	101,000	-
Total	$ 262,000	$ -

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14. FINANCIAL INSTRUMENTS

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

The carrying value of amounts receivable, accounts payable and accrued liabilities, notes payable reflected on the balance sheets approximate fair value because of the limited terms of these instruments. The carrying value of the convertible debentures is not determinable as no comparable market instruments exist. The carrying value of the long-term loan is a reasonable estimate of its fair value.

Foreign Currency Risk:
The Company undertakes transactions denominated in US dollars and as such is exposed to price risk due to fluctuations in foreign exchange rates. The Company does not use derivative instruments to reduce exposure to foreign exchange risk.

Commodity Price Risk:
Future revenues of the Company are directly related to the market price of gold.