COMMERCE RESOURCES CORP.

COMMERCE RESOURCES CORP.

REPORT AND FINANCIAL STATEMENTS

July 31, 2007

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August 21, 2007

THESE FINANCIAL STATEMENTS FOR THE PERIODS ENDED JULY 31, 2007 AND 2006 HAVE NOT BEEN REVIEWED OR AUDITED BY THE COMPANY'S AUDITORS.

COMMERCE RESOURCES CORP.
BALANCE SHEETS

ASSETS	July 31 2007	October 31 2006
Current		
Cash and cash equivalents	$ 31,467,741	$ 3,182,794
Marketable securities (market value – $80,000; 2006: $53,390)	77,019	53,352
Amounts receivable	5,939	7,500
Goods and services tax receivable	76,699	60,505
Share subscriptions receivable – Note 5	0	166,100
Prepaid expenses	516,585	89,710
	32,143,983	3,559,961
Reclamation bonds	24,500	17,000
Resource properties – Notes 4, 6, 10 and Schedule I	5,326,697	2,137,422
	$ 37,495,180	$ 5,714,383
LIABILITIES		
Current		
Accounts payable	$ 585,162	$ 106,484
SHAREHOLDERS' EQUITY		
Share capital – Notes 5, 8 and 10	36,921,343	9,156,025
Common shares subscribed – Notes 5 and 8	4,601,549	-
Contributed surplus	2,102,019	722,895
Deficit	(6,714,893)	(4,271,021)
	36,910,018	5,607,899
	$ 37,495,180	$ 5,714,383

Commitments – Notes 4 and 5
Contingency – Note 9
Subsequent Events – Notes 4, 5 and 10

APPROVED BY THE DIRECTORS:

"Shaun Ledding" Director
Shaun Ledding

"David Hodge" Director
David Hodge

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF OPERATIONS AND DEFICIT

Unaudited

	for the three months ended July 31		for the nine months ended July 31	
	2007	2006	2007	2006
Administrative costs				
Administration fees – Note 6	$ 225,000	$ 3,000	$ 345,000	$ 13,500
Advertising and website	95,500	41,357	258,708	118,941
Amortization	-	211	-	633
Bank charges and interest	829	261	2,112	560
Consulting fees – Note 6	-	16,573	(486)	29,073
Filing fees and transfer agent fees	51,887	5,714	55,527	29,576
Investor relations	77,507	40,239	211,653	53,319
Office, rent, phone and miscellaneous – Note 6	13,091	9,094	22,108	32,823
Professional fees	8,225	6,700	23,512	11,700
Property investigation	1,066	-	9,742	-
Stock-based compensation – Note 5	199,694	22,987	1,610,650	336,281
Travel and promotion	49,180	19,035	64,952	29,755
Wages and benefits – Note 6	-	14,000	7,500	63,562
Loss before other items and income taxes	721,979	179,171	2,610,978	719,723
Other items:				
Gain on sale of mineral property	-	-	17,660	-
Interest income	55,928	-	148,279	-
Miscellaneous income/(expense)	-	672	1,167	3,452
Loss before income taxes	55,928	178,499	167,106	716,271
Recovery of future income tax asset – Note 7	-	-	-	-
Net loss for the period	666,051	178,499	2,443,872	716,271
Deficit, beginning of the period	6,048,842	3,451,139	4,271,021	2,913,367
Deficit, end of the period	$ 6,714,893	$ 3,629,638	$ 6,714,893	$ 3,629,638
Basic and diluted loss per share	$ 0.01	$ 0.01	$ 0.05	$ 0.02
Weighted average number of shares outstanding	50,243,941	34,357,677	50,243,941	34,357,677

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF CASH FLOWS

Unaudited

	for the three months ended July 31		for the nine months ended July 31	
	2007	2006	2007	2006
Operating Activities				
Net loss for the period	$ (666,051)	$ (178,499)	$ (2,443,872)	$ (716,271)
Add (deduct) items not affecting cash:				
Amortization	-	211	-	633
Stock-based compensation	199,694	22,987	1,610,650	325,381
Gain on sale of marketable securities	-	-	(1,167)	-
Gain on disposal of resource properties	-	-	(17,660)	-
	(466,357)	(155,301)	(852,049)	(390,257)
Changes in non-cash working capital items related to operations:				
Amounts receivable	(13,708)	(7,999)	151,467	(13,605)
Prepaid expenses	(272,640)	(93,886)	(426,875)	(93,886)
Accounts payable	508,755	13,947	478,678	(73,963)
Cash used in operating activities	(243,950)	(108,597)	(648,779)	(571,711)
Financing Activities				
Issue of share capital for cash, net	22,355,632	24,780	26,342,891	1,486,562
Common shares subscribed	4,601,549	204,310	4,601,549	10,708
Advances from (to) related parties	-	74,454	-	100,913
Cash provided by financing activities	26,957,181	303,544	30,944,440	1,598,233
Investing Activities				
Acquisition of resource properties	-	-	(35,000)	-
Reclamation bonds	(7,500)	(5,000)	(7,500)	(5,000)
Proceeds from property option agreements	-	-	10,000	-
Deferred exploration and development costs	(1,171,569)	(172,107)	(1,978,214)	(218,781)
Cash used in investing activities	(1,179,069)	(177,107)	(2,010,714)	(223,781)
Increase (decrease) in cash during the period	25,534,162	(116,802)	28,284,947	802,741
Cash and cash equivalents, beginning of period	5,933,579	955,039	3,182,794	35,496
Cash and cash equivalents, end of period	$ 31,467,741	$ 838,237	$ 31,467,741	$ 838,237
Cash and cash equivalents consist of:				
Cash	$ 1,979,716	$ 838,039	$ 1,979,716	$ 838,039
Guaranteed Investment Certificates	29,488,025	-	29,488,025	-
	$ 31,467,741	$ 838,039	$ 31,467,741	$ 838,039

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP. Schedule I

SCHEDULE OF RESOURCE PROPERTIES

for the nine months ended July 31, 2007

	Au/WEN Property	Verity & Fir Claims	Eldor	Other Claims	Totals
Acquisition costs					
Balance, beginning of the year	$ 9,000	$ -	$ -	$ 24,767	$ 33,767
Cash	5,000	25,000	-	5,000	35,000
Shares	-	-	1,190,901	-	1,190,901
Less: option proceeds	(32,500)	-	-	-	(32,500)
Balance, end of the year	(18,500)	25,000	1,190,901	29,767	1,227,168
Deferred exploration and development costs					
Balance, beginning of the year	840	2,036,759	-	66,056	2,103,655
Drilling – Note 6	-	302,915	-	-	302,915
Drafting & engineering– Note 6	-	284,455	128,653	-	413,108
Geological consulting fees – Note 6	-	893,081	3,118	21,657	917,856
Lab analysis – Note 6	-	155,542	0	-	155,542
Overhead – Note 6	-	50,609	23,455	824	74,888
Recording fees & staking– Note 6	-	56,430	2,652	16,757	75,839
Travel – Note 6	-	25,274	12,792	-	38,066
	-	1,768,306	170,670	39,238	1,978,214
Balance, end of the period	840	3,805,065	170,670	105,294	4,081,869
Balance before write-offs	$ (17,660)	$ 3,830,065	$ 1,361,571	$ 135,061	$ 5,309,037
Property write-offs - gain	17,660	-	-	-	17,660
Balance, July 31, 2007	$ -	$ 3,830,065	$ 1,361,571	$ 135,061	$ 5,326,697

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SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.

Schedule I – (cont'd)

SCHEDULE OF RESOURCE PROPERTIES

for the year ended October 31, 2006

	Au/WEN Property	Verity & Fir Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of the year	$ 9,000	$ -	$ 19,767	$ 28,767
Cash	10,000	-	5,000	15,000
Shares	32,000	-	-	32,000
Less: option proceeds	(42,000)	-	-	(42,000)
Balance, end of the year	9,000	-	24,767	33,767
Deferred exploration and development costs				
Balance, beginning of the year	840	1,080,569	5,452	1,086,861
Drilling – Note 6	-	409,792	-	409,792
Equipment rent – Note 6	-	44,796	3,448	48,244
Geological consulting fees – Note 6	-	308,662	44,814	353,476
Lab analysis – Note 6	-	48,256	-	48,256
Overhead – Note 6	-	46,172	6,933	53,105
Recording fees – Note 6	-	48,337	794	49,131
Supplies and miscellaneous – Note 6	-	13,727	3,061	16,788
Travel – Note 6	-	36,448	1,554	38,002
	-	956,190	60,604	1,016,794
Balance, end of the year	840	2,036,759	66,056	2,103,655
Balance, October 31, 2006	$ 9,840	$ 2,036,759	$ 90,823	$ 2,137,422

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
NOTES TO THE FINANCIAL STATEMENTS
July 31, 2007 and October 31, 2006

Note 1 Nature of Operations

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

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

Note 2 Summary of Significant Accounting Policies

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

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

a) Cash and Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to cash and have maturities of three months or less when purchased.

b) Marketable Securities

Marketable securities are carried at the lower of cost and market value.

c) Resource Properties

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

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

c) Resource Properties – (cont'd)

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

d) Equipment

Equipment is recorded at cost and amortized over their useful lives using the declining balance method using the following annual rates:

Furniture and equipment	20%
Computer equipment	30%

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

e) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities are exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities if the "if converted" method. Fully dilutive amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

f) Fair Market Value of Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash and cash equivalents, marketable securities, amounts receivable, share subscriptions receivable and accounts payable approximate their fair values due to the short maturity of such instruments. The fair market value of amounts due from related parties is also assumed to approximate their carrying amount. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

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

g) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely-than-not that they can be realized.

h) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At this date the Company cannot reasonably estimate the fair value of the resource properties' site restoration costs, if any.

i) Mining Tax Credits

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

j) Foreign Currency Translation

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

The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

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

k) Stock-based Compensation

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

l) Flow-through Shares

Under the terms of flow-through share agreements, the related expenditures are renounced to the subscribers of such shares. In March 2004, the CICA issued Emerging Issue Committee Abstract No. 146, Flow-through Shares, which clarifies the recognition of previously unrecorded future income tax assets caused by renouncement of expenditures relating to flow-through shares. For flow-through shares issued after March 19, 2004, the Company records the tax effect related to the renounced deductions as a reduction of income tax expense in the statement of operations on the date that the Company renounces the deductions for investors.

Note 3 Equipment

	2007			2006
	Cost	Accumulated Amortization	Net	Net
Computer equipment	$ -	$ -	$ -	$ -
Furniture and equipment	-	-	-	-
	$ -	$ -	$ -	$ -

During the year ended October 31, 2006, the Company disposed of all equipment to a company with a common director for proceeds of $3,150, the estimated fair value.

Note 4 Resource Properties

Au/WEN Property

The Company had a 100% interest (subject to a 2% net smelter return royalty) in certain mineral claims located in the Nicola Mining Division of British Columbia known as the Au Property. During the year ended October 31, 2005, the Company granted an option to another non-related public company, Victory Resources Corp. ("Victory"), to earn up to a 70% interest in the Au property. Consideration for an initial 50% interest in the property is as follows:

Note 4 Resource Properties – (cont'd)

Au/WEN Property – (cont'd)

a) Cash payments of $20,000:
   - $10,000 upon execution of the agreement (received);
   - $10,000 on or before March 1, 2006 (received);

b) Issue 200,000 common shares:
   - 100,000 shares upon regulatory approval (received);
   - 100,000 shares on or before March 1, 2006 (received);

c) Incur $250,000 in exploration and development expenditures on the property on or before March 1, 2007

The additional 20% interest in the property will be earned by paying to the Company, on or before the third anniversary of the agreement, additional consideration of $10,000 cash and 50,000 common shares.

In November 2005, the Company acquired an option to earn a 100% interest in three mineral claims adjacent to the Au Property. Consideration is one-half of the amounts received from Victory, payable as follows:

a) $5,000 on the first cash payment received from Victory (paid);

b) 50,000 common shares of Victory on the first issuance of common shares of Victory received by the Company (delivered);

c) $5,000 on the second cash payment received from Victory (paid);

d) 50,000 common shares of Victory on the second issuance of common shares from Victory when received by the Company (delivered);

Should Victory exercise its option to acquire the additional 20% interest in the property and provide the additional consideration to the Company, the Company will provide the optionor with an additional $5,000 and 25,000 common shares of Victory (subsequently paid).

Subsequent to October 31, 2006, the Company received notice from Victory that the required $250,000 in exploration expenditures had been made on the property, and therefore, Victory had earned the initial 50% interest. The original agreement was then amended such that Victory acquired the remaining 50% interest by paying the Company $10,000 and issuing 100,000 common shares (subsequently received).

Note 4 Resource Properties – (cont'd)

Verity and Fir Claims

The Company has a 100% interest in its Verity, Fir and Upper Fir claims, located in the Blue River region of the Kamloops Mining District of British Columbia, which were previously acquired by staking.

Eldor

The Company acquired by staking and a purchase agreement with Virginia Mines Inc. (TSX: VGQ) ("Virginia Mines") 100% interest in the Eldor Carbonatite Complex, located in the Labrador Trough area of Quebec, Canada. The Company has agreed to purchase 8 mineral claims covering a portion of the Eldor Carbonatite. The claims are adjacent to the approximately 88 claims staked previously. In consideration of the purchase, the Company issued Virginia Mines 710,000 common shares and 25,000 finder's shares, of which 350,000 may not be traded until at least May 1, 2008, and granted 290,000 share purchase warrants. The warrants are exercisable for 2 years at a price of $1.12. Virginia Mines will also be entitled to a 1% net smelter royalty. Five of the 8 claims acquired are subject to an underlying 5% net profit royalty, which can be bought out for $500,000.

Other Claims

a) Cable Creek

During the year ended October 31, 2004, the Company acquired an option to earn a 100% interest in certain mineral claims located in the Skeena Mining District of British Columbia known as the Cable Creek project. Consideration payable was $5,000 upon signing and incurring exploration expenditures of $250,000 including $5,000 annual payments beginning in February 2005. Prior to incurring any exploration expenditures, the Company assigned the option agreement to another non-related public company (the "Assignee") for $20,000 and 120,000 shares of the other public company.

During the year ended October 31, 2005, the Assignee incurred total exploration expenditures of $77,578 on the property before deciding to abandon the project. The Company decided to continue with the original option agreement and made the required annual payments of $5,000 due for 2005 and 2006.

b) Mud Lake

During the year ended October 31, 2005, the Company acquired a 100% interest in six mineral claims located in the Blue River region of the Kamloops Mining District of British Columbia for total consideration of $13,205. One of the claims has since been allowed to lapse.

c) Carbo

During the year ended October 31, 2005, the Company acquired three mineral claims (Carbo 1, 2 and 3) located in British Columbia by incurring staking costs of $1,062.

Note 5 Share Capital – Notes 8 and 10

Authorized:

Unlimited (2006:100,000,000) common shares without par value

Issued:

		Number	Amount
Balance, October 31, 2005		26,821,758	$ 3,744,715
Issued for cash:			
– Private placements		24,451,427	5,301,415
Less: finders' fees		-	(191,157)
– Exercise of warrants	- at $0.18	1,291,500	232,470
– Exercise of options	- at $0.10	350,000	35,000
	- at $0.13	140,000	18,200
	- at $0.18	30,000	5,400
	- at $0.21	62,000	13,020
Finders' fees on private placements		163,666	-
Transfer of contributed surplus on exercise of options		-	47,784
Less: future income tax recovery on flow-through shares		-	(50,822)
Balance, October 31, 2006		53,310,351	$ 9,156,025
Issued for Eldor property:		735,000	1,014,300
Issued for cash:			
– Private placements	- at $0.32	1,585,625	507,400
	- at $1.20	18,435,603	22,122,724
Less: finders' fees		211,333	(1,176,381)
– Exercise of warrants	- at $0.12	2,083,333	250,000
	- at $0.18	10,195,450	1,835,181
	- at $0.42	146,250	61,425
	- at $0.45	4,804,915	2,162,212
– Exercise of options	- at $0.10	600,000	60,000
	- at $0.15	500,000	75,000
	- at $0.18	670,000	120,600
	- at $0.20	100,000	20,000
	- at $0.21	113,000	23,730
	- at $0.30	400,000	120,000
	- at $0.35	135,000	47,250
	- at $0.40	50,000	20,000
	- at $0.50	187,500	93,750
Transfer of contributed surplus on exercise of options		-	408,127
Balance, July 31, 2007		94,263,360	$36,921,343

Note 5 Share Capital – Notes 8 and 10 – (cont'd)

Issued: – (cont'd)

During the nine months ended July 31, 2007, the Company issued 20,021,228 common shares pursuant to the following private placements:

a) Issued 1,585,625 common shares pursuant to a private placement of units at $0.32 per unit for total proceeds of $507,400. Each unit consists of one flow-through common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $0.42 per share for a period of two years.
b) Issued 18,435,603 common shares pursuant to a private placement of units at $1.20 per unit for total proceeds of $22,122,724. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $1.50 per share for a period of two years.

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

a) 3,371,950 (930,950 flow-through) units at $0.12 per unit (flow-through at $0.16) for total proceeds of $441,872. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $0.18 per share for a period of one year. Finders' fees relating to this offering were 102,416 common shares and cash of $12,090. As at October 31, 2005, the Company had received $195,952 of the total proceeds and paid a finder's fee of $2,400.

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

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

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

Note 5 Share Capital – Notes 8 and 10 – (cont'd)

Commitments

Stock-based Compensation Plan

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

A summary of the stock option plan is presented below:

	2007		2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at the beginning of the year	4,593,000	$0.24	1,765,000	$0.12
Granted	3,900,000	$0.72	3,910,000	$0.26
Exercised	(2,755,500)	$0.19	(582,000)	$0.12
Cancelled/Expired	(75,000)		(500,000)	$0.14
Options outstanding, end of the period	5,662,500	$0.56	4,593,000	$0.24
Options exercisable, end of the period	5,662,500	$0.56	4,405,500	$0.23

During the period ended July 31, 2007, a compensation charge associated with stock-based compensation in the amount of $1,610,650 (2006: $622,929) has been recorded in the financial statements. The fair value of the compensation charges has been determined using the Black-Scholes option pricing model with the following assumptions:

	2007	2006
Weighted average fair value of options granted	$0.72	$0.16
Expected dividend yield	0.0%	0.0%
Expected volatility	83% to 139%	59% to 65%
Risk-free interest rate	4.00%	4.00%
Expected term in years	2-5 years	2-5 years

Note 5 Share Capital – Notes 8 and 10 – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

At July 31, 2007, the Company had 5,662,500 share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

Number		Exercise Price	Expiry Date
July 31 2007	October 31 2006		
-	100,000	$0.20	January 6, 2007
-	300,000	$0.10	January 23, 2007
-	375,000	$0.10	July 24, 2007
62,500	250,000	$0.50	June 9, 2008
250,000	750,000	$0.15	February 6, 2011
50,000	720,000	$0.18	February 20, 2011
250,000	363,000	$0.21	February 20, 2011
500,000	500,000	$0.30	March 15, 2011
-	135,000	$0.35	September 14, 2011
100,000	500,000	$0.30	September 27, 2011
550,000	550,000	$0.35	September 27, 2011
-	50,000	$0.40	September 27, 2011
2,000,000	-	$0.67	March 16, 2012
500,000	-	$0.55	March 31, 2012
500,000	-	$0.75	March 31, 2012
550,000	-	$1.15	April 16, 2012
100,000	-	$1.25	April 17, 2012
250,000	-	$1.12	June 6, 2012
5,662,500	4,593,000		

a) 2,775,500 stock options were exercised at prices ranging from $0.10 - $0.50 per share for total proceeds of $520,330.

Share Purchase Warrants

	2007		2006	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	25,243,260	$0.31	2,733,333	$0.15
Issued	20,021,228	$0.42	24,451,427	$0.32
Exercised	(17,207,698)	$0.17	(1,291,500)	$0.18
Expired	(20,000)	$0.18	(650,000)	$0.12
Balance, end of year	28,036,790	$0.44	25,243,260	$0.31

Note 5 Share Capital – Notes 8 and 10 – (cont'd)

Commitments – (cont'd)

Share Purchase Warrants – (cont'd)

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

Number		Exercise Price	Expiry Date
July 31, 2007	October 31, 2006		
-	2,230,450	$0.18	November 25, 2006
-	385,000	$0.18	December 6, 2006
-	7,600,000	$0.18	December 20, 2006
-	2,083,333	$0.12	January 18, 2007
5,112,813	9,517,478	$0.45	September 25, 2007
3,048,999	3,426,999	$0.45	October 13, 2007
1,439,375	-	$0.42	January 9, 2009
3,761,003	-	$1.50	June 26, 2009
14,674,600	-	$1.50	July 24, 2009
28,036,790	25,243,260		

a) 12,278,783 share purchase warrants expiring on or before January 18, 2007 were exercised at $0.12 - $0.18 for total proceeds of $2,079,421;

b) 20,000 share purchase warrants with an exercise price of $0.18 per share expired unexercised.

c) 4,951,165 share purchase warrants with an exercise price of $0.42 to $0.45 per share were exercised for proceeds of $2,223,637.

Other Convertible Securities

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

Number		Exercise Price	Expiry Date
July 31, 2007	October 31, 2006		
-	2,250	$0.45	September 25, 2007
290,000	-	$1.12	June 19, 2009
290,000	2,250		

a) 2,250 broker's warrants were exercised at $0.45 for total proceeds of $1,013.

Note 5 Share Capital – Notes 8 and 10 – (cont'd)

Commitments – (cont'd)

Flow-through Shares

In December, 2006 the Company issued 1,585,625 flow-through common shares at $0.32 per share for proceeds of $507,400. During the year ended October 31, 2007, the Company will spend the entire proceeds on exploration and development activities and renounce the expenditures to the flow-through shareholders. This amount will not be available to the Company for future deduction from taxable income. A future income tax recovery of $173,000 will be recognized as a result of this renunciation once the funds are spent.

In November 2005, the Company issued 930,950 flow-through common shares at $0.16 per share for proceeds of $148,952. During the year ended October 31, 2006, the Company spent the entire proceeds on exploration and development activities and renounced the expenditures to the flow-through shareholders. This amount will not be available to the Company for future deduction from taxable income. A future income tax recovery of $50,822 was recognized as a result of this renunciation.

Note 6 Related Party Transactions – Note 3

The Company incurred charges with directors of the Company and a company with a common director as follows:

	9 months to: July 31, 2007	Year ended October 31, 2006
Administration fees	$ 20,000	$ 24,300
Deferred exploration and development costs	671,167	427,715
Office, telephone and miscellaneous	-	26,700
Rent	-	28,500
Wages and benefits	2,000	94,250
	$ 693,167	$ 601,465

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

At July 31, 2007, accounts payable includes $336,375 (October 31, 2006: $53,512) due to directors of the Company and to companies with a common director.

Note 7 Corporation Income Taxes

A reconciliation of the Company's statutory and effective tax rates is as follows:

	2007	2006
Statutory tax rate	34.12%	34.12%
Loss before income taxes	$ (2,443,872)	$ (1,408,476)
Expected income tax recovery	$ 833,849	$ 480,572
Increase (decrease) in income tax recovery resulting from:		
Gain on disposal of resource properties	-	-
Resource allowance adjustment	(68,240)	(48,263)
Stock-based compensation	(549,554)	(212,543)
Share issue costs	111,435	19,077
Other temporary differences	1,315	1,074
Renunciation of expenditures to flow-through shareholders	-	50,822
Valuation allowance change for future income tax assets	(328,805)	(239,917)
Income tax recovery	$ -	$ 50,822

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

	2007	2006
Non-capital losses	$ 1,150,125	$ 821,321
Canadian development and exploration expenditures	(33,696)	(38,760)
Share issue costs	430,014	53,540
Other	2,567	2,567
	1,549,010	838,668
Less: valuation allowance	(1,549,010)	(838,668)
	$ -	$ -

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

The Company has accumulated $5,227,939 of Canadian development and exploration expenditures and non-capital losses totalling $3,370,825 that are available to offset future years' taxable income. The non-capital losses expire as follows:

2007	$ 29,847
2008	386,319
2009-2027	2,954,659
	$ 3,370,825

Note 8 Non-cash Transactions

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

During the year ended October 31, 2006:

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

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

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

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

During the period ended July 31, 2007:

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

b) The Company issued 211,333 shares as finders' fees at a deemed value of $253,600.

c) The Company issued 735,000 common shares and 290,000 option warrants on the acquisition of the Eldor Carbonatite Property at a deemed cost of $1,190,901.

Note 9 Contingency

A claim has been filed against the Company seeking an enforcement of a trust agreement in respect of certain mineral claims. Management is of the opinion that this claim is without merit. The amount of potential loss, if any, from this claim is not determinable.

Note 10 Subsequent Event – Notes 4 and 5

The Company closed the balance of the most recent private placement. A total of 27,287,817 units were issued in all for gross proceeds of $32,746,181.

Note 12 Comparative figures

Certain figures included in the comparative financial statements have been reclassified to conform with the presentation used in the current year.