MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

February 28, 2007

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)

February 28, 2007

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim financial statements have been prepared by management and approved by the Audit Committee and Board of Directors.

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

MICREX DEVELOPMENT CORP.

(An Exploration Stage Company)

Consolidated Statement of Loss

FOR THE SIX MONTH PERIOD ENDED FEBRUARY 28, 2007

(Unaudited – Prepared by Management)

	Second Quarter		First Half	
	2007	2006	2007	2006
	$	$	$	$
Revenue	-	-	-	-
Expenses				
Stock based compensation (Note 6)	15,400	-	28,400	-
Consulting Fees	30,000	82,500	60,000	120,000
Subcontract	36,000	43,360	68,500	62,660
Professional fees	16,553	17,776	18,406	26,196
Insurance	1,427	1,458	1,427	1,458
Office and sundry	9,154	6,734	14,242	14,550
Amortization	1,454	2,076	2,908	4,152
Travel and promotion	-	-	900	-
Telephone and utilities	1,711	1,348	3,161	2,845
Bank charges	-	21	3	21
	111,699	155,273	197,947	231,882
Net loss for the period	(111,699)	(155,273)	(197,947)	(231,882)
Loss per common share (Note 7)				
Basic	(0.004)	(0.005)	(0.006)	(0.008)

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Consolidated Statement of Deficit
FOR THE SIX MONTH PERIOD ENDED FEBRUARY 28, 2007
(Unaudited – Prepared by Management)

	Second Quarter		First Half	
	2007	2006	2007	2006
Deficit, beginning of period	(6,289,140)	(5,567,247)	(6,202,892)	(5,490,638)
Net loss for the period	(111,699)	(155,273)	(197,947)	(231,882)
Deficit, end of period	(6,400,839)	(5,722,520)	(6,400,839)	(5,722,520)

MICREX DEVELOPMENT CORP.

(An Exploration Stage Company)

Consolidated Balance Sheet

(Unaudited – Prepared by Management)

	November 30, 2006 (Unaudited)	August 31, 2006 (Audited)
	$	$
Assets		
Current assets		
Cash and cash equivalents	31,764	64,349
Accounts receivable	30,300	8,744
Prepaid expenses	10,000	10,000
	72,064	83,093
Mineral properties and equipment (note 4)	3,110,309	2,835,013
	3,182,373	2,918,106
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	-	27,848
Advances from shareholders and directors (note 5)	117,951	127,040
	117,951	154,888
Going concern (Note 2)		
Shareholders' Equity		
Share capital (note 6)	9,015,139	8,568,253
Contributed surplus (Note 6(f)	450,122	397,857
Deficit	(6,400,839)	(6,202,892)
	3,064,422	2,763,218
	3,182,373	2,918,106

Approved On Behalf Of The Board

Director _"Stan Marshall"___________________

Director _"Max Morpurgo"__________________

The accompanying notes form part of these financial statements

MICREX DEVELOPMENT CORP.
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Consolidated Statement of Cash Flows
FOR THE SIX MONTH PERIOD ENDED FEBRUARY 28, 2007
(Unaudited – Prepared by Management)

	Second Quarter		First Half	
	2007	2006	2007	2006
	$	$	$	$
Cash flows from operating activities				
Net loss for the period	(111,699)	(155,273)	(197,947)	(231,882)
Adjustment for:				
Stock-based compensation	15,400	-	28,400	-
Amortization	1,454	2,076	2,908	4,152
Future income taxes	-	-	-	-
	(94,845)	(153,197)	(166,639)	(227,730)
Change in non-cash working capital items				
Accounts receivable	(8,235)	(17,356)	(21,556)	(21,296)
Prepaid expenses	-	-	-	-
Accounts payable and accrued Liabilities	-	-	(27,848)	(43,583)
	(8,235)	(17,356)	(49,404)	(64,879)
Cash flows from investing activity				
Mineral property exploration costs	(101,721)	(68,114)	(278,204)	(164,425)
Cash flows from financing activity				
Repayments of advances from shareholders and directors	112,444	(172,106)	(9,085)	(193,744)
Proceeds of share capital issuance, net of share issuance costs	86,466	468,728	470,747	641,533
	198,910	296,622	461,662	447,789
(Decrease) increase in cash and cash equivalents	(5,891)	57,955	(32,585)	(9,245)
Cash and cash equivalents, beginning of period	37,655	66,554	64,349	133,754
Cash and cash equivalents, end of period	31,764	124,509	31,764	124,509

Supplemental cash flow disclosures (Note 9)

MICREX DEVELOPMENT CORP.
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Notes to the Consolidated Financial Statements
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1. Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended August 31, 2006. The interim consolidated financial statements should be read in conjunction with the August 31, 2006 annual financial statements.

The consolidated financial statements of Micrex Development Corp. (the "Company") include the financial statements of the company and those of Gold Standard Mining Corp. in which the company holds a 100% interest. Gold Standard Mining Corp. is the registered owner of the Big Horn Mine property and related equipment and has no other assets or liabilities and has no separate ongoing operations.

The Company holds a 51% interest in Gee Cee Mines Ltd. This company essentially acts as a bare trustee and owns claims relating to the Wild Horse placer mine. The Company has recorded its 51% proportionate interest in these claims at the purchase price of the shares plus amounts expended on development. Gee Cee Mines Ltd. has no other operations, assets or liabilities.

2. Nature of Operations and Going Concern

Micrex Development Corp. was incorporated under the Business Corporations Act of Alberta on February 16, 1987.

The Company is considered to be primarily in the exploration stage with respect to its mineral properties. Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable reserves. The Company has a working capital deficiency and has suffered recurring losses. The recoverability of the amounts shown for mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development and upon future profitable production.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing, receive continued support from its creditors and to commence profitable operations in the future.

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These consolidated financial statements do not give effect to any adjustments which might be necessary if the "going concern" basis were not appropriate.

Although the Company has taken steps to verify the title to resource properties 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 unregistered prior agreements, transfers or Native land claims and may be affected by other undetected items.

3. Significant accounting policies

Significant accounting policies observed in the preparation of the financial statements are summarized below. These policies are in accordance with Canadian generally accepted accounting principles.

Use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates pertain to the recovery of deferred exploration expenditures and the physical and economic lives of plant, equipment and mining properties.

Cash and cash equivalents
Cash and cash equivalents include cash on hand and balances with banks net of bank overdrafts, and highly liquid temporary money market instruments with original maturities of 3 months or less.

Equipment
Equipment is recorded at cost. The Company provides for amortization at rates designed to amortize the cost of the equipment over their useful lives. The annual amortization rates are as follows:

	Methods	Rates
Mining equipment	Diminishing balance	30%
Automotive equipment	Diminishing balance	30%
Computer equipment	Diminishing balance	30%
Furniture and fixtures	Diminishing balance	20%

Half year amortization is recorded in the year of acquisition. Amortization is not recorded in the year of disposal.

3. Significant accounting policies (continued)

Mineral Properties

Development Properties

At present, all activities of the Company are in the exploration stage. The cost of mineral properties or interests therein and all related exploration costs excluding administration costs are being capitalized until the respective properties are determined to be capable of sustained commercial production, or there has been an impairment in value. Each property is assessed periodically by management. When a property is determined to be non-commercial, non-productive or its carrying value is not considered to be fully recoverable based on the net present value of future expected cash flows, or its value is otherwise impaired, those costs in excess of estimated future recoveries are charged to operations. The ultimate recovery of the costs of deferred exploration expenditures and the satisfaction of future commitments is dependent on the Company's ability to raise sufficient capital in order to further develop and determine the commercial viability of the properties. The Company expenses administration costs as incurred. On commencement of commercial production, net acquisition costs and exploration and development costs on a property-by-property basis will be amortized to operations on the unit-of-production basis, based on the economic reserves of the property.

Asset Retirement Obligations

The Company recognizes the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, with a corresponding increase in the carrying amount of the long-lived asset. The liability accretes until the Company expects to settle the retirement obligation. These asset retirement costs are depleted using the unit of production method and actual costs to retire the asset will be deducted from the liability as incurred. At this time, the Company does not foresee the necessity to make any material expenditures in this area and the Company is not committed to any significant reclamation or other asset retirement obligations until such time as production commences.

Value

The amounts shown for the mineral properties represent costs to date (net of impairment write-downs), and do not necessarily represent present or future values as they are entirely dependent upon the economic recovery of current and future reserves.

Future Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized based on 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 that are likely to be realized and are measured using enacted or substantially enacted tax rates expected to apply when the asset is realized or the liability is settled.

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3. Significant accounting policies (continued)

Flow-Through Shares

The Company has issued flow-through shares to fund Canadian exploration and development expenses. Under this financing arrangement, shares are issued at a fixed price and the resultant proceeds are used to fund exploration and development work within a defined time period. The exploration and development expenditures funded by flow-through arrangements are renounced to investors in accordance with the appropriate tax legislation, allowing the shareholder to claim the tax deductions arising from the exploration and development expenditures. In accordance with the recommendations of EIC 146 (Emerging Issues Committee Abstract of the Canadian Institute of Chartered Accountants) a future tax liability and a reduction to share capital is recorded when the related exploration and development expenditures are renounced.

If accumulated tax losses and deductions have not previously been recognized as future tax assets, a portion of such unrecognized losses are recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

Stock-Based Compensation

The company uses the fair value method of accounting for stock-based compensation. Under this method, compensation expense related to these programs is recorded in the statement of loss with a corresponding increase to contributed surplus. The fair value of options and warrants granted is determined using the Black-Scholes option pricing model at the date of grant and expensed over the vesting period.

The fair value of warrants issued to agents is recorded as share issue costs with a corresponding increase to contributed surplus. The fair value of warrants issued to subscribers is recorded as a reduction in the proceeds from share issuance with a corresponding increase to contributed surplus.

Consideration received on the exercise of stock options and warrants is credited to share capital. In addition the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company does not incorporate an estimated forfeiture rate for stock options and agents' warrants that will not vest, but accounts for forfeitures as they occur.

3. Significant accounting policies (continued)

Earnings (Loss) per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market price.

Recent accounting pronouncements

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 *Financial Instruments – Recognition and Measurement* establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 *Financial Instruments – Disclosure and Presentation* discusses the presentation and disclosure of these items. The application of hedge accounting is covered in Section 3865 *Hedges*. Section 1530 *Comprehensive Income* establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. Section 3251 *Equity* establishes standards for the presentation of equity and changes in equity, including changes arising from those items recorded in comprehensive income. There have also been numerous consequential amendments made to other Sections. Transitional provisions are complex and vary based on the type of financial instruments under consideration. Therefore, the Company has not yet determined the effect of these new standards on its consolidated financial statements.

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4. Mineral properties and equipment

Title to mineral properties involves certain inherent risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to the mineral properties and, to the best of its knowledge, title to the properties are in good standing.

a) Net book value

Given below are the net book values of equipment and mining development properties.

	February 28, 2007 (Unaudited)			August 31, 2006
	Equipment	Mining Development Properties	Net Book Value	Net Book Value
	$	$	$	$
Big Horn Mine	2,677	894,716	897,393	761,599
Wild Horse Mine	2,437	-	2,437	2,866
Banks Mine	3,051	-	3,051	3,590
Deadwood and Sunburst Mines	-	363,589	363,589	357,498
Mount Royal Mine	-	-	-	-
Burmis Magnetite Deposit	-	1,484,931	1,484,931	1,349,320
Clear Hills	-	-	-	-
Buffalo Head Hills	-	-	-	-
Quebec Magnetite deposit	-	350,558	350,558	350,323
Other	8,350	-	8,350	9,817
	16,515	3,093,794	3,110,309	2,835,013

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4. Mineral properties and equipment (continued)

b) Equipment

			February 28, 2007 (Unaudited)	August 31, 2006.
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	$	$	$	$
Automotive equipment	40,540	35,618	4,922	5,791
Furniture & fixtures	750	648	102	113
Computer equipment	36,322	32,996	3,326	3,912
Mining equipment	427,331	419,166	8,165	9,606
	504,943	488,428	16,515	19,422

Amortization in the current period totaled $1,454 (2006 - $2,076)

c) The company has interest in the following mining development properties:

(i) 100% interest in Big Horn hard rock mine located in the Atlin area of British Columbia, Canada. This property was acquired in 1993 by the issuance of 2,747,283 common shares having a value of $631,875 ($159,270 for plant and equipment; $472,605 for mining property).

(ii) 51% interest in Wild Horse placer mine located in the Fort Steele area of British Columbia, Canada. This property was originally acquired in 1996 by the issuance of 10,000 common shares having a value of $21,500, plus $39,000 cash. Management has assessed this property and has determined there to be an impairment in value. As a result $270,925 of costs accumulated to date have been charged to operations over the past three years (2006 –nil, 2005 - $2,630, 2004 - $268,295).

4. Mineral properties and equipment (continued)

c) The company has interest in the following mining development properties:

(iii) 51% interest in Banks hard rock mine located in the Steeple Rock district of New Mexico, U.S.A. This property was originally acquired in 1996 by the issuance of 200,000 common shares having a value of $50,000, plus a $100,000 expenditure commitment which was fulfilled in a previous year. This interest is subject to a 2% net smelter royalty interest to the vendor upon commencement of production. Management has assessed this property and has determined there to be an impairment in value. As a result $964,498 of costs accumulated to date have been charged to operations over the past three years (2006 - $586, 2005 - $475, 2004 - $963,437).

(iv) 100% interest in Deadwood patented hard rock mine and Sunburst patented hard rock mine claim located in Catron County, New Mexico, U.S.A. The Company owns the land and mineral rights.

(v) 33% interest in Mount Royal patented hard rock mine claim located in the Steeple Rock district of New Mexico, U.S.A. The Company owns the land and mineral rights. Management has assessed this property and has determined there to be an impairment in value. As a result $111,065 of costs accumulated to date have been charged to operations over the past three years (2006 - $111,065, 2005 – nil, 2004 – nil).

(vi) 30%; (2005 - 28%) equity interest in the claims and 100% interest in all production from the claims relating to the Burmis Magnetite deposit located in the Crowsnest Pass area of Alberta. The Company originally acquired a 12% equity interest in this property in 1997 by the issuance of 100,000 common shares having a value of $103,000, plus $10,000 cash, plus a $200,000 expenditure commitment which was fulfilled in a previous year. The purchase agreement provides the Company the right to acquire an additional 2% equity interest per year by the annual payment of $70,000 by way of cash or common shares or the Company can purchase outright the remaining equity interest at any time. Accordingly, future payments totaling $2,450,000 would acquire the remaining 70% interest, although there is no commitment to acquire this additional interest.

During the 2006 fiscal year the Company acquired an additional 2%; (2005 – 2%) equity interest by the issuance of 1555,555; (2005 - 280,000) common shares at their fair value of $70,000; (2005 – 70,000).

The equity interest is subject to a gross overriding royalty to the vendor upon commencement of production at the greater of 1% of gross sales or $0.25 per ton.

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4. Mineral properties and equipment (continued)

c) The company has interest in the following mining development properties:

(vii) 100% interest in the Clear Hills diamond exploration project consisting of 72 square miles located in the Clear Hills and Chinchaga Hills, Alberta, Canada. Management has assessed this property and has determined there to be an impairment in value. As a result $30,176 of costs accumulated to date have been charged to operations over the past three years (2006 - $30,175, 2005 – nil, 2004 – nil).

(viii) 100% interest in the Buffalo Hills diamond exploration project consisting of 72 square miles located in the Buffalo Head Hills, Alberta, Canada. Management has assessed this property and has determined there to be an impairment in value. As a result $128,196 (2005 – nil) of costs accumulated to date have been charged to operations in the current period. As a result $128,196 of costs accumulated to date have been charged to operations over the past three years (2006 - $128,196, 2005 – nil, 2004 – nil).

(ix) 20%; (2005 - 18%) equity interest in the claims and 100% interest in all production from the claims relating to the Quebec magnetite deposit located near Chicoutimi, Quebec, Canada. The Company originally acquired a 12% equity interest in this property in the preceding fiscal year by the issuance of 290,323 common shares having a fair value of $90,290. The purchase agreement provides the Company the right to acquire an additional 2% equity interest per year by the annual payment of $45,000 by way of cash or common shares or the Company can purchase outright the remaining equity interest at any time. Accordingly, future payments totaling $1,800,000 would acquire the remaining 80% interest, although there is no commitment to do acquire this additional interest.

During the 2006 fiscal year the Company acquired an additional 2%; (2005 - 2%) equity interest by the issuance of 90,000; (2005 – 180,000) common shares at their fair value of $45,000; (2005 - $45,000).

The equity interest is subject to a gross overriding royalty to the vendor upon commencement of production at the greater of 1% of gross sales or $0.25 per ton.

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4. Mineral properties and equipment (continued)

d) Acquisition costs and deferred exploration costs for the properties are as follows:

	February 28, 2007 (Unaudited)		
	Acquisition Costs	Deferred Exploration Costs	Total
	$	$	$
Big Horn Mine	472,606	422,110	894,716
Deadwood and Sunburst Mines	343,482	20,107	363,589
Burmis Magnetite Deposit	743,000	741,931	1,484,931
Quebec Magnetite deposit	270,290	80,268	350,558
	1,829,378	1,264,416	3,093,794

	August 31, 2006		
	Acquisition Costs	Deferred Exploration Costs	Total
	$	$	$
Big Horn Mine	472,606	285,844	758,450
Deadwood and Sunburst Mines	343,482	14,016	357,498
Burmis Magnetite Deposit	743,000	606,320	1,349,320
Quebec Magnetite deposit	270,290	80,033	350,323
	1,829,378	986,213	2,815,591

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5. Advances from shareholders and directors

The advances are due on demand, non-interest bearing, unsecured and have no set repayment terms. These advances were made in conjunction with share subscriptions, which did not close prior to the quarter-end and will be recorded as share capital in the subsequent fiscal period.

6. Share capital

a) Share capital consists of:

Authorized

Unlimited number of common voting shares
10,000,000 preferred shares
10,000,000 convertible preferred shares

Preferred shares and convertible preferred shares may be issued in one or more series. The directors are authorized to fix the number of shares in each series to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

	February 28, 2007 (Unaudited)	August 31, 2006.
	$	$
Issued		
31,441,964 common shares (August 2006-30,118,303)	9,015,139	8,568,253

Certain of the common shares issued by private placement for cash or other consideration are held in escrow. As at February 28, 2007 958,649; (August 31, 2006 – 958,649) common shares were deposited in performance escrow and are to be released on the basis of one share for each $0.23 of development expenditures on the Big Horn mining property. During the quarter, nil common shares were released from escrow.

On October 27, 2006 the Company completed a flow-through private placement of 83,586 units at a price of $4.80 per unit. Each unit consisted of nine flow-through common shares, three common shares and twelve common share purchase warrants.

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6. Share capital (continued)

b) Transactions during the period:

	#	$
Balance August 31, 2005.	26,931,499	7,943,905
Common and flow through shares issued for cash	2,455,749	533,088
Issued for acquisition of mining properties	245,555	115,000
Issued on exercise of options	425,500	97,049
Issued on exercise of warrants	60,000	22,800
Tax benefit renounced to shareholders	-	(115,228)
	30,118,303	8,596,614
Cost of issuing shares	-	(28,361)
Balance August 31, 2006	30,118,303	8,568,253
Common and flow through shares issued for cash	1,003,032	371,125
Issued on exercise of options	113,087	33,463
Issued on exercise of warrants	207,542	70,526
Cost of issuing shares	-	(28,228)
Balance February 28, 2007	31,441,964	9,015,139

c) Warrants
At February 28, 2007, the company had 2,740,681 (2006 – 5,088,709) warrants outstanding:

i) 958,649 warrants attached to shares which have been deposited in performance escrow. These warrants expire 6 months after the release of the performance shares from escrow.

ii) 665,000 warrants expiring October 25, 2007 entitling the subscribers to acquire one common share per warrant at a price of $0.45 per share. These warrants were issued as part of a private placement share issue on October 25, 2005. The fair value of these warrants issued is estimated to be $6,650. The assumptions used were a spot rate of $0.25, strike price of $0.45, risk-free rate of 3.76%, volatility of 50.0%, no expected dividend yield and one year to maturity.

iii) 114,000 warrants expiring November 15, 2007 entitling the subscribers to purchase one common share per warrant at a price of $0.45 per share. These warrants were issued as part of a private placement share issue on November 15, 2005. The assumptions used were a spot rate of $0.25, strike price of $0.45, risk-free rate of 3.76%, volatility of 50.0%, no expected dividend yield and one year to maturity.

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6. Share capital (continued)

iv) 1,003,032 warrants expiring October 27, 2007 entitling the subscribers to purchase one common share per warrant at a price of $0.45 per share, issued as part of the October 27, 2006 flow-through share issue. The fair value of the 1,003,032 warrants issued was estimated to be $30,091. The assumptions used were a spot rate of $0.31, strike price of $0.45, risk-free rate of 3.98%, volatility of 50.0%, expected dividend yield of nil and a maturity period of 1.0 year.

d) Stock options

The Company has a stock option plan administered by the Board of Directors, under which the Company may reserve a maximum of 10% of the issued and outstanding listed common shares. Under this plan, the Company has currently granted options for 3,100,137 common shares, having various exercise prices as determined on the date of issuance of the options. These options have no vesting period and may be exercised at any time within five years of issuance and expire thirty days following the date the optionee ceases to be a director, officer or employee, or one year following the date of death of the optionee. All options are exercisable as at the period end.

The following summarizes option activities:

	Number of Options	Weighted avg exercise price
Options outstanding August 31, 2005.	2,563,203	$ 0.26
Granted	1,045,521	$ 0.37
Expired	(210,000)	$ 0.24
Exercised	(425,500)	$ 0.20
Options outstanding August 31, 2006	2,973,224	$ 0.32
Granted	240,000	$ 0.29
Exercised	(113,087)	$ 0.28
Options outstanding February 28, 2007	3,100,137	$ 0.32

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6. Share capital (continued)

The following summarizes the options outstanding at February 28, 2007.

	Number of Options	Exercise Price	Expiry Date
	307,200	$ 0.32	May 2007
	75,000	$ 0.36	June 2007
	218,416	$ 0.30	February 2008
	230,000	$ 0.35	December 2008
	165,000	$ 0.32	January 2009
	225,000	$ 0.31	February 2009
	200,000	$ 0.23	June 2009
	85,000	$ 0.22	November 2009
	384,000	$ 0.16	April 2010
	75,000	$ 0.23	September 2010
	375,521	$ 0.30	December 2010
	520,000	$ 0.50	March 2011
	100,000	$ 0.28	November 2011
	140,000	$ 0.29	February 2012
	3,100,137		

e) Stock based compensation

The fair values of share options granted in the period ended February 28, 2007, using the Black-scholes option pricing model, are as follows:

November 28, 2006: The assumptions utilized in determining this value of the 100,000 stock options issued to directors was a spot rate of $0.28, a strike price of $0.28, a risk-free rate of 3.83%, volatility of 50.0%, expected dividend yield of nil and a maturity period of 5 years. The estimate of the fair value of options issued is $13,000.

February 13, 2007: The assumptions utilized in determining this value of the 140,000 stock options issued to directors was a spot rate of $0.25, a strike price of $0.29, a risk-free rate of 3.83%, volatility of 50.0%, expected dividend yield of nil and a maturity period of 5 years. The estimate of the fair value of options issued is $15,400.

Total stock based compensation expense for the period was $28,400. Option pricing models require the input of subjective assumptions, and, accordingly, the air value estimates can vary as a result of changes in the assumptions.

6. Share capital (continued)

f) Contributed surplus

Transactions affecting contributed surplus during the year are as follows:

Balance August 31, 2005.	172,991
Fair value of stock based compensation	188,673
Fair value of warrants issued	48,092
Fair value of options exercised – to share capital	(10,099)
Fair value of warrants exercised – to share capital	(1,800)
Balance August 31, 2006	397,857
Fair value of stock based compensation	28,400
Fair value of warrants issued	30,091
Fair value of warrants exercised – to share capital	(6,226)
Balance February 28, 2007	450,122

7. Loss per Share

The numerator used in the calculation of basic loss per common share is the Company's net loss of $111,699; (February 28, 2006 - $155,273); the denominator used in the calculation is the weighted average number of common shares outstanding during the quarter of 30,937,933; (February 28, 2006 – 29,135,083). This results in a basic loss per common share of $0.004; (February 28, 2006 - $0.005).

Diluted loss per common share has not been presented for 2007 or 2006 as the effect of the conversion of options and warrants is anti-dilutive.

8. Financial instruments:

The Company as part of its operations carries a number of financial instruments. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Fair value
The carrying amount of cash and short term deposits, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

Canadian generally accepted accounting principles require the disclosure of fair value information for all financial instruments, except in cases where time and cost constraints make such information too difficult to reliably determine. Because relevant and reliable fair value information was not obtainable, the Company has not disclosed fair value information for its advances from shareholders and directors, which are non-interest bearing and have no set terms of repayment.

9. Supplemental cash flow disclosures

There were no non-cash transactions for the period.

No interest or income taxes were paid or received during the current and prior periods.

10. Income Taxes

The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rate to earnings before income taxes as follows:

	February 28, 2007	February 28, 2006
Statutory tax rate	32.5%	34%
	$	$
Expected tax recovery	64,333	62,109
Increase (decrease) resulting from:		
Non-deductible stock-based compensation		
Impairment of long-lived assets		
Other adjustments		
Effect of change in tax rate utilized		
Benefit of income tax losses not recognized	(64,333)	(62,109)
Income tax recovery	-	-

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10. Income taxes (continued)

The components of future income tax balances are as follows:

	February 28, 2007	August 31, 2006
	$	$
Future tax assets		
Tax basis of capital assets in excess of carrying values	154,095	154,095
Non-capital loss carryforwards	647,166	647,166
Undeducted share issue costs	32,371	32,371
Other	2,591	2,591
Net future tax assets	836,223	836,223
Less valuation allowance	(836,223)	(836,223)
Future tax liabilities	-	-

The valuation allowance reflects management's assumption that the tax assets, more likely than not, will not be realized.

Flow-Through Shares and Future Tax Liability
During the year ended August 31, 2006 the Company renounced expenditures totaling $302,269 (2005 - $223,274) as management expects this amount to be incurred in Canadian exploration and development expenses. The Company has until August 31, 2007 to incur qualifying expenditures totaling $499.471. If these expenditures are not incurred, penalties will be assessed by the Canada Revenue Agency under the Income Tax Act.

The Company has non-capital income tax losses carried forward for tax purposes aggregating to $1,991,587, (2005 - $1,955,803) which are available for reduction of future years' taxable income. The losses expire as follows:

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	$
2007	168,518
2008	312,189
2009	297,323
2010	276,012
2011	270,442
2012 and thereafter	667,103
	1,991,587

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10. Income taxes (continued)

In addition to the loss carryforwards, the Company has tax pools relating to its depreciable capital assets which exceed their book values by $474,210; (2005 - $465,904) as well as share issue costs deductible in future years of $99,618; (2005 - $110,011).

Mineral development properties with an original cost of $1,504,568 (2005 - $1,024,720) have no cost base for income tax purposes.

Other than the benefit of renounced exploration expenses, no further recognition has been made in these financial statements for potential tax savings arising from utilization of these items, as it is likely that the losses will expire prior to being realized.

11. Related party transactions

During the quarter, the Company paid $30,000; (February 28, 2006 - $82,500) to a director for consulting and management services provided.

Of the amount owing to shareholders, the balance owing to directors as at February 28, 2007 was $3,677; (August 31, 2006 - $28,140).

During the quarter, the company paid $36,000 (February 28, 2006 - $43,360) to certain shareholders for subcontract services.

The above transactions occurred in the normal course of operations and are recorded at the exchange amount which represents the consideration established and agreed to by the related parties.

12. Subsequent event

On April 9, 2007 the Company closed a private placement of 720,352 shares and warrants for total proceeds of $194,495.

13. Segment disclosure

The Company is segmented based on how management analyzes performance and makes decisions. Management has assessed that the Company operates in one business segment, being precious metals mining, geographically contained within the North American mining segment.