OLIVUT RESOURCES LTD.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED OCTOBER 31, 2007

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FOR THE YEAR ENDED OCTOBER 31, 2007

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

AUDITORS' REPORT

To the Shareholders of
Olivut Resources Ltd.
(A Development Stage Company)

We have audited the consolidated balance sheets of Olivut Resources Ltd. (A Development Stage Company) as at October 31, 2007 and 2006 and the consolidated statements of operations and retained earnings (deficit) and cash flows for each of the years in the two-year period ended October 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at October 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 October 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
November 27, 2007

(A Development Stage Company)
CONSOLIDATED BALANCE SHEETS
AS AT OCTOBER 31

	2007	2006
	$	$
ASSETS		
CURRENT		
Cash and cash equivalents	8,950,379	1,847,059
Cash held in escrow	-	3,008,340
Amounts receivable	178,066	20,610
Current portion of loan receivable (Note 7)	16,822	-
	9,145,267	4,876,009
DEFERRED PUBLIC OFFERING COSTS (Note 4)	-	592,388
INTERESTS IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 5)	7,516,480	4,223,745
EQUIPMENT (Note 6)	7,941	10,450
LOAN RECEIVABLE (Note 7)	231,593	-
	16,901,281	9,702,592
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 8)	545,156	560,548
FUTURE INCOME TAX LIABILITY (Note 9)	1,175,500	833,500
	1,720,656	1,394,048
COMMITMENT AND CONTINGENCIES (Notes 5 and 11)		
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 10(b))	12,350,789	2,642,993
SPECIAL WARRANTS (Note 10(c))	-	5,483,800
WARRANTS (Note 10(d))	2,597,840	132,000
CONTRIBUTED SURPLUS (Note 10(f))	1,079,746	-
(DEFICIT) RETAINED EARNINGS	(847,750)	49,751
	15,180,625	8,308,544
	16,901,281	9,702,592

APPROVED ON BEHALF OF THE BOARD:

_______________________________, Director _______________________________, Director

See accompanying notes to the consolidated financial statements.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

FOR THE YEARS ENDED OCTOBER 31

	2007	2006
	$	$
ADMINISTRATIVE AND GENERAL EXPENSES		
Stock based compensation	1,079,746	-
Office and general	107,010	19,943
Management services	146,641	71,662
Professional fees	78,919	28,176
Investor relations	9,567	-
Occupancy costs	6,600	7,200
Amortization	2,509	3,360
Loss before the under-noted	(1,430,992)	(130,341)
Interest income	294,526	25,374
Loss before income taxes	(1,136,466)	(104,967)
Income tax recovery	238,965	181,159
NET (LOSS) INCOME FOR THE PERIOD	(897,501)	76,192
RETAINED EARNINGS (DEFICIT), beginning of year	49,751	(26,441)
(DEFICIT) RETAINED EARNINGS, end of year	(847,750)	49,751
NET (LOSS) INCOME PER SHARE - Basic and diluted	($0.033)	$0.007
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	26,943,961	11,304,673

See accompanying notes to the consolidated financial statements.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED OCTOBER 31

	2007	2006
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income for the year	(897,501)	76,192
Adjustments for charges not involving cash:		
Stock based compensation	1,079,746	-
Income tax (recovery)	(238,965)	(181,159)
Amortization	2,509	3,360
	(54,211)	(101,607)
Changes in non-cash working capital balances:		
(Increase) in amounts receivable	(157,456)	(14,715)
Decrease in prepaid expenses	-	7,725
(Decrease) increase in accounts payable and accrued liabilities	(454,598)	442,545
Cash flows from operating activities	(666,265)	333,948
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement	8,050,000	-
Exercise of warrants and options	304,002	-
Issuance of special warrants	-	2,770,000
Issuance of flow-through special warrants	-	2,277,500
Deferred public offering costs	-	(530,596)
Proceeds from convertible note payable	-	500,000
Cash acquired through reverse takeover	325,954	-
Share issue costs and public offering costs	(816,767)	(63,700)
Cash flows from financing activities	7,863,189	4,953,204
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in cash held in escrow	3,008,340	(3,008,340)
Interest in exploration properties and deferred exploration expenditures	(2,853,529)	(1,050,226)
Loan receivable (net)	(248,415)	-
Cash flows from investing activities	(93,604)	(4,058,566)
Increase in cash and cash equivalents	7,103,320	1,228,586
Cash and cash equivalents, beginning of year	1,847,059	618,473
Cash and cash equivalents, end of year	8,950,379	1,847,059
CASH AND CASH EQUIVALENTS ARE COMPOSED OF:		
Cash	162,213	1,847,059
Cash equivalents	8,788,166	-
	8,950,379	1,847,055
SUPPLEMENTAL INFORMATION		
Interest paid	-	-
Income tax paid	-	-
Exercise of special warrants	5,483,800	2,567,993
Issuance of special warrants for issue costs	-	353,325
Issuance of warrants for issue costs	231,840	-

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Olivut Resources Ltd. (the "Company") was formed through a Reverse Takeover Transaction dated January 8, 2007 (see Note 3). The Company, which is in the development stage, is engaged in the acquisition, exploration and development of properties for the purpose of mining precious and base minerals.

The Company is in the process of exploring its properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The business of mining and 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 exploration properties and the Company's continued existence are dependent upon the preservation and confirmation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, the ability of the Company to obtain 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 write-downs 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 unregistered prior agreements, native land claims and non-compliance with regulatory requirements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant.

Basis of consolidation:

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary.

Cash and cash equivalents:

Cash and cash equivalents include cash on hand and balances with banks and guaranteed investment certificates issued by Canadian chartered banks.

Interests in Exploration Properties and Deferred Exploration Expenditures:

Exploration 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 to be significantly impaired in value, the property and related deferred costs are written down to their 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 year abandoned or sold.

The Company reviews its exploration properties on a regular basis 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, but not limited to, exploration results, environmental risks, commodity risks, political risks, and the Company's ability to attain profitable production. In reviewing its exploration properties, the Company estimates the future cash flows expected to result from each asset and its eventual disposition. If the sum of the undiscounted, expected future cash flow is less than the carrying value of the asset, an impairment loss is recognized. 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Retirement Obligations:

The Company records a liability for the estimated future costs associated with legal obligations relating to the reclamation and closure of its exploration 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 interests in exploration properties and deferred exploration expenditures and amortized over the useful life of the properties. Management is not aware of any asset retirement obligations.

Equipment and Amortization:

Equipment is stated at acquisition cost. Amortization is provided at the following rates:

Office Equipment	- 20% declining balance
Computer Equipment	- 30% declining balance

Flow-Through Financing:

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfers the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to capital stock and the related exploration costs have been charged to interests in exploration properties and deferred exploration expenditures.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. When these expenditures are renounced, temporary taxable differences created by the renunciation will reduce share capital.

Use of Estimates:

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Significant areas requiring the use of management estimates relate to the valuation of interests in exploration properties and deferred exploration expenditures, asset retirement obligations, stock-based compensation, contingencies and income tax accounts. Financial results as determined by actual events could differ from these estimates.

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 income 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.

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.

Continued…

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings (Loss) Per Share:

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding. Diluted earnings (loss) per share is calculated using the treasury stock method. In order to determine diluted earnings (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 earnings (loss) per share calculation. The diluted earnings (loss) per share calculation excludes any potential conversion of options and warrants that would increase earnings per share or decrease loss per share.

Adoption of New Accounting Policies:

On November 1, 2006, the Company adopted the CICA Handbook Section 1530, *Comprehensive Income*; Section 3251, *Equity*; Section 3855, *Financial Instruments - Recognition and Measurement*; Section 3861, *Financial Instruments - Disclosure and Presentation*; and Section 3865, *Hedges*. These new standards have been adopted prospectively and resulted in no changes to amounts previously reported.

(i) Financial Instruments

Under the new standards, financial assets and liabilities, including derivative instruments, are initially recognized and subsequently measured based on their classification as "held for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in net income for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in other comprehensive income until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method. Derivative instruments, including embedded derivatives, are measured at their fair value with changes in fair value recognized in net income for the period, unless the instrument is a cash flow hedge and hedge accounting applies, in which case changes in fair value are recognized in other comprehensive income.

(ii) Comprehensive Income

Section 1530 establishes standards for reporting and presenting comprehensive income. Comprehensive income, composed of net income and other comprehensive income, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive income (“OCI”) includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive income are disclosed in the statement of operations and comprehensive income. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income ("AOCI") which is presented as a new category in shareholders' equity. The Company does not currently have any OCI or AOCI.

(iii) Hedging

Section 3865 specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at and during the year ended October 31, 2007, the Company had no hedges.

The application of these new standards has had no impact on the Company's financial statements as at and for the year ended October 31, 2007 and, as such, a statement of comprehensive income has not been included in these consolidated financial statements.

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3. REVERSE TAKEOVER

On July 7, 2006, Arrabbiata Capital Corp. ("Arrabbiata") entered into a share exchange agreement (the "Reverse Takeover Transaction") with Olivut Investments Ltd. ("Olivut"). Pursuant to the terms and conditions of such agreement, on January 8, 2007 Olivut was amalgamated with Arrabbiata's wholly owned subsidiary, 2111940 Ontario Ltd., to form a wholly owned subsidiary of Arrabbiata.

Each former shareholder of Arrabbiata received 1.558 new Arrabbiata common shares immediately prior to the amalgamation. Upon completion of the amalgamation, each shareholder of Olivut received 1 common share of Arrabbiata for each share currently held in Olivut. All special warrants of Olivut were automatically exercised. All outstanding warrants of Olivut were converted on substantially the same terms into warrants of Arrabbiata.

On January 8, 2007 the Reverse Takeover Transaction was completed and Arrabbiata changed its name to Olivut Resources Ltd. (the "Company").

After the completion of the transaction, the security holders of Olivut held more than 50% of the issued and outstanding common shares of the combined entity. In accordance with CICA EIC-10, the substance of the transaction was a capital transaction and was accounted for as a reverse take-over with Olivut being identified as the acquirer. In accordance with reverse take-over accounting, the consolidated balance sheet is a continuation of Olivut, the capital structure reflects that of Arrabbiata and the stated value of the share capital is that of Olivut. Comparative figures presented in the consolidated financial statements after the reverse take-over are those of Olivut.

At the time of the transaction, the net assets at estimated fair values that were acquired by Olivut were as follows:

Cash	325,954
Future tax asset	141,906
Net assets acquired	$ 467,860

4. DEFERRED PUBLIC OFFERING COSTS

The Company incurred costs of $720,294 related to its efforts in obtaining a public offering and listing. At October 31, 2006 $592,388 of these costs had been incurred and were deferred on the balance sheet. These costs were recorded as a share issue cost when the business combination transaction was completed and the listing on the TSX Venture Exchange was obtained in January 2007.

5. INTERESTS IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

The Company has a 100% interest in 32 mineral claims and 66 prospecting permits in the Mackenzie Region, Northwest Territories. The interests in exploration properties are subject to a 1.5% Net Smelter Return royalty ("NSR"), 50% of which is held by a director of the Company. The NSR can be purchased by the Company, at the Company's option, for $10,000,000 until January 10, 2009.

Continued…

5. INTERESTS IN EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Continued)

A breakdown of the expenditures during the year is as follows:

Balance, October 31, 2006	Acquisition Costs	Deferred Expenditures	Balance, October 31 2007
$	$	$	$
4,223,745	59,563	3,233,172	7,516,480

Balance, October 31, 2005	Acquisition Costs	Deferred Expenditures	Balance, October 2006
$	$	$	$
3,173,519	-	1,050,226	4,223,745

6. EQUIPMENT

	Cost	Accumulated Amortization	Net 2007	Net 2006
	$	$	$	$
Office equipment	11,951	6,941	5,010	6,263
Computer equipment	17,316	14,385	2,931	4,187
	29,267	21,326	7,941	10,450

7. LOAN RECEIVABLE

On May 25, 2007, the Company loaned $250,000 to an unrelated corporation providing services to the Company. The loan carries interest at 7% per annum and is secured by a general security agreement covering all assets of the borrower. Repayment terms include monthly payments of interest and principal of $1,500 with the balance due May 25, 2017.

8. RELATED PARTY TRANSACTIONS

During the year ended October 31, 2007, a total of $196,485 (2006 - $15,950) for exploration consulting expenditures, $8,500 (2006 - $50,700) for deferred public offering costs and share issuance consulting costs and $6,800 (2006 - $7,200) for general and administrative fees were paid to directors and officers of the Company or persons or companies related to or controlled by them. The directors and officers of the Company or persons or companies related to or controlled by them were also reimbursed at cost for expenses incurred on behalf of the Company. Included in accounts payable and accrued liabilities at October 31, 2007 is $65,953 (October 31, 2006 - $NIL) relating to the above transactions owing to directors and officers of the Company or persons or companies related to or controlled by them.

The above transactions were in the normal course of operations and the consideration paid was at normal market rates.

Directors and officers of the Company or persons or companies related or controlled by them participated in the private placement of units completed May 14, 2007 described on Note 10(b) and purchased a total of 212,715 units providing proceeds to the Company of $372,251.

Continued…

9. 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 34% (2006 – 36%) are as follows:

	2007 $	2006 $
Loss before taxes:	(1,136,466)	(104,967)
Expected income tax benefit based on statutory rate	(386,400)	(37,800)
Adjustments to benefit resulting from:		
Share issue costs	-	(150,100)
Stock based compensation	367,100	-
Expiring non-capital losses	9,800	-
Effect of change in tax rate	(69,200)	-
Other	(160,265)	6,741
Income tax (recovery)	(238,965)	(181,159)

b) Future Tax Balances

The tax effects of temporary differences that give rise to future income tax assets and liabilities at October 31 are as follows:

	2007 $	2006 $
Future income tax assets (liabilities)		
Non-capital losses	428,300	178,000
Equipment	4,200	1,900
Share issue costs and public offering costs	306,700	152,400
Exploration properties	(1,914,700)	(1,165,800)
Net future tax (liability)	(1,175,500)	(833,500)

c) Tax Loss Carry-Forwards

As at October 31, 2007, the Company had approximately $1,885,000 of Canadian exploration expenditures, which, under certain circumstances, may be utilized to reduce taxable income of future years.

Also as at October 31, 2007, the Company had approximately $1,255,000 of non-capital losses in Canada, which, under certain circumstances, may be utilized to reduce taxable income in future years.

Year of Expiry	Amount
2008	$ 29,000
2012	117,000
2013	99,000
2024	182,000
2025	341,000
2026	177,000
2027	310,000
	$1,255,000

Continued…

10. CAPITAL STOCK

The capital stock is as follows:

a) Authorized

Unlimited number of common shares

b) Issued

31,588,317 common shares

A summary of changes in common shares is as follows:

	Common Shares #	Amount $
Balance, October 31, 2005	100,000	75,000
Exchanged on amalgamation (60:1)	5,900,000	-
	6,000,000	75,000
Special warrants exercised	4,310,000	2,567,993
Olivut shares issued and outstanding, October 31, 2006	10,310,000	2,642,993
Special warrants converted into shares (Note 10(c))	5,900,825	5,483,800
Common shares issued in reverse takeover (Note 3)	10,310,532	467,889
Renunciation of flow through expenditures	-	(999,900)
Exercise of stock options	186,960	24,002
Warrants exercised – cash proceeds	280,000	280,000
Warrants exercised – valuation allocation	-	66,000
Private placement May 14, 2007	4,600,000	8,050,000
Value attributed to warrants	-	(2,300,000)
Value attributed to broker warrants	-	(231,840)
Share issue costs and public offering costs net of future income tax effect	-	(1,132,155)
Balance, October 31, 2007	31,588,317	12,350,789

On May 14, 2007, the Company completed a private placement for the sale of 4,600,000 units at $1.75 per unit (a“Unit”) for gross proceeds of $8,050,000. Each Unit consists of one common share and one-half of one common share purchase warrant (Note (10(d)). Each whole warrant will entitle the holder to acquire one common share of the Company at an exercise price of $2.00 per common share until May 14, 2009 (Note 8).

Continued…

10. CAPITAL STOCK (Continued)

c) Special Warrants

A summary of changes in special warrants is as follows:

	Warrants	Amount
	#	$
Balance, October 31, 2005	4,310,000	2,663,393
Flow-through renunciation	-	(95,400)
Exercised	(4,310,000)	(2,567,993)
Note payable converted (i)	500,000	500,000
Issued (ii)(iii)	5,400,825	5,400,825
Cost of issue	-	(417,025)
Balance, October 31, 2006	5,900,825	5,483,800
Exercised (iv)	(5,900,825)	(5,483,800)
Balance, October 31, 2007	-	-

i) During fiscal 2006, the note payable was issued and converted into 500,000 flow-through special warrants of the Company as per the terms of the note. Interest owing on the loan was forgiven.

ii) In August 2006, the Company completed a private placement in which it raised $2,000,000 by issuing 1,400,000 in flow-through special warrants and 600,000 in special warrants. The Company also issued 140,000 non-flow through agent compensation special warrants.

iii) In September 2006, the Company completed a private placement in which it raised $3,047,500 by issuing 2,170,000 special warrants and 877,500 flow-through special warrants. The Company also issued 213,325 non-flow through agent compensation special warrants.

iv) Each special warrant was automatically exercised into one common share of the Company for no additional consideration on January 8, 2007, the date of the completion of the reverse takeover transaction described in Note 3.

Continued…

10. CAPITAL STOCK (Continued)

d) Warrants

A summary of changes in warrants and the balance outstanding is as follows:

	Shares Issuable Upon Exercise of Warrants	Value	Weighted Average Exercise Price
	#	$	$
Balance, October 31, 2005 and 2006	560,000	132,000	1.00
Exercised	(280,000)	(66,000)	1.00
Balance, expiring January 10, 2008	280,000	66,000	1.00
May 14, 2007 private placement:			
Warrants granted expiring May 14, 2009	2,300,000	2,300,000	2.00
Broker warrants granted expiring May 14, 2008	322,000	231,840	2.00
Balance, October 31, 2007	2,902,000	2,597,840	1.90

The fair value of warrants issued on May 14, 2007 has been estimated using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0%
Risk-free interest rate	4.00%
Expected volatility	100%
Expected life	2 years (1 year in the case of broker warrants)

e) Stock options

The Company's Stock Option Plan (the "Plan") provides for the granting of stock options to directors, officers, employees and consultants of the Company. Stock options are granted for a term not to exceed five years at exercise prices not less than the closing sale price on the TSX Venture Exchange on the trading day immediately preceding the date the options are granted, and are not transferable. The Plan is administered by the Board of Directors, which determines individual eligibility under the Plan, number of shares reserved for optioning to each individual (not to exceed 5% of issued and outstanding shares to any one individual) and the vesting period. The maximum number of shares of the Company that are issuable pursuant to the plan is limited to 10% of the issued shares.

On January 17, 2007, the Company granted stock options to officers and directors of the Company to purchase up to 1,950,000 common shares of the Company at an exercise price of $1.00 per common share. Stock options were also granted the same day to a geological consultant of the Company to purchase 250,000 common shares at an exercise price of $1.00 per common share. Stock options granted to the President of the Company shall vest over 18 months. Stock options granted to other officers, directors and consultants vest over three years. The stock options shall expire on January 17, 2012.

On April 13, 2007, the Company granted stock options to consultants of the Company to purchase up to 110,000 common shares of the Company at an exercise price of $1.15 per common share. These stock options vest over 18 months and expire April 13, 2012.

Continued…

10. CAPITAL STOCK (Continued)

The following is a summary of stock options outstanding at October 31, 2007:

Expiry Date	Stock options #	Exercisable stock options #	Exercise price $
August 6, 2008	62,320	62,320	0.1284
January 17, 2012	2,200,000	333,333	1.0000
April 13, 2012	110,000	36,667	1.1500
	2,372,320	432,320	

The following is a summary of stock option transactions during the year ended October 31, 2007:

	Stock options #	Weighted average exercise price $
Arrabbiata options outstanding, October 31, 2006	160,000	0.20
Split on basis of 1.558:1 on completion of Reverse Takeover Transaction	89,280	-
	249,280	0.1284
Exercised	(186,960)	0.1284
Balance outstanding	62,320	0.1284
Granted January 17, 2007	2,200,000	1.0000
Granted April 13, 2007	110,000	1.1500
Total outstanding, October 31, 2007	2,372,320	0.9800

The weighted average grant-date fair value of options granted during the year ended October 31, 2007 is $0.76.

The fair value of stock options granted on January 17, 2007 and April 13, 2007 has been estimated at the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Expected dividend yield	0%
Risk-free interest rate	4.00%
Expected volatility	100%
Expected life	3-5 years

The fair values attributed to the options granted January 17, 2007 and April 13, 2007 totaled $1,752,300 and will be charged to general and administrative expenses and included in contributed surplus over the period the options vest. An amount of $1,079,746 was charged to expense for the year ended October 31, 2007.

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10. CAPITAL STOCK (Continued)

f) Contributed Surplus

A summary of changes in contributed surplus is as follows:

	Amount $
Balance, October 31, 2005 and 2006	-
Employee stock based compensation	977,214
Non-employee stock based compensation	102,532
Balance, October 31, 2007	1,079,746

11. COMMITMENT AND CONTINGENCIES

a) Environmental Contingencies

The Company's exploration activities are subject to various federal and provincial laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations, the future amounts of which cannot yet be determined or estimated.

b) Flow-through Expenditures

Pursuant to the issuance of 2,777,500 flow-through special warrants during the year ended October 31, 2006, in February 2007 the Company renounced $2,777,500 of qualified exploration expenditures with an effective date of December 31, 2006. The effect of this renunciation was recorded in February 2007, which is the date of the renunciation. As of October 31, 2007, the Company has expended all of the funds related to these flow-through special warrants on qualified exploration expenses.

c) Management Contracts

The Company is party to a management contract. The contract requires that additional payments of up to $1,000,000 be made upon the occurrence of certain events. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these financial statements.