MILLROCK RESOURCES INC

ANNUAL REPORT

For the Year Ended December 31, 2007

BDO Dunwoody LLP
Chartered Accountants

#604 – 750 West Pender Street
Vancouver, BC, Canada V6C 2T7
Telephone: (604) 689-0188
Fax: (604) 689-9773

AUDITORS' REPORT

To the Shareholders,
Millrock Resources Inc.
(formerly First Factor Developments Inc.)
(An Exploration Stage Company)

We have audited the consolidated balance sheets of Millrock Resources Inc. (formerly First Factor Developments Inc.) (An Exploration Stage Company) as at December 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, Canada
March 25, 2008

MILLROCK RESOURCES INC.
(formerly First Factor Developments Inc.)
(An Exploration Stage Company)

Consolidated Balance Sheets

As at December 31, 2007 and 2006
(expressed in Canadian dollars)

ASSETS		**2007**		**2006**
Current				
Cash and cash equivalents	$	1,801,880	$	426,164
Receivables		104,386		1,342
Prepaid expense - Note 6		12,703		7,200
		1,918,969		434,706
Advances on exploration expenditures - Note 6		275,800		-
Mineral properties - Note 3 and 6		338,860		-
Equipment - Note 4		4,931		4,350
	$	**2,538,560**	**$**	**439,056**

LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	46,060	$	19,325
Management fee payable		-		30,000
Due to related parties - Note 6		9,913		2,277
		55,973		51,602
SHAREHOLDERS' EQUITY				
Share capital - Note 5		8,134,747		5,021,793
Contributed Surplus - Note 5		492,932		-
Deficit		(6,145,092)		(4,634,339)
		2,482,587		387,454
	$	**2,538,560**	**$**	**439,056**

Nature of Operations and Ability to Continue as a Going Concern - Note 1
Commitments - Notes 3, 5 and 7

Approved by the directors	*"Gregory Beischer"*	*"Darryl Cardey"*
	Gregory Beischer	Darryl Cardey

See accompanying notes to the financial statements

MILLROCK RESOURCES INC.
(formerly First Factor Developments Inc.)
(An Exploration Stage Company)

Consolidated Statements of Operations and Deficit

For the Years ended December 31, 2007 and 2006
(expressed in Canadian dollars)

		2007		2006
General and administrative expense				
Accounting and audit - Note 6	$	66,520	$	20,900
Amortization and depreciation		1,204		829
Bank charges and interest		3,213		19
Consulting - Note 6		154,896		60,000
Filing and listing		49,367		21,671
Foreign exchange and loss		4,610		-
Insurance		7,645		-
Investor relations		41,526		8,537
Legal		56,944		10,736
Miscelleneous		11,557		-
Office expense - Note 6		39,732		23,620
Rent and storage - Note 6		15,078		6,000
Salaries and benefits		17,195		-
Stock-based compensation		442,959		-
Travel		63,900		-
Loss before other items		**(976,346)**		**(152,312)**
Other items				
Interest income		17,777		1,313
Loss on disposal of capital assets		(3,694)		-
Write-off of mineral properties		(559,516)		-
Other income		11,026		-
Net loss for the year		**(1,510,753)**		**(150,999)**
Deficit, beginning of year		**(4,634,339)**		**(4,483,340)**
Defit , end of year	**$**	**(6,145,092)**	**$**	**(4,634,339)**
Basic and diluted loss per share	$	(0.12)		(0.02)
Weighted average number of shares outstanding		12,555,935		8,894,077

See accompanying notes to the financial statements

MILLROCK RESOURCES INC.
(formerly First Factor Developments Inc.)
(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the years ended December 31, 2007 and 2006
(expressed in Canadian dollars)

		2007		2006
Cash provided from (used for)				
Operating activities				
Loss for the year	$	(1,510,753)	$	(150,999)
Items not involving cash				
Amortization		1,204		829
Unrealized foreign exchange loss		704		-
Loss on disposal of fixed assets		3,694		-
Mineral properties write-off		559,516		-
Stock based compensation		442,959		-
		(502,676)		**(150,170)**
Net change in non-cash working capital items				
Receivables		(103,044)		2,353
Prepaid expense		(5,503)		(2,700)
Accounts payable and accrued liabilities		26,031		345
Due to related party		7,636		-
		(577,556)		**(150,172)**
Investing activities				
Advances on exploration expenditures		(275,800)		-
Mineral property acquisition and exploration cost		(830,626)		-
Purchase of equipment		(5,479)		(2,073)
		(1,111,905)		**(2,073)**
Financing activities				
Share repurchase and cancellation		(64,200)		-
Shares issued for cash		3,129,377		220,000
Advance from related party		-		25,462
		3,065,177		**245,462**
Increase in cash and cash equivalents		**1,375,716**		**93,217**
Cash and cash equivalents, beginning of year		**426,164**		**332,947**
Cash and cash equivalents, end of year	**$**	**1,801,880**	**$**	**426,164**
Cash and cash equivalents are comprised of				
Cash		1,801,880		15,528
Term deposits and accrued interest		-		400,263
Lawyer's trust accounts		-		10,373
	$	**1,801,880**	**$**	**426,164**
Supplementary disclosure of cash flow information				
Cash paid for				
Interest	$	-	$	-
Income tax	$	-	$	-

Non-cash transactions - Note 8

See accompanying notes to the financial statements

MILLROCK RESOURCES INC.
(formerly First Factor Developments Inc.)
(An Exploration Stage Company)

Consolidated Schedule of Mineral Properties

For the years ended December 31, 2007 and 2006
(expressed in Canadian dollars)

	Divide	Inmachuck	Iliamna	Fortymile	Other Properties	Total
Balance at December 31, 2006	$ -	$ -	$ -	$ -	$ -	$ -
Addition during the year						
Acquisition cost						
Cash	7,978	36,938	1,692	38,439	3,221	**88,268**
Shares	17,750	50,000	-	-	-	**67,750**
	25,728	86,938	1,692	38,439	3,221	**156,018**
Exploration costs:						
Administration	-	2,103	286	3,589	-	**5,978**
Drilling	106,261	123,368	-	-	-	**229,629**
Environmental and permitting	-	9,996	-	-	-	**9,996**
Geochemistry	1,775	1,952	3,585	9,190	-	**16,502**
Geology	39,379	76,001	19,349	23,507	9,434	**167,670**
Property rental fees	8,922	7,877	8,227	20,367	-	**45,393**
Support and equipment	31,506	251,281	18,113	51,228	5,759	**357,887**
	187,842	472,578	49,560	107,881	15,193	**833,055**
Less:						
Recoveries	(90,697)	-	-	-	-	**(90,697)**
Write off	-	(559,516)	-	-	-	**(559,516)**
Balance at December 31, 2007	**$ 122,874**	**$ -**	**$ 51,252**	**$ 146,320**	**$ 18,414**	**$ 338,860**

1. Nature of Operations and Ability to Continue as a Going Concern

Millrock Resources Inc. (the "Company") is a public company listed on the TSX Venture Exchange. In August 2007, the Company received approval from the TSX Venture Exchange to change its business from an online data service to a mineral exploration company and changed its name to Millrock Resources Inc. from First Factor Developments Inc. ("First Factor"), a Vancouver based company listed on the NEX board of the TSX Venture Exchange. The Company's shares commenced trading on the TSX Venture Exchange under the trading symbol "MRO" in August 2007.

The Company is in the business of acquisition, exploration and development of mineral properties and has not yet determined whether these properties contain mineral resources that are economically recoverable ("ore reserves"). The Company's projects are considered to be in the exploration stage.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the company will be able to meet its obligations and continue its operations for its next fiscal year. Realization value may be substantially different from carrying value as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2007, the Company had not yet achieved profitable operations, had working capital of $1,862,996 which may not be sufficient to sustain operations over the next twelve months and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operation when they come due.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada. The financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

(a) Principles of Consolidation

These consolidated financial statements includes the accounts of the Company and its wholly owned subsidiary, Millrock Alaska LLC, incorporated in 2007 in the State of Alaska, USA.

2. Significant Accounting Policies (continued)

(b) 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Areas requiring the use of estimates include the rates of depreciation for property, plant and equipment, the recoverability of mineral property costs, estimates of accounts payable and accrued liabilities, the assumptions used in the determination of the fair value of stock-based compensation, and the determination of the valuation allowance for future income tax assets. Actual results may differ from those estimates.

(c) Change in Accounting Policy

On January 1, 2007, the Company adopted CICA Handbook Sections 1530, “Comprehensive Income”, Section 3251, “Equity, Section 3855, “Financial Instruments – Recognition and Measurement”, Section 3861, “Financial Instruments – Disclosure and Presentation” and Section 3865, “Hedges”. Section 1530 establishes standards for reporting ad presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been restated. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

2. Significant Accounting Policies (continued)

(c) Change in Accounting Policy (continued)

Under adoption of these new standards, the Company designated its accounts payable and accrued liabilities as other financial liabilities, which are measured at amortized cost.

The adoption of these Handbook Sections had no impact on opening deficit.

(d) Future Accounting Changes

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

(e) Cash and Cash Equivalents

The Company considers cash and cash equivalents to be cash and short-term investments with original maturities or redemption provisions of three months or less from the date of acquisition.

(f) Mineral 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. Cost 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 propertied are credited to the carrying value of the mineral properties, with any excess included in operation. Write-downs due to impairment in value are charged to operations.

2. Significant Accounting Policies (continued)

(f) Mineral Properties (continued)

The Company is in the process of exploring its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on an annual 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.

(g) Equipment

Equipment consisting of office furniture and computer equipment are recorded at cost less accumulated amortization. Amortization is recorded using the straight line method at annual rates of 20%.

(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 assets. 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, amortization and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and amortization of the related asset. As at December 31, 2007 and 2006, the Company had no asset retirement obligations.

(i) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the assets, impairment is recognized. Other than the costs incurred and written off on the Inmachuk Property in 2007 (Note 3), management believes there has been no impairment of the Company's long-lived assets as at December 31, 2007.

2. Significant Accounting Policies (continued)

(j) Stock-based Compensation

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. 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.

(k) Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss for the year by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could occur if potentially dilutive securities are exercised or converted to common stock. The dilutive effect of options and warrants and their equivalents is computed by application of the treasury stock method. Fully dilutive amounts are not presented when the effect of the computations is anti-dilutive due to the losses incurred. Shares issuable on exercise of stock options and warrants totalling 5,385,584 (2006: 40,800) were not included in the computation of diluted loss per share because the effect would have been anti-dilutive.

(l) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at rates of exchange in effect at the date of the balance sheet. Non-monetary assets, liabilities and other items recorded in income arising from transactions denominated in foreign currencies are translated at rates of exchange in effect at the rate of the transaction. Resulting exchange gains or loss are included in operation when incurred.

(m) Comparative Figures

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

3. Mineral Properties

(a) Divide

On August 22, 2007, the company signed a Letter of Intent with respect to the Divide Property located on the Seward Peninsula, Alaska. The company can earn a 50% interest in the project by paying 50% of all costs associated with the Divide Option (an option agreement made between the vendor and the underlying property owner). Consideration is cash payments of US$500,000 and issuance of 500,000 common shares of the Company over a five year period as follows:

3. Mineral Properties (continued)

(a) Divide (continued)

- US$7,500 (paid) and 50,000 common shares (issued) upon regulatory approval;
- US$22,500 by February 22, 2008;
- US$45,000 and 50,000 common shares by August 22, 2008;
- US$75,000 and 150,000 common shares by August 22, 2009;
- US$125,000 and 250,000 common shares by August 22, 2010;
- US$225,000 by August 22, 2011;

The payment due February 22, 2008 has not yet been made however the agreement is in good standing.

(b) Inmachuk

In March 2007, the company entered into an option agreement with Full Metal Minerals Inc. to earn a 60% interest in 67 mineral claims located in Alaska. Consideration is US$90,000, the issuance of 800,000 shares, and expenditures of US$2,500,000 in exploration over the next four years as follows:

- US$10,000 (paid) upon signing the agreement;
- US$15,000 (paid) and 100,000 common shares (issued) upon regulatory approval;
- US$15,000 and 100,000 common shares by April 1, 2008;
- US$20,000 and 200,000 common shares by April 1, 2009;
- US$30,000 and 400,000 common shares by April 1, 2010;

Exploration Expenditures:

- US$335,000 by April 1, 2008;
- US$500,000 by April 1, 2009;
- US$665,000 by April 1, 2010;
- US$1,000,000 by April 1, 2011;

A finder fee of US$10,000 was paid in connection with the Inmachuk Property.

The agreement also requires the assumption of the obligations of an underlying option agreement between Full Metal Minerals and the claim owner of US$215,000 payable as follows:

- US$50,000 by April 1, 2008;
- US$65,000 by April 1, 2009;
- US$100,000 by April 1, 2010;

Subsequent to December 31, 2007, management has decided not to perform further exploration at Inmachuk and has advised Full Metal Minerals that it will terminate the option agreement. Accordingly the costs incurred to date of $559,516 have been written off.

(Expressed in Canadian dollars)

3. Mineral Properties (continued)

(c) Iliamna

Pursuant to a letter of intent signed September 4, 2007, the Company will have the option to obtain a 60% interest on the Bonanza Hill property located in southwest Alaska by incurring exploration expenditures of US$3,500,000 and issuing 1,000,000 common shares of the company as follows:

- 100,000 common shares upon regulatory approval;
- 100,000 common shares by September 4, 2008;
- 200,000 common shares by September 4, 2009;
- 300,000 by September 4, 2010;
- 300,000 by September 4, 2011;

Exploration Expenditures:

- US$30,000 by August 31, 2007;
- US$220,000 by September 4, 2008;
- US$500,000 by September 4, 2009;
- US$1,000,000 by September 4, 2010;
- US$1,750,000 by September 4, 2011.

This agreement is subject to regulatory approval.

(d) Fortymile

During the year ended December 31, 2007, the Company incurred costs of $38,439 to stake and record mineral claims located in the Fortymile district of east-central Alaska.

(e) Other Properties

During the year ended December 31, 2007, the Company incurred costs of $3,221 to stake and record other claims located in Alaska for future evaluations.

4. Equipment

December 31, 2007	Cost	Accumulative Amortization	Net Book Value
Office equipment	$ 5,479	$ 548	$ 4,931
	$ 5,479	**$ 548**	**$ 4,931**

(Expressed in Canadian dollars)

4. Equipment (continued)

December 31, 2006	Cost	Accumulative Amortization	Net Book Value
Office equipment	$ 5,523	$ 1,173	$ 4,350
	$ 5,523	**$ 1,173**	**$ 4,350**

5. Share Capital

(a) Authorized

Unlimited common shares without par value.

(b) Issued and outstanding common shares

	Number of Shares	Share Capital	Contributed Surplus
Balance, December 31, 2005	8,510,468	$ 4,801,793	$ -
			-
Issued for cash on exercise of warrants	2,200,000	220,000	-
Balance, December 31, 2006	**10,710,468**	**5,021,793**	**-**
Issued for cash pursuant for			
Private placements	7,211,111	3,245,000	-
Exercise of warrants	408,000	40,800	-
Issued for property	150,000	67,750	-
Issued for finder's fees	150,360	67,662	-
Share repurchase and cancellation	(428,000)	(64,200)	-
Share issue costs	-	(244,058)	49,973
Stock based compensation	-	-	442,959
Balance December 31, 2007	**18,201,939**	**$ 8,134,747**	**$ 492,932**

On August 7, 2007, the company issued 2,500,000 units at $0.45 per unit for net proceeds of $1,112,500. Each unit consisted of one common share and one-half of one share purchase warrant, each whole warrant entitling the holder to purchase one common share for a period of two years at $0.75 per share in the first year and $1.00 per share in the second year. Finders' fees of $61,950 cash and the issue of warrants for the purchase of 137,667 common shares at $0.45 per share for one year were paid in respect of this private placement. The warrants were valued at $22,641 using the Black Scholes model with assumptions noted below.

On November 2, 2007, the company issued 4,711,111 units at $0.45 per unit for gross proceeds of $2,120,000. Each unit consisted of one common share and one-half of one share purchase warrant, each whole warrant entitling the holder thereof to purchase one additional common share at $0.75 per share for a period of twelve months from the closing date and at $1.00 per share for the following twelve months.

(Expressed in Canadian dollars)

5. Share Capital (continued)

(b) Issued and outstanding common shares (continued)

Finders fees of $44,966 cash and the issue of warrants for the purchase of 157,360 common shares at $0.45 per share for one year were paid in respect of this private placement. The warrants were valued at $27,332 using the Black-Scholes model with assumptions noted below.

In connection with the Company's disposal of its online data service during the year ended December 31, 2005, a shareholder with 428,000 common shares dissented under the provisions of Canada Business Corporate Act and demanded that the company pay the shareholder the fair value of the shares as at June 23, 2005. During the year ended December 31, 2007, the shareholder agreed to accept the amount of $64,200 offered by the Company. The shares were returned to the treasury and cancelled.

(c) Stock Options

The company has a stock option plan whereby the maximum number of shares reserved for issue under the plan shall not exceed 10% of the outstanding common shares of the Company, as at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated, share purchase options vest when granted.

Information regarding the Company's outstanding share purchase options is summarized as follows:

	Shares		Weighted Average Exercise Price
Outstanding at December 31, 2005 and 2006	**-**	$	-
Granted	1,485,000	$	0.46
Outstanding at December 31, 2007	**1,485,000**	**$**	**0.46**
Exercisable at December 31, 2007	**1,235,000**	**$**	**0.46**

(Expressed in Canadian dollars)

5. Share Capital (continued)

(c) Stock Options (continued)

The following table summarizes the company's outstanding share purchase options as at December 31, 2007.

Number of Shares		Exercise Price	Expiry Date
1,050,000	$	0.45	5/29/2012
125,000	$	0.45	8/7/2012
150,000*	$	0.45	10/1/2012
100,000*	$	0.55	11/21/2012
60,000	$	0.56	12/6/2012
1,485,000			

*These options vest as to 25% three months after the date granted and 25% every three months thereafter.

The fair value of the options granted during the year ended December 31, 2007 was estimated on the dates of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

Dividend yield	Nil
Expected volatility	91% - 102%
Risk-free rate of return	4%
Expected life of options	5 years

The weighted average fair value of the 1,485,000 share purchase options granted was $0.46 per option. Total stock-based compensation expense of $442,959 has been charged to operations.

(d) Share Purchase Warrants and Agent Warrants

As at December 31, 2007, the company had outstanding warrants and agent warrants for the purchase of 3,900,584 common shares, as follows:

(Expressed in Canadian dollars)

5. Share Capital (continued)

(c) Share Purchase Warrants and Agent Warrants (continued)

	Number of Shares		Weighted Average Exercise Price	Expiry Date
Outstanding at December 31, 2005 and 2006	**408,000**	**$**	**0.10**	
Exercised on March 31, 2007	(300,000)	$	0.10	
Exercised on July 17, 2007	(108,000)	$	0.10	
Issued, Aug 07, 2007	1,250,002	$	0.75	8/7/2008
Agent warrants issued, Aug 07, 2007	137,667	$	0.45	8/7/2008
Issued on Nov 2, 2007	2,355,555	$	0.75	11/2/2008
Agent warrants issued on Nov 2, 2007	157,360	$	0.45	11/2/2008
Outstanding at December 31, 2007	**3,900,584**			

The fair value of the agent's warrants of $49,972 is included in share issue costs and contributed surplus under shareholder's equity. The fair value of the agent's warrants was estimated on the dates issued using the Black-Scholes option pricing model with the following weighted average assumptions:

Dividend yield	Nil
Expected volatility	91% - 97%
Risk-free rate of return	4%
Expected life of options	1 year

6. Related Party Transactions

The Company incurred charges with directors and officers and companies with directors and officers in common as follows:

	Year ended December 31,			
		2007		**2006**
Accounting	$	30,606	$	-
Consulting fee		142,018		60,000
Mineral Properties - geological consulting		109,916		-
Office rent		3,000		6,000
Office expenses		-		4,500
	$	**285,540**	**$**	**70,500**

(Expressed in Canadian dollars)

6. Related Party Transactions (continued)

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

(a) As at December 31, 2007 prepaid expenses include $9,913 advanced to a director for travel incurred after the year-end. As at December 31, 2006, prepaid expenses included $7,200 paid to a former director for his services.

(b) As at December 31, 2007, due to related parties of $9,913 was owed to the Company's Vice President of Exploration for his services. As at December 31, 2006, the amount of $32, 227 was owed to a former director and a private company controlled by the director for advances and management fee. These amounts are unsecured, do not bear interest and have no fixed terms of repayment.

(c) As at December 31, 2007, advances on exploration expenses include $50,800 paid to a company controlled by a director that acts as operator for the exploration program.

7. Income Tax

The Company and its subsidiary have accumulated non-capital losses in Canada totaling $1,178,000 and net operating loss in the US of $560,000 available to reduce future years' taxable income. These losses expire as follows:

	Canada	USA	Total
2008	63,000	-	63,000
2009	88,000	-	88,000
2010	72,000	-	72,000
2011	49,000	-	49,000
2015	202,000	-	202,000
2026	148,000	-	148,000
2027	556,000	560,000	1,116,000
	$ 1,178,000	**$ 560,000**	**$ 1,738,000**

The Company has accumulated capital losses of $3,190,000, which may be carried forward indefinitely and applied against future capital gains.

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

(Expressed in Canadian dollars)

7. Income Tax (continued)

	2007	2006
Loss before income tax	(1,510,753)	(150,999)
Statutory income tax rates	34.12%	34.12%
Computed expected income tax recovery	515,000	51,000
Non-deductible stock-based compensation and other items	(151,000)	-
Change in rates	(339,000)	-
Difference in tax rate in foreign jurisdiction	(5,000)	-
Net change in valuation allowance	(20,000)	(51,000)
Total income taxes (recovery)	**$ -**	**$ -**

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

	2007	2006
Non-capital and net operating loss carry forwards	502,000	308,000
Capital loss carry forwards	415,000	544,000
Undeducted financing costs	51,000	-
Equipment	1,000	-
Intangibles	144,000	190,000
	1,113,000	1,042,000
Less: valuation allowance	(1,113,000)	(1,042,000)
	$ -	$ -

8. Non-Cash Transactions

Investing and financing activities that do not have a direct impact on current cash flow were excluded from the cash flow statements. During the year ended December 31, 2007, 100,000 shares valued at $50,000 and 50,000 shares valued at $17,750 were issued pursuant to mineral property acquisition agreements. The values were determined based on the market value of the shares when issued.