

ALEXIS MINERALS CORPORATION
(a development stage company)

**INTERIM
CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS
ENDED MARCH 31, 2008**

UNAUDITED

ALEXIS MINERALS CORPORATION

(A Development Stage Company)

Consolidated Balance Sheets

As at

	March 31, 2008 <i>(unaudited)</i>	December 31, 2007 <i>(audited)</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,235,020	\$ 6,153,297
Restricted cash (Note 7)	150,000	150,000
Gold inventory	-	4,794,746
Amounts receivable (Note 16)	910,174	2,293,571
Tax credits receivable (Notes 6 and 7)	12,054,626	12,054,626
Parts inventory	187,643	-
Prepaid expenses	415,584	351,914
	25,953,047	25,798,154
Property and equipment (Note 5)	5,575,226	4,434,808
Cash appropriated for exploration expenditures	-	530,034
Exploration properties and deferred exploration expenditures (Note 6)	49,092,596	40,541,822
	\$ 80,620,869	\$ 71,304,818
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable and accrued liabilities (Note 16)	\$ 4,934,962	\$ 6,012,546
Secured demand loan (Note 7)	5,345,689	5,345,689
Current portion of capital leases (Note 8)	486,654	264,886
Current portion of long term debt (Note 9)	168,046	170,298
	10,935,351	11,793,419
Capital lease obligations (Note 8)	642,647	276,008
Long term debt (Note 9)	275,215	316,217
Liability component of convertible debenture (Note 10)	3,485,600	3,335,692
Asset retirement obligation (Note 11)	494,500	479,000
Future tax liability	1,035,000	1,599,000
	16,868,313	17,799,336
Shareholders' equity:		
Share capital (Note 12)	57,404,359	48,908,428
Warrants (Note 13)	7,453,042	5,138,113
Equity component of convertible debenture (Note 10)	830,334	830,334
Contributed surplus (Note 15)	7,024,761	6,936,037
Deficit	(8,959,940)	(8,307,430)
	63,752,556	53,505,482
	\$ 80,620,869	\$ 71,304,818

Commitment and contingencies, Notes 1, 6, and 17

Subsequent events, Note 20

ALEXIS MINERALS CORPORATION

(A Development Stage Company)

Consolidated Statements of Shareholders' Equity

(unaudited - prepared by management)

	Common Shares		Warrants	Convertible Debenture	Contributed Surplus	Accumulated Deficit	Shareholders' Equity
	No.	\$	\$	\$	\$	\$	\$
Balance, December 31, 2006	70,710,626	25,898,218	2,071,196	830,334	4,541,368	(6,552,773)	26,788,343
Private placement	25,000,000	25,000,000					25,000,000
Value of warrants granted on private placement		(4,912,500)	4,912,500				-
Exercise of warrants and broker warrants	3,009,616	2,753,372					2,753,372
Exercise of stock options	1,371,000	1,167,993	(1,167,993)				-
Valuation allocation on exercise of stock options		738,025					738,025
Shares issued in lieu of interest payment	291,522	531,236			(531,236)		-
Amortization of deferred financing charges on equity portion of convertible debenture							-
Accretion of discount of equity portion of convertible debenture							-
Expiry of warrants			(677,590)		677,590		-
Stock based compensation					2,248,315		2,248,315
Flow through share tax effect		(1,315,000)					(1,315,000)
Tax effect of cost of issue		511,000					511,000
Share issue costs		(1,715,823)					(1,715,823)
Loss for the period						(1,754,657)	(1,754,657)
Balance, December 31, 2007	100,382,764	48,908,428	5,138,113	830,334	6,936,037	(8,307,430)	53,505,482
Private placement	16,714,286	11,700,000					11,700,000
Value of warrants granted on private placement		(2,314,929)	2,314,929				-
Exercise of stock options	10,000	7,900					7,900
Valuation allocation on exercise of stock options		5,610			(5,610)		-
Stock based compensation					94,334		94,334
Share issue costs		(1,322,650)					(1,322,650)
Tax effect of cost of issue		420,000					420,000
Loss for the period						(652,510)	(652,510)
Balance, March 31, 2008	117,107,050	57,404,359	7,453,042	830,334	7,024,761	(8,959,940)	63,752,556

- See accompanying Notes to the Unaudited Consolidated Financial Statements -

ALEXIS MINERALS CORPORATION

(A Development Stage Company)

Consolidated Statements of Operations and Deficit

For the three months ended March 31,

(unaudited - prepared by management)

	2008	2007
Expenses:		
Professional, consulting and management fees (Note 14)	\$ 292,283	\$ 728,947
Shareholder communications and transfer agent fees	152,785	95,515
Long-term interest, accretion and financing costs	173,085	139,398
Other interest, accretion and financing costs	150,967	108,845
Travel	37,759	25,839
General office expenses	23,130	34,957
Occupancy cost	11,802	5,352
Amortization of office equipment	-	2,746
Foreign exchange	5,093	779
Less: interest income and gain on investments	(50,394)	(146,659)
Net (loss) before income taxes	(796,510)	(995,719)
Future income tax recovery	144,000	-
Net (loss) for the period	(652,510)	(995,719)
DEFICIT, beginning of period	(8,307,430)	(6,552,773)
DEFICIT, end of period	\$ (8,959,940)	(7,548,492)
Net (loss) per share:	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding:	95,976,577	84,168,524

ALEXIS MINERALS CORPORATION

(A Development Stage Company)

Consolidated Statements of Cash Flows

For the three months ended March 31,

	2008	2007
Cash provided by (used in):		
Operations:		
Net (loss) for the period	\$ (652,510)	\$ (995,719)
Items not involving cash:		
Stock-based compensation (Note 14)	61,100	-
Amortization of office equipment	-	2,746
Interest, accretion and finance charges	237,941	168,988
Future income tax recovery	(144,000)	-
Changes in non-cash working capital	6,199,077	(150,396)
	5,701,608	(974,381)
Financing:		
Private placement, net of share issue costs	10,377,350	23,284,177
Exercise of warrants and options	7,900	776,577
Demand loan	-	556,953
Long term debt repayments	(46,587)	(30,000)
Capital lease payments	(172,104)	-
	10,166,559	24,587,707
Investing:		
Equipment purchases	(674,465)	(40,352)
Decrease (increase) in cash appropriated for exploration expenditure	530,034	(203,105)
(Increase) in prepaid exploration expenditures	-	(719,310)
(Decrease) increase in exploration accounts payable	(1,419,031)	1,474,072
Exploration tax credits received	-	-
Expenditures on exploration interests, net of government assistance	(8,222,982)	(5,719,370)
	(9,786,444)	(5,208,065)
Change in cash and cash equivalents	6,081,723	18,405,261
Cash and cash equivalents, beginning of period	6,153,297	3,244,286
Cash and cash equivalents, end of period	\$ 12,235,020	\$ 21,649,547
Cash and cash equivalents consists of:		
Cash	\$ 1,598,258	\$ 19,352,730
Cash equivalents	10,636,762	2,296,817
	\$ 12,235,020	\$ 21,649,547
SUPPLEMENTAL INFORMATION		
Interest and dividend income received	\$ 50,394	\$ 81,667
Interest paid	81,767	116,654
Stock-based compensation charged to mineral properties	33,234	55,551
Amortization of exploration assets charged to exploration	294,558	14,092
Equipment acquired under capital leases	760,511	-
Income taxes paid	-	-

- See accompanying Notes to the Unaudited Consolidated Financial Statements -

ALEXIS MINERALS CORPORATION

(A Development Stage Company)

Notes to the Unaudited Consolidated Financial Statements
For the three months ended March 31, 2008 and 2007

1. NATURE OF OPERATIONS AND GOING CONCERN

Alexis Minerals Corporation (the "Company") currently has interests in exploration properties in the province of Quebec. Substantially all of the Company's efforts are devoted to financing and developing these properties. As at March 31, 2008, the Company was a development stage entity, as defined by the Canadian Institute of Chartered Accountants (the "CICA") Accounting Guideline 11. During the first quarter of 2008, the Company announced that a production decision at its Lac Herbin deposit was approved by the Board of Directors.

These interim consolidated financial statements are unaudited and are not reviewed by the Company's auditors.

Management has prepared these unaudited consolidated financial statements for the three months ended March 31, 2008 in accordance with Canadian generally accepted accounting principles. These statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2007.

The disclosure in these interim unaudited consolidated financial statements may not conform in all respects to generally accepted accounting principles in Canada for annual financial statements.

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited consolidated financial statements. Operating results for the three months ended March 31, 2008 are not indicative of the results that may be expected for the full year ending December 31, 2008.

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 is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise additional financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material writedowns of the carrying values.

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

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

The Company has a need for equity capital and financing for working capital and exploration and development of its properties. Because of continuing operating losses, the Company's continuance as a going concern is dependent upon its ability to obtain adequate financing and to reach profitable levels of operation. It is not possible to predict whether financing efforts will be successful or if the Company will attain profitable levels of operations.

2. SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed below, these unaudited consolidated financial statements are prepared using the same accounting policies and methods of application as those disclosed in note 2 to the Company's annual audited consolidated financial statements for the year ended December 31, 2007.

ALEXIS MINERALS CORPORATION

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Notes to the Unaudited Consolidated Financial Statements
For the three months ended March 31, 2008 and 2007

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

New accounting pronouncements:

On December 1, 2006, the CICA issued three new accounting standards: Capital Disclosures (Handbook Section 1535), Financial Instruments – Disclosures (Handbook Section 3862), and Financial Instruments – Presentation (Handbook Section 3863). These new standards became effective for the Company on January 1, 2008.

(i) Capital Disclosures

Handbook 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 noncompliance. The Company has included disclosures recommended by the new Handbook section in note 3 to these interim unaudited consolidated financial statements.

(ii) Financial Instruments - Disclosures and Presentation

Handbook 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 has included disclosures recommended by the new Handbook section in note 4 to these interim unaudited consolidated financial statements.

3. CAPITAL MANAGEMENT

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and development of mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out planned exploration and development, and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended March 31, 2008.

ALEXIS MINERALS CORPORATION

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4. FINANCIAL RISK FACTORS

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

The Company's credit risk is primarily attributable to cash equivalents, amounts receivable and tax credits receivable. The Company has no significant concentration of credit risk arising from operations. Cash equivalents consist of guaranteed investment certificates and bankers acceptances, which have been invested with reputable financial institutions, from which management believes the risk of loss to be remote. Financial instruments included in amounts receivable and tax credits receivable consist of goods and services tax due from the Federal Government of Canada, tax credits due from the Provincial Government of Québec, and receivables from related and unrelated companies. Management believes that the credit risk concentration with respect to these financial instruments is remote.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2008, the Company had a cash and cash equivalents balance of \$12,235,020 (December 31, 2007 - \$6,153,297) to settle current liabilities of \$10,935,351 (December 31, 2007 - \$11,793,419). Included in current liabilities, is a short term demand loan of \$5,345,689 which will be repaid using funds received from the Provincial Government of Quebec related to tax credits receivable. Approximately \$4,900,000 of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

(a) Interest rate risk

The Company has cash balances and a short term demand loan subject to fluctuations in the prime rate. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks. As a result of the demand loan where interest payable is based a fluctuating prime rate, the Company is subject to interest rate risk, however due to the short term nature of the loan, this risk is not considered material. Currently, the Company does not hedge against interest rate risk.

(b) Foreign currency risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian dollars. Management believes the foreign exchange risk derived from currency conversions is negligible and therefore does not hedge its foreign exchange risk.

(c) Price risk

The Company is exposed to price risk with respect to commodity prices, specifically gold. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company. The Company's future gold mining operations will be significantly affected by changes in the market prices for gold. Gold prices fluctuate on a daily basis and are affected by numerous factors beyond the Company's control. The supply and demand for gold, the level of interest rates, the rate of inflation, investment decisions by large holders of gold including governmental reserves and stability of exchange rates can all cause significant fluctuations in gold prices, Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments.

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For the three months ended March 31, 2008 and 2007

4. FINANCIAL RISK FACTORS (continued)

Sensitivity analysis

The Company has designated its cash and cash equivalents as held-for-trading, measured at fair value. Amounts receivable and tax credits receivable included in other assets are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. Short and long term debt is classified as held-to-maturity and measured at amortized cost.

As at March 31, 2008, the carrying and fair value amounts of the Company's financial instruments are the same.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a three month period.

The Company carries short term debt on which interest is payable based on fluctuations in the prime rate. A 1% increase or decrease in the prime rate will generate monthly fluctuations in interest expense of approximately \$4,500.

The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.

The Company intends to begin production later this year. At the current time the Company has no intention to hedge its future gold sales.

5. PROPERTY AND EQUIPMENT

	2008		2007	
	Cost (\$)	Accumulated Amortization (\$)	Net (\$)	
Computer equipment	115,514	(47,990)	67,524	75,545
Computer software	209,945	(149,439)	60,506	89,106
Office equipment	166,970	(20,326)	146,644	99,690
Office furniture	15,583	(8,149)	7,434	7,922
Field equipment	1,082,560	(145,750)	936,810	731,517
Mobile equipment	4,133,438	(529,040)	3,604,398	2,886,886
Buildings	784,230	(32,320)	751,910	544,142
	<u>6,508,240</u>	<u>(933,014)</u>	<u>5,575,226</u>	<u>4,434,808</u>

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6. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Description	Rouyn (\$)	Lac Pelletier (\$)	VMS (\$)	Aurbel (\$)	Lac Herbin (\$)	Other (\$)	TOTAL (\$)
Balance, December 31, 2007	12,160,139	2,462,045	4,500,462	3,243,314	17,971,686	204,176	40,541,822
Acquisition and property maintenance	9,612	-	1,000,000	11,991	-	-	1,021,603
Underground mining	-	-	-	-	1,038,506	-	1,038,506
Underground development	-	-	-	-	1,862,410	-	1,862,410
Underground services	-	43,745	-	-	977,450	-	1,021,195
Surface development	-	479,768	-	-	204,785	-	684,553
Drilling and assaying	391,560	5,863	417,713	-	696,800	-	1,511,936
Engineering	-	117,753	-	-	137,841	-	255,594
Geology and geophysics	85,559	59,024	49,664	-	105,945	-	300,192
Environment	128	1,585	-	-	36,317	-	38,030
Other exploration costs	-	34,375	-	-	48,709	-	83,084
Administration	178,429	30,970	208,466	15,712	336,060	-	769,637
Amortization	5,314	9,711	11,423	393	267,717	-	294,558
	12,830,741	3,244,839	6,187,728	3,271,410	23,684,226	204,176	49,423,120
Less:							
Net gold sales from bulk sample	-	-	-	-	(330,524)	-	(330,524)
Balance, March 31, 2008	12,830,741	3,244,839	6,187,728	3,271,410	23,353,702	204,176	49,092,596

The Company will file for approximately \$10,800,000 of government assistance related to exploration expenditures in the province of Quebec for the year ended December 31, 2007. The assistance has been applied to the exploration properties to which it pertains.

Rouyn Noranda Properties, Quebec (Rouyn)

Pursuant to the June 15, 2004 binding letter of intent with Falconbridge Ltd., now referred to as Xstrata Copper ("Xstrata"), a business unit of Falconbridge Ltd., the Company officially vested into a 50% interest in all of Xstrata's properties in the prospective Rouyn-Noranda Base Metal and Gold Camp. The Company accelerated the release of funds from the trust account to a segregated account established by Xstrata to further fund the exploration expenditures.

Certain claims that form part of this property are subject to NSR royalties that range from 0.5% to 2% of net proceeds or production royalties that range from 7.5% to 20%.

Lac Pelletier Property, Rouyn-Noranda, Quebec (Rouyn)

Pursuant to the September 2005 option agreement within Thundermin Resources Inc. ("Thundermin"), the Company can acquire a 100% interest in the Lac Pelletier Property, subject to a 3.5% NSR royalty and \$1 charge per tonne milled, by spending \$1,000,000 in exploration expenditures by September 1, 2008. During 2007, the Company met their expenditure obligations.

Pursuant to the agreement, the Company is also required to make a production decision by September 1, 2008 and reach commercial production by September 1, 2009. These dates can both be extended by one year by making a cash payment of \$75,000 to Thundermin. If the Company fails to reach commercial production by the specified date, the Company will be required to make annual advance royalty payments of \$75,000.

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6. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (continued)

VMS Properties, Quebec

Pursuant to the March 17, 2004 option agreement with AUR Resources Inc. ("AUR"), the Company met its exploration expenditure commitments, and during the current quarter made a final \$1,000,000 cash payment to AUR in order to vest into a 100% interest in the properties under the agreement. AUR will subsequently retain between a 2% and a 2.5% net smelter return royalty on the properties depending on pre-existing underlying royalties. The Louvex and Bonnefond properties were held under an existing joint venture agreement whereby Novicourt Inc. owned a 45% interest. However, effective December 31, 2006, Novicourt Inc. opted to no longer fund the joint venture and consequently their interest will decrease and the Company's will increase with further exploration on these properties. (See Note 18.)

Aurbel (Including Lac Herbin) Property, Quebec

During the fourth quarter of 2007, the Company completed a bulk sample from Lac Herbin resulting in 6,692 ounces of fine gold, of which 5,692 ounces remained on hand at December 31, 2007. During the first quarter of 2008, these ounces were sold for gross proceeds of approximately \$5,000,000.

There is a 2% Net Smelter Return royalty held by a company that is controlled by a director of the Company. During the quarter, the Company made a royalty payment of \$106,000 to this company related to the bulk sample.

7. SECURED DEMAND NOTE

During 2007, the Company signed short-term demand loan agreements with two major Canadian Chartered banks for non-revolving demand loans of up to an aggregate of \$5,900,000 at an interest rate of prime plus 0.75%. These loans are secured against and are repayable upon receipt of anticipated 2007 refundable Quebec government assistance of approximately \$8,900,000. A loan guarantee was provided by Investissement Quebec for a fee of 3%, or \$177,000. In accordance with the loan guarantee the Company was required to deposit \$150,000 in a GIC. As at December 31, 2007, a total of \$5,345,689 had been advanced to the Company with respect to these loan agreements. Total interest costs for the quarter related to this loan amounted to \$81,174.

8. CAPITAL LEASE OBLIGATION

During 2007, the Company entered into a capital leasing arrangement for mobile equipment. The Company is committed to monthly lease payments of \$23,517 over the two year term of the lease. The capital lease obligation bears interest at 4.12%. During the first quarter of 2008, the Company entered into another capital leasing arrangement for mobile equipment whereby monthly payments of \$22,411 are required over a three-year term. This capital lease obligation bears interest at 7.95%.

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8. CAPITAL LEASE OBLIGATION (continued)

As at March 31, 2008, the future minimum lease payments under the capital lease arrangement were:

Capital lease obligations

2008	408,610
2009	527,616
2010	268,927
2011	22,411
	<u>1,227,564</u>
Less: Amounts representing interest	(98,263)
	<u>1,129,301</u>
Less: Current portion	486,654
Long-term portion	<u>642,647</u>

9. LONG-TERM DEBT

In 2007, the Company entered into financing contracts to purchase equipment. The financing contracts have interest rates ranging from 7.25% to 7.75% and are repayable over two to four years.

In July 2006, the Company purchased a building, being the Val d'Or office, from Aur Resources Inc. The Company made a payment of \$100,000 towards the purchase price, with the balance payable in 45 monthly instalments of \$10,000 and recorded as a non-interest bearing long-term debt, discounted at a rate of 6.28%. Accretion expense related to this loan for the three months ended March 31, 2008 totalled \$3,333 (2007 - \$3,333).

Principal repayments are as follows:

	<u>Building</u>	<u>Equipment</u>	<u>Total</u>
2008	80,000	47,044	127,044
2009	106,667	59,039	165,706
2010	35,555	63,781	99,336
2011	-	51,175	51,175
Total long-term debt	<u>222,222</u>	<u>221,039</u>	<u>443,261</u>
Less: current portion	106,667	61,379	168,046
Long-term portion	<u>115,555</u>	<u>159,660</u>	<u>275,215</u>

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10. CONVERTIBLE DEBENTURE

During 2006, the Company completed a private placement debenture financing with Industrial Alliance Securities Inc. ("Industrial Alliance") raising \$4,210,000 in gross proceeds. Pursuant to the terms of the private placement, the Company issued Units comprised of \$1,000 principal convertible debentures (the "Debentures") maturing April 28, 2010 and 150 common share purchase warrants (the "Warrants"). The \$1,000 face value Debentures are unsecured and subordinated obligations of the Company, have a coupon rate of 6.0% and are convertible at the option of the holder, any time after 12 months from the date of closing, into common shares of the Company at an exercise price of \$0.75 for the second year, \$0.825 for the third year and \$0.9075 for the fourth year (the "Conversion Prices"). Interest on the loan is payable in cash or in common shares of the Company at the option of the Company based on a price equal to 90% of the average closing price of the common shares of the Company on the TSX Venture Exchange for a period of 20 consecutive trading days ending 5 days before the payment date. The Warrants are exercisable for one common share of the Company at a price of \$0.75 per common share until May 11, 2008. The Company will have the right to redeem the Debentures in their fourth year provided that the shares of the Company are trading in excess of \$1.13 over the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given. The redemption can be satisfied through the issuance of common shares valued at 90% of the 20 day average trading price ending five days prior to the date of redemption.

The Debentures are classified as a liability, with the exception of the portions relating to the conversion features and the attached Warrants, resulting in the carrying value of the Debentures being less than its face value. The discount is being accreted over the term of the Debentures, utilizing the effective interest rate method at a 15% discount rate. For the quarter ended March 31, 2008, accretion of discount totalled \$129,132 (Q1 2007: \$120,246).

Financing charges associated with the Debentures were prorated between the debt and equity components of the Debentures. Those allocated to the debt portion of the Debentures were deferred and are being accreted over the term of the Debentures. The financing costs relating to the equity portion have been recorded as a cost of issue against the value of the equity portion of the Debentures. For the quarter ended March 31, 2008, \$20,776 in deferred financing charges was charged to the Statement of Operations (Q1 2007: \$15,818).

11. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations ("ARO") are based on management's estimates of costs to abandon and reclaim exploration properties and facilities as well as an estimate of the future timing of the costs to be incurred.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the ARO associated with the retirement of the Company's exploration properties:

	March 31, 2008	December 31, 2007
	\$	\$
Balance, beginning of period	479,000	423,000
Liabilities incurred	-	-
Accretion expense	<u>15,500</u>	<u>56,000</u>
Balance, end of period	<u>494,500</u>	<u>479,000</u>

The Company has estimated its total asset retirement obligations to be \$494,500 at March 31, 2008 based on a total future liability of \$2,648,505 and a credit adjusted risk-free rate of 13%. Most of these obligations are expected to be incurred in approximately 15 years.

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12. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value

(b) Issued

Common Shares issued	Number of Shares	Stated Value
Balance, December 31, 2006	70,710,626	\$ 25,898,218
Private placement	25,000,000	25,000,000
Warrants valuation	-	(4,912,500)
Exercise of warrants	3,009,616	2,753,372
Warrant exercise - valuation reallocation	-	1,167,993
Exercise of stock options	1,371,000	738,025
Stock option exercise - valuation reallocation	-	531,236
Shares issued for payment of interest	291,522	251,907
Flow-through share tax effect	-	(1,315,000)
Cost of issue	-	(1,715,823)
Tax effect of cost of issue	-	511,000
Balance, December 31, 2007	100,382,764	\$ 48,908,428
Private placement	16,714,286	11,700,000
Warrants valuation	-	(2,314,929)
Exercise of stock options	10,000	7,900
Stock option exercise - valuation reallocation	-	5,610
Cost of issue	-	(1,322,650)
Tax effect of cost of issue	-	420,000
Balance, March 31, 2008	117,107,050	\$ 57,404,359

(i) In March 2008, the Company completed a brokered private placement with the issuance of 16,714,286 units of the Company at \$0.70 per unit for gross proceeds of \$11,700,000. Each unit consists of one common share of the Company and one half of one common share purchase warrant. Each whole share purchase warrant entitles the holder to purchase one common share of the Company at a price of \$1.00 until March 18, 2010. In connection with the private placement, the underwriters received a cash commission equal to 6% of the gross proceeds.

The fair value of the warrants, an amount of \$2,314,929, was estimated on the date of grant using the Black-Scholes option pricing model under the following assumptions: expected dividend yield of 0%, expected volatility of 70%, risk-free interest rate of 2.7% and an expected life of 2 years.

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13. WARRANTS

Summary of warrant activity

	March 31, 2008		December 31, 2007	
	Number of warrants	Weighted Average price	Number of warrants	Weighted Average price
Balance, beginning of period	13,468,300	\$ 1.31	5,809,241	\$ 0.91
Granted, private placements	8,357,143	1.00	12,500,000	1.35
Exercised	-	-	(3,009,616)	0.91
Expired or cancelled	-	-	(1,831,325)	1.00
Balance, end of period	21,825,443	\$ 1.19	13,468,300	\$ 1.31

Summary of warrants and broker warrants outstanding at March 31, 2008:

Number of warrants	Exercise price	Grant date fair value of warrants	Date of expiry
968,300	\$ 0.75	\$ 225,613	May 11, 2008
12,500,000	1.35	4,912,500	February 13, 2009
8,357,143	1.00	2,314,929	March 18, 2010
21,825,443		\$ 7,453,042	

14. STOCK-BASED COMPENSATION

Summary of stock option activity

	March 31, 2008		December 31, 2007	
	Number of warrants	Weighted Average price	Number of warrants	Weighted Average price
Balance, beginning of period	8,979,000	\$ 0.69	6,350,000	\$ 0.59
Granted, private placements	100,000	\$ 0.88	4,185,000	0.80
Exercised	(10,000)	\$ 0.78	(1,371,000)	0.54
Expired or cancelled	(202,500)	\$ 0.79	(185,000)	0.56
Balance, end of period	8,866,500	\$ 0.69	8,979,000	\$ 0.69

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14. STOCK-BASED COMPENSATION (continued)

As at March 31, 2008, the following stock options were outstanding:

DATE OF EXPIRY	NO. OF OPTIONS EXERCISABLE	NO. OF OPTIONS OUTSTANDING	EXERCISE PRICE	FAIR VALUE OF OPTIONS GRANTED (\$)
05-Sep-08	300,000	300,000	\$0.26	57,000
17-Nov-08	25,000	25,000	\$0.70	13,500
29-Dec-08	550,000	550,000	\$0.83	352,000
16-Mar-09	17,500	17,500	\$0.60	8,050
22-Apr-09	50,000	50,000	\$0.55	21,000
28-May-09	100,000	100,000	\$0.45	34,400
14-Jul-09	1,320,000	1,320,000	\$0.50	388,080
08-Nov-09	100,000	100,000	\$0.40	29,600
24-Feb-10	100,000	100,000	\$0.47	35,700
20-Apr-10	1,550,000	1,550,000	\$0.78	962,000
05-Dec-10	100,000	100,000	\$0.38	28,900
01-Feb-11	485,000	485,000	\$0.42	153,260
01-Nov-11	100,000	100,000	\$0.52	33,900
08-Dec-11	121,500	121,500	\$0.50	39,609
05-Mar-12	25,000	25,000	\$0.91	15,075
09-Apr-12	100,000	100,000	\$1.14	75,800
27-Aug-12	3,140,000	3,140,000	\$0.79	1,838,678
17-Sep-12	150,000	400,000	\$0.84	138,233
11-Oct-12	10,000	10,000	\$0.94	6,990
19-Oct-12	170,000	170,000	\$0.91	114,920
01-Nov-12	2,500	2,500	\$0.89	1,650
31-Jan-13	100,000	100,000	\$0.88	61,100
	8,616,500	8,866,500		

The Company applies the fair value method of accounting for stock-based compensation awards. During the three months ended March 31, 2008, 100,000 stock options (2007: 225,000) were granted to directors, officers, employees and consultants of the Company with a weighted-average grant date fair value of \$0.61 per option (2007: \$0.39). These options vested immediately. Stock-based compensation expense of \$61,100 relating to these options was recorded against professional, consulting and management fees. As well, \$33,234 was recorded to the exploration projects related to options that vested during the period. The fair value of these options was estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions, quoted at their weighted averages:

	<u>Q1 2008</u>	<u>Q1 2007</u>
Expected dividend yield	0%	0%
Expected volatility	86.34%	79.86%
Risk-free interest rate	3.5%	3.95%
Expected life	5 years	5 years

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15. CONTRIBUTED SURPLUS

	March 31, 2008	December 31, 2007
Balance, beginning of period	\$ 6,936,037	\$ 4,541,368
Stock options granted and/or vested during the period		
Directors, officers and employees	94,334	2,040,745
Consultants	-	207,570
Exercise of stock options, reallocation of valuation	(5,610)	(531,236)
Expiry of warrants and broker warrants, reallocation of valuation	-	677,590
Balance, end of period	\$ 7,024,761	\$ 6,936,037

16. RELATED PARTY TRANSACTIONS

The Company was charged \$15,000 during the quarter ended March 31, 2008 (Q1 2007: \$17,100) by companies controlled by directors of the Company for administration and engineering services.

An amount of \$455,000 is payable to directors and officers or companies controlled by directors and officers of the Company at March 31, 2008 (Q1 2007: \$30,954).

During the quarter ended March 31, 2008, 100,000 options were granted to a newly appointed officer of the Company exercisable at a price of \$0.88 per share (Q1 2007: nil).

The Company shares its premises with other companies that have common directors and officers, and the Company reimburses the related companies for their proportional share of the expenses. Included in accounts payable and accrued liabilities at March 31, 2008 is \$5,353 (Q1 2007: \$28,036) owing to such companies. As well, the Company is owed \$7,599 from related parties for shared expenses (Q1 2007: \$171).

A royalty of US\$106,124 (CDN\$106,591) was paid during the quarter ended March 31, 2008 to a company controlled by a director of the Company, all of which had been accrued at December 31, 2007 (Note 6).

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

17. COMMITMENTS AND CONTINGENCIES

i. The Company is party to certain management contracts. These contracts contain clauses requiring additional payments of up to \$3 million be made upon the occurrence of certain events such as a change of control. As the likelihood of these events taking place is not determinable, the contingent payments have not been reflected in these interim unaudited consolidated financial statements. Additional minimum management contract commitments remaining under the agreements are approximately \$500,000.

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17. COMMITMENTS AND CONTINGENCIES (continued)

ii. The Company is committed to minimum amounts under long-term capital lease agreements for equipment, which expire in September 2011. Minimum commitments remaining under these leases were approximately \$1,228,000, including imputed interest of approximately \$98,000, over the following twelve-month periods ending:

2008	409,000
2009	528,000
2010	269,000
2011	22,000
	<u>1,228,000</u>

iii. The Company has been named as a defendant in a legal action relating to the cancellation of 100,000 options held by a former consultant. These options were cancelled three months after the termination of the contract pursuant to the terms of the stock option plan of the Company. The former consultant is claiming \$750,000 in damages for breach of agreement. Management believes that the claim is without merit and plans to vigorously defend itself.

18. INTEREST IN JOINT VENTURE

The Company's proportionate share of the assets, liabilities and cash flows of its joint venture included in these interim unaudited consolidated financial statements are as follows:

	Novicourt JV	
	2008	2007
Current assets	-	-
Exploration properties and deferred exploration expenditures	2,999,545	2,906,576
Current liabilities	-	-
Revenues	-	-
Expenses	-	-
Cash flows from operating activities	-	-
Cash flows from investing activities	-	-

As the joint venture partner has opted to no longer fund this joint venture, their interest is decreasing as the Company continues to incur expenditures on the properties. At March 31, 2008, the Company's interest in this joint venture has increased to 73%.

19. COMPARATIVE FIGURES

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

20. SUBSEQUENT EVENTS

In April 2008, 100,000 stock options were exercised for gross proceeds of \$38,000. Also, on May 11, 2008, 968,300 warrants with an exercise price of \$0.75 expired unexercised.

Subsequent to the end of the quarter, 213,695 common shares were issued in lieu of interest related to the convertible debentures outstanding described in note 10.