

NOTICE TO SHAREHOLDERS

**PATRICIA MINING CORP.
(A Development Stage Company)
QUARTERLY FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007**

Responsibility for Financial Statements

The accompanying financial statements for Patricia Mining Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the December 31, 2007 audited financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly presented.

Auditor involvement

The auditor of Patricia Mining Corp. has not performed a review of the unaudited financial statements for the nine months ended September 30, 2007 and September 30, 2006.

PATRICIA MINING CORP.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

INDEX	PAGE
Balance Sheets	2
Statements of Operations and Deficit	3
Statements of Cash Flows	4
Notes to the Financial Statements	4-14

	September 30, <u>2007</u> \$ (Unaudited)	December 31, <u>2006</u> \$ (Audited)
ASSETS		
CURRENT		
Cash and cash equivalents	119,445	563,706
Sundry receivable	11,864	11,437
Prepaid expenses	<u>58,016</u>	<u>38,158</u>
	189,325	613,301
RESTRICTED CASH (Note 3)	203,523	178,135
EQUIPMENT (Note 4)	6,439	7,595
EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 5)	<u>26,105,239</u>	<u>24,642,567</u>
	<u><u>26,504,526</u></u>	<u><u>25,441,598</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	633,679	143,234
Loans payable (Note 6)	3,766,666	1,952,500
Current portion of long term debt (Note 7)	<u>1,500,000</u>	<u>1,125,000</u>
	5,900,345	3,220,734
LONG TERM DEBT (Note 7)	2,250,000	3,375,000
FUTURE INCOME TAX LIABILITY	<u>2,179,000</u>	<u>743,000</u>
	<u>10,329,345</u>	<u>7,338,734</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (Note 8)	23,633,993	25,069,993
SHARE PURCHASE WARRANTS (Note 9)	301,049	447,870
CONTRIBUTED SURPLUS (Note 10)	1,613,571	1,441,750
(DEFICIT)	<u>(9,373,432)</u>	<u>(8,856,749)</u>
	<u>16,175,181</u>	<u>18,102,864</u>
	<u><u>26,504,526</u></u>	<u><u>25,441,598</u></u>

PATRICIA MINING CORP.
STATEMENTS OF OPERATIONS AND DEFICIT
 SEPTEMBER 30, 2007

	Three Months ended September 30,		Nine Months ended September 30,	
	<u>2007</u> \$ (Unaudited)	<u>2006</u> \$ (Unaudited)	<u>2007</u> \$ (Unaudited)	<u>2006</u> \$ (Unaudited)
		(Restated - Note 2)		(Restated - Note 2)
INTEREST INCOME	<u>5,044</u>	<u>11,005</u>	<u>10,851</u>	<u>21,189</u>
EXPENSES				
Management and directors' compensation	37,500	60,500	112,500	216,500
Investor relations	18,111	61,020	71,725	118,153
Office and general	13,768	13,343	61,415	54,384
Professional fees	3,010	1,262	46,671	37,817
Rent	11,420	11,364	34,224	34,093
Shareholder Information	3,132	1,293	27,711	14,305
Salaries and benefits	12,392	2,371	23,767	10,895
Travel	423	2,486	8,512	12,751
Transfer agent and filing fees	612	1,761	6,512	22,145
Communications	1,599	1,619	5,219	6,011
Mineral property assessments	-	-	556	16,694
Management stock based compensation	-	-	-	-
	357,500			
Amortization	<u>481</u>	<u>3,304</u>	<u>1,441</u>	<u>9,913</u>
	<u>102,448</u>	<u>160,323</u>	<u>400,253</u>	<u>911,161</u>
Loss from equity investment (Note 2)	<u>41,187</u>	<u>12,651</u>	<u>127,281</u>	<u>61,748</u>
Loss before income taxes	(138,591)	(161,969)	(516,683)	(951,720)
Future income tax recovery	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,900</u>
NET (LOSS) for the period	(138,591)	(161,969)	(516,683)	(460,820)
Deficit, beginning of period	<u>(9,234,841)</u>	<u>(8,371,675)</u>	<u>(8,856,749)</u>	<u>(8,072,824)</u>
Deficit, end of period	<u>(9,373,432)</u>	<u>(8,533,644)</u>	<u>(9,373,432)</u>	<u>(8,533,644)</u>
Net loss per common share basic and diluted	<u>-</u>	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>
Weighted average number of shares outstanding	<u>35,747,448</u>	<u>29,354,632</u>	<u>35,747,448</u>	<u>28,926,892</u>

PATRICIA MINING CORP.
STATEMENTS OF CASH FLOWS
 SEPTEMBER 30, 2007

	Three Months ended September 30,		Nine Months ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$	\$	\$	\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net (loss) for the period	(138,591)	(161,969)	(516,683)	(460,820)
Items not involving cash:				
Amortization	481	3,304	1,441	9,913
Stock option based compensation	-	-	-	357,500
Future income tax recovery	-	-	-	(490,900)
	<u>(138,110)</u>	<u>(158,665)</u>	<u>(515,242)</u>	<u>(584,307)</u>
Changes in non-cash working capital balances:				
Decrease (Increase) in sundry receivable	7,654	105,602	(427)	8,282
(Increase) in prepaid expenses	(14,499)	(28,223)	(19,858)	(15,085)
Increase (Decrease) in accounts payable and accrued liabilities	<u>(413,698)</u>	<u>(41,549)</u>	<u>490,445</u>	<u>548,803</u>
	<u>(420,543)</u>	<u>35,830</u>	<u>470,160</u>	<u>542,000</u>
	<u>(558,653)</u>	<u>(122,835)</u>	<u>(45,082)</u>	<u>(42,307)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Increase in exploration properties and deferred exploration costs	(405,171)	(3,124,820)	(1,462,672)	(8,039,427)
Purchase of equipment	-	149	(284)	(3,542)
Increase in restricted cash	-	-	(25,388)	-
	<u>(405,171)</u>	<u>(3,124,671)</u>	<u>(1,488,344)</u>	<u>(8,042,969)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase (decrease) in long term debt	(375,000)	26,500	(750,000)	2,821,500
Increase in loans payable	812,499	1,928,750	1,839,165	1,928,750
Warrants exercised	-	422,402	-	722,670
Stock options exercised	-	253,300	-	778,300
	<u>437,499</u>	<u>2,630,952</u>	<u>1,089,165</u>	<u>6,251,220</u>
(Decrease) in cash and cash equivalents	(526,325)	(616,554)	(444,261)	(1,834,056)
Cash and cash equivalents , beginning of period	<u>645,770</u>	<u>997,774</u>	<u>563,706</u>	<u>2,215,276</u>
Cash and cash equivalents, end of period	<u>119,445</u>	<u>381,220</u>	<u>119,445</u>	<u>381,220</u>
Supplemental Information:				
Shares issued for exploration properties	-	450,000	-	450,000
Interest paid	89,787	72,850	285,941	96,926
Income taxes paid	-	-	-	-

1. NATURE OF OPERATIONS AND GOING CONCERN

Patricia Mining Corp. (the "Company") is a development stage enterprise in the process of exploring and developing its interests in resource properties. The Company holds an interest in the Island Gold Project where a potential economic ore reserve has been defined. In addition, the Company has interests in other resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for interests in exploration properties and deferred exploration expenditures is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof.

The Company's mining and exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Company to carry out its exploration and mining activities, the Company is required to hold certain permits. There is no assurance that the Company's existing permits will be renewed or that new permits that have been applied for will be granted. Property title may be subject to other licensing requirements or regulations, unregistered prior agreements, unregistered claims, aboriginal land claims and non-compliance with regulatory requirements.

Major expenditures are required to locate and establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. The recoverability of valuations assigned to mineral properties is dependent upon discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development and future profitable production or proceeds from disposition.

These 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 commitments in other than the normal course of business and at amounts different from those in the accompanying financial statements.

The Company has a need for equity capital and financing for working capital and exploration requirements. Because of limited working capital and 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 operation.

The accompanying financial statements do not include any adjustments relating to the carrying values and classification of assets or liabilities that might be necessary should the Company be unable to continue as a going concern

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2. ACCOUNTING POLICIES

Management of the Company have prepared these interim financial statements in accordance with generally accepted accounting principles in Canada. These statements should be read in conjunction with the December 31, 2006 audited financial statements.

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

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the nine months ended September 30, 2007 may not be indicative of the results that may be expected for the full year ending December 31, 2007.

Except as disclosed below, these interim financial statements follow the same methods and policies used in the audited financial statements for the year ended December 31, 2006.

New accounting pronouncements

On January 1, 2007, the company adopted the Canadian Institute of Chartered Accountants ("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. These new standards 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-for-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 for the Company includes unrealised gains and losses on available-for-sale securities and changes in the fair market value of

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2. ACCOUNTING POLICIES (continued)

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.

(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 nine month period ended September 30, 2007, the Company had no hedges.

The application of these standards has had no impact on the Company's financial statements as at and for the nine month period ended September 30, 2007, and as such, a statement of comprehensive income has not been included in these financial statements.

CHANGE IN ACCOUNTING POLICY AND RESTATEMENT

Effective January 1, 2005, the Company adopted the CICA Handbook Accounting Guideline 15. "Consolidation of Variable Interest Entities" ("AcG15"). Pursuant to AcG15, the Company is required to consolidate variable interest entities ("VIE'S"), where it is the VIE'S primary beneficiary. VIE'S are entities in which equity investments do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The primary beneficiary is the party that has exposure to a majority of the expected losses and/or expected residual returns of the VIE. The Company and its joint venture partner have concluded that the Island Gold Project qualifies as a VIE and that the Company is not the primary beneficiary.

Accordingly, under AcG15, the Company's interest in the Island Gold Project is accounted for using the equity method. Previously, the Company proportionally consolidated its interests. The Company has retroactively adopted this standard with restatement of the September 30, 2006 income statement. Deficit at September 30, 2006, results of operations and loss per share for the period ended September 30, 2006 remains unchanged.

3. RESTRICTED CASH

The Company has issued various standby letters of credit as guarantees in connection with the Island Gold Project including an irrevocable letter of credit for \$183,523 to the Ministry of Northern Development and Mines as part of the Lochalsh Closure Plan.

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4. EQUIPMENT

	<u>Cost</u> \$	<u>Accumulated Amortization</u> \$	<u>Net</u> \$
Office furniture and equipment	14,679	11,275	3,404
Computer equipment	<u>12,080</u>	<u>9,045</u>	<u>3,035</u>
	<u>26,759</u>	<u>20,320</u>	<u>6,439</u>

5. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

2007	<u>Opening</u> \$	<u>Expenditures</u> \$	<u>Other</u> \$	<u>Closing</u> \$
Island Gold Project				
Investment	23,663,774	1,049,580	-	24,713,354
Equity loss	(102,901)	-	(127,281)	(230,182)
Interest costs	<u>398,349</u>	<u>520,108</u>	<u>-</u>	<u>918,457</u>
	23,959,222	1,569,688	(127,281)	25,401,629
Edwards Gold Property				
Acquisition	480,000	-	-	480,000
Exploration	3,500	7,305	-	10,805
Other				
Acquisition	12,412	2,550	-	14,962
Exploration	162,433	10,410	-	172,843
Lac des Iles Property				
Acquisition	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
	<u>24,642,567</u>	<u>1,589,953</u>	<u>(127,281)</u>	<u>26,105,239</u>

Island Gold Project

Pursuant to an option agreement dated August 28, 2003, the Company granted Richmond Mines Inc. ("Richmont") an option to acquire a 55% interest in the Island Gold Project. During 2005, Richmont completed \$10,000,000 of capital expenditures and exercised its option to acquire 55% interest in the project.

The Island Gold Project is accounted for as a Variable Interest Entity with Richmont being the primary beneficiary. Richmont is also the operator of the project.

The Island Gold Project includes various interests in the Kremzar, Lochalsh, Goudreau properties and the Island Staked Claim in Northern Ontario, they are collectively called the "Island Gold Project".

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5. EXPLORATION PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES
 (continued)

Kremzar Property

The Kremzar property is held 100% by the Joint Venture and consists of 18 patented and 2 leased claims. The property is subject to a 3% Net Smelter Royalty ("NSR") which is payable until such time as the total NSR received by the Joint Venture and the third party equals the aggregate pre-production costs, after which a 4% NSR will become payable.

Goudreau Property

The Goudreau property is held 100% by the Joint Venture, except for 4 patented claims in which a third party owns 31%. The property consists of 64 patented and staked claims. The property is subject to a 2% NSR and a 15% Net Profits Interest.

Lochalsh Property

The Lochalsh property is held 100% by the Joint Venture and consists of 2 patented claims, 22 leased claims and 7 staked claims. The property is subject to a 3% NSR.

Island Staked Claims

There are an additional 21 staked claims held by the Joint Venture.

All other property descriptions can be found in the December 31, 2006 audited financial statements.

6. LOANS PAYABLE

	September 30, <u>2007</u>	December 31, <u>2006</u>
	\$	\$
(i) Note Payable	800,000	-
(ii) Debenture Payable	2,000,000	1,952,500
(iii) Debenture Payable	<u>966,666</u>	<u>-</u>
	<u><u>3,766,666</u></u>	<u><u>1,952,500</u></u>

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6 LOANS PAYABLE (continued)

- (i) A Promissory Note was issued on September 20, 2007 for \$800,000. Interest is at 8% per annum, compounded monthly. The promissory note and interest is due five business days after the earlier of the closing of the Rights offering (see Note 14(ii)) and January 15, 2008. This transaction is with a company that has a common officer and a common director.
- (ii) On July 1, 2006 the Company completed a \$2,000,000 non-brokered private placement debenture financing with a private individual. The debenture was issued at 98% of face value which delivered \$1,960,000 to the Company. The debenture yields 7% and is due on July 1, 2007. The holder of the debenture received 150,000 common share purchase warrants exercisable at \$1.35 on or before July 1, 2008. The estimated value of these warrants is \$55,000. This was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, average volatility 100%, average risk free interest rate 3.5% and an expected average life of 2 years. Included in accounts payable and accrued liabilities at September 30, 2007 is \$140,000 of accrued interest on the debenture. Accretion expense of \$95,000 has also been recorded. On June 1, 2007 the 150,000 warrants were canceled.

The debenture became due on July 1, 2007, and has not been repaid by the Company. (See Note 14(ii))

- (iii) On June 1, 2007 the Company completed a \$1,000,000 non-brokered private placement debenture financing with the same private individual. The debenture was issued at 97.5% of face value which delivered \$975,000 to the Company. The debenture yields 9% and is due on June 1, 2008. The holder of the debenture received 500,000 common share purchase warrants exercisable at \$0.85 on or before July 1, 2008. The estimated value of these warrants is \$25,000. This was calculated using the Black-Scholes valuation model with the following assumptions: dividend yield 0%, average volatility 42%, average risk free interest rate 4.0% and an expected average life of 1 years. Included in accounts payable and accrued liabilities at September 30, 2007 is \$8,333 of accrued interest on the debenture. Accretion expense of \$8,333 has also been recorded.

7. LONG TERM DEBT

Pursuant to a loan agreement dated October 31, 2005, the Company was provided a loan facility in the maximum amount of \$4,500,000 from its joint-venture partner for purposes of financing the Company's proportionate share of expenditures relating to the Island Gold Project. As at December 31, 2006, \$4,500,000 of the facility had been drawn to fund project expenditures. Repayment is required in 36 equal consecutive monthly installments commenced April 1, 2007. As at September 31, 2007 the remaining balance outstanding was \$3,750,000. The loan bears interest at prime plus 3% and is secured by the Company's interest in the Island Gold Project. As at

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7. LONG TERM DEBT (continued)

The following amounts of long-term debt, as at September 30, 2007, are due in the next five years:

	\$
2008 (current portion)	1,500,000
2009	1,500,000
2010	<u>750,000</u>
	<u>3,750,000</u>

8. CAPITAL STOCK

(a) **Authorized**
 Unlimited Common shares

(b) **Common Shares issued**

	Number of Shares #	Amount \$
Balance, beginning of period	35,747,448	25,069,993
Tax effects of issuing flow-through common shares	-	<u>(1,436,000)</u>
Balance, end of period	<u>35,747,448</u>	<u>23,633,993</u>

(c) **Stock Options**

The Company has granted options for the purchase of common shares to its directors, officers, employees and certain consultants. These options are valid for a maximum of 5 years from the date of issue. Vesting terms and conditions are determined by the Board of Directors at the time of the grant.

A summary of changes in stock options is as follows:

	Stock Options #	Weighted Average Exercise Price \$
Balance, beginning of period	1,154,000	0.66
Cancelled	<u>(114,000)</u>	0.73
Balance, end of period	<u>1,040,000</u>	0.65

As at September 30, 2007, the Company had incentive stock options issued to directors, officers and consultants of the Company as follows:

<u>Stock Options</u> #	<u>Exercise Price</u> \$	<u>Expiry Date</u>
120,000	0.50	January 22, 2008
255,000	0.60	October 20, 2008
125,000	0.51	September 7, 2009
210,000	0.75	December 8, 2009
<u>330,000</u>	0.73	October 20, 2010
<u>1,040,000</u>		

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9. SHARE PURCHASE WARRANTS

As at September 30, 2007, the following share purchase warrants are outstanding:

<u>Warrants</u>	<u>Exercise Price</u>	<u>Estimated Fair Value</u>	<u>Expiry Date</u>
#	\$	\$	
1,052,630	1.50	73,684	October 16, 2007
126,315	1.00	18,947	October 16, 2007
500,000	0.85	25,000	July 1, 2008
2,397,455	1.20 /1.50*	167,822	December 29, 2008
<u>103,973</u>	0.83	<u>15,596</u>	December 29, 2008
<u>4,180,373</u>		<u>301,049</u>	

* exercise price of \$1.20 in year one and \$1.50 in year two

A summary of changes in share purchase warrants is as follows:

	<u>Warrants</u>	<u>Weighted Average</u>
	#	Exercise Price
		\$
Balance, beginning of period	4,728,998	1.33
Issued	500,000	0.85
Cancelled	(150,000)	1.35
Expired	<u>(898,625)</u>	1.50
Balance, end of period	<u>4,180,373</u>	1.23

10. CONTRIBUTED SURPLUS

A summary of changes in contributed surplus is as follows:

	<u>Amount</u>
	\$
Balance, beginning of period	1,441,750
Share Purchase warrants expired and cancelled	<u>171,821</u>
Balance, end of period	<u>1,613,571</u>

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11. COMMITMENTS AND CONTINGENCIES

- (a) The Minister of Northern Development and Mines ("MNDN") is the holder of a collateral mortgage in the amount of \$577,800 on the buildings, mill and real property contained in the Island Gold Project. The collateral mortgage was given by the Company to MNDN as financial assurance in respect of the Company's Island Gold Project Closure Plan. MNDN also hold a letter of credit for \$183,523 as financial assurance for the Island Gold Project. (Note 3).
- (b) The Company is committed to minimum rentals under a long-term lease for premises which expires February 29, 2008. Minimum rental commitments remaining under this lease approximate \$36,750 due within one year. Minimum rental commitments for successive years approximate:

	<u>Amount</u>
	\$
2007	21,750
2008	<u>15,000</u>
	<u><u>36,750</u></u>

12. INTEREST IN JOINT VENTURE

The Company has a 45% interest in the Island Gold Joint Venture. The Island Gold Joint Venture is accounted for as a Variable Interest Entity. Summarised financial information for the Island Gold Joint Venture for the nine months ending September 30, 2007 and the year ending December 31, 2006 is as follows:

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	\$	\$
Current Assets	839,910	2,057,585
Exploration Prop. & deferred exploration exp.	29,910,080	27,034,733
Current Liabilities	(2,171,506)	(2,730,987)
Miscellaneous Revenues	50,617	73,643
Expenses	333,464	(278,333)
Cash flows from operating activities	(619,974)	565,727
Cash flows from investing activities.	(2,875,348)	(22,748,479)

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13. FINANCIAL INSTRUMENTS

Fair Value

The carrying amounts for cash and cash equivalents, sundry receivable, and accounts payable and accrued liabilities on the balance sheets approximate fair value because of the limited term of these instruments. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. The carrying value of long-term debt is a reasonable estimate of its fair value due to the variable nature of the applicable interest rate.

Interest Rate Risk

The Company has interest bearing borrowings for which general rate fluctuations apply.

Commodity Price Risk

The ability of the Company to develop its properties and the future profitability of the Company are directly related to the market price of certain minerals.

14. SUBSEQUENT EVENTS

- (i) Subsequent to the quarter end the Company announced a rights offering. Eligible shareholders will be entitled to secure one right for each ten shares held. The rights expire on December 28, 2007. One right entitles the holder to subscribe for one unit at a price of \$0.52 per unit. Each unit consists of one common shares and one half of a share purchase warrant. Each whole share purchase warrant will entitle the holder to acquire one common share at an exercise price of \$0.75 for one year after the date of closing. A company that has a common officer and a common director has agreed to act as a guarantor and to subscribe and purchase all units that are not otherwise subscribed for under this offering, at the subscription price to a maximum of 1,538,462 units (\$800,000).
- (ii) The holder of the \$2,000,000 debenture which came due on June 1, 2007 (see Note 6(ii)) has agreed to convert the debenture into 3,846,154 units. In lieu of interest, an additional 536,250 units will be issued. Each unit will have the same terms and conditions as those offered under the rights offering described above. Each unit will be priced at \$0.52 and is comprised of one common share and one half of a share purchase warrant. Each whole share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.75. The warrants will expire one year after the date of closing. The conversion of the debenture is subject to regulatory approval.