



**NORTH ATLANTIC RESOURCES LTD.**

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
THREE MONTHS ENDED MARCH 31, 2008

**Management's Comments on Unaudited Consolidated Financial Statements**

The accompanying unaudited interim consolidated financial statements of North Atlantic Resources Ltd. for the three month period ended March 31, 2008 have been prepared by management and approved by the Board of Directors of the Company.

These financial statements have not been reviewed by the Company's external auditors.



**NORTH ATLANTIC RESOURCES LTD.**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Three Months Ended March 31, 2008

This Management's Discussion and Analysis is dated May 7, 2008 and reflects the three-month period ended March 31, 2008 and should be read in conjunction with the consolidated financial statements and Management's Discussion and Analysis included in the Company's 2007 Annual Report and the Annual Information Form. These documents are available on SEDAR at [www.sedar.com](http://www.sedar.com) and from the office of the Company.

#### Company Overview

The Company, which was formed in 1997, is a public mineral exploration company concentrating its efforts and funds on exploring for gold and uranium in west Africa. The Company's personnel have extensive education, training and experience in identifying and exploring mineral prospects and securing the required funding to advance its properties. Since 2006, the Company has continued to advance its mineral projects in the Republic of Mali ("Mali") with the first mineral resource being announced at the FT gold project. In the first quarter of 2007, a gold project (Kourouba) and an oil and gas exploration permit (Macina) were acquired in Mali, and two additional uranium concessions (Assaouas 1 and 2) were acquired in the Republic of Niger ("Niger"). Also, during 2007, two other gold projects were acquired in Mali. The Company currently holds mineral exploration rights over 1,378 square kilometres in Mali, three uranium exploration permits covering 2,963 square kilometres in Niger, and a 19,259 square kilometre oil and gas exploration property in Mali. At March 31, 2008, the Company's cash position was \$721,000. In 2008, the Company is seeking additional funds from equity financings.

#### Results of Operations

For the three months ended March 31, 2008, the Company incurred a loss from operations of \$441,000 or \$0.02 per share, compared to a loss of \$312,000 or \$0.01 per share for the same period of 2007. In the current period, the Company received interest income of \$8,000, compared to \$31,000 in the same period of 2007, as cash and investment balances were reduced and interest rates declined. During the first quarter of 2008, the Company abandoned two gold projects, Kerekoto and Moussala, and wrote-down the related expenditures of \$203,000 (2007 - \$49,000).

#### Summary of Quarterly Results

Selected financial information for the first quarter of 2008 and each of the quarters of 2007 and 2006 is as follows (unaudited):

				1 <sup>st</sup> Quarter Ended March 31, 2008
Revenue				Nil
Net loss for period				\$ 441,000
Loss per share				\$ 0.02

	4 <sup>th</sup> Quarter Ended December 31, 2007	3 <sup>rd</sup> Quarter Ended September 30, 2007	2 <sup>nd</sup> Quarter Ended June 30, 2007	1 <sup>st</sup> Quarter Ended March 31, 2007
Revenue	Nil	Nil	Nil	Nil
Net loss for period	\$ 466,000	\$ 664,000	\$ 255,000	\$ 312,000
Loss per share	\$ 0.03	\$ 0.03	\$ 0.01	\$ 0.01

	4 <sup>th</sup> Quarter Ended December 31, 2006	3 <sup>rd</sup> Quarter Ended September 30, 2006	2 <sup>nd</sup> Quarter Ended June 30, 2006	1 <sup>st</sup> Quarter Ended March 31, 2006
Revenue	Nil	Nil	Nil	Nil
Net loss for period	\$ 1,241,000	\$ 270,000	\$ 413,000	\$ 305,000
Loss per share	\$ 0.06	\$ 0.01	\$ 0.02	\$ 0.02

The significant loss in the 4<sup>th</sup> quarter of 2006 relates to the write-down of two mineral projects amounting to \$1,053,000.

### **Mineral Property Activities**

During the three-month period ended March 31, 2008, the Company incurred deferred exploration costs of \$271,000 (2007-\$617,000). In the 2008 period, the expenses were for analysing drilling results from the Kourouba gold project, the resource review at the FT project and reviewing the other projects. The Company also incurred mineral property acquisition and option costs in 2008 of \$219,000 for projects in Mali. During the balance of 2008, additional exploration work is planned, consisting of drilling and geochem analysis, on its exploration projects.

### **Liquidity and Capital Resources**

Cash and short-term investments at March 31, 2008, totalled \$721,000, compared to \$1,488,000 at December 31, 2007. In 2007, the Company completed a private placement of 3,048,100 units for net proceeds of \$3,703,000. During the three-month period ended March 31, 2008, operating activities used \$202,000 in cash, and mineral properties and exploration used \$564,000 in cash. The Company is reviewing various funding options to meet its anticipated future exploration and corporate expenditure requirements.

### **Related Party Transactions**

A law firm, in which an officer and one of the directors are partners, invoiced the Company \$12,000 (2007 - \$67,000) for legal services during the three-month period ended March 31, 2008. The law firm charges the Company the same rates as it does to its other clients.

### **Critical Accounting Estimates**

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mineral properties and related deferred exploration expenditures, as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors, including the market value of the Company's shares and financial objectives of the stock-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes model. However, the future volatility is uncertain and the model has its limitations.

The Company's recoverability of its recorded value of its mineral properties and associated deferred exploration expenses is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Company and its subsidiaries to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof.

### **Outstanding Share Data**

At May 7, 2008, the Company had 22,190,408 common shares issued and outstanding. In addition, there were 2,840,000 stock options granted and outstanding, 1,524,050 share purchase warrants issued and outstanding and 184,317 broker warrants issued and outstanding which, if fully exercised, would bring the fully diluted issued common shares to a total of 26,738,775.

## **Changes in Accounting Policies**

The Company has adopted the following new accounting policies effective January 1, 2008 as issued by the Canadian Institute of Chartered Accountants ("CICA"):

### ***Capital Disclosures***

In December 2006, the CICA issued Handbook Section 1535, Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital and disclose whether or not it has complied and the consequences of non-compliance with any capital requirements to which it is subject. The Company has included disclosures recommended by the new Handbook section in Note 5 to the interim consolidated financial statements.

### ***Financial Instruments – Disclosures and Financial Instruments - Presentation***

In December 2006, the CICA issued Handbook Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation. Section 3862 modifies the disclosure requirements of Section 3861 Financial Instruments - Disclosures and Presentation including required disclosure of the assessment of the significance of financial instruments for an entity's financial position and performance; and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. Section 3863 carries forward the presentation related requirements of Section 3861. The adoption of 3863 does not have any effect on the consolidated financial statements presentation. The Company has included disclosures recommended by the new Handbook section in Note 6 to the interim consolidated financial statements.

### ***Inventories***

In March 2007, the CICA issued Handbook Section 3031 Inventories, which replaces Section 3030 Inventories. Under the new section, inventories are required to be measured at the "lower of cost and net realizable value, which is different from the existing guidance of the "lower of cost and market value". The new section contains guidance on the determination of cost and also requires the reversal of any write-downs previously recognized, if applicable. Certain minimum disclosures are required, including the accounting policies used, carrying amounts, amounts recognized as an expense, write-downs, and the amount of any reversal of any write-downs recognized as a reduction in expenses. The Company evaluated the impact of the adoption of this new section on the consolidated financial statements and concluded the impact was not material.

## **Changes in Accounting Standards Not Yet Adopted**

### ***Goodwill and Intangible Assets***

In February 2008, CICA issued Handbook Section 3064 Goodwill and Intangible Assets which is required to be adopted for fiscal years beginning on or after October 1, 2008. This section establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets subsequent to their initial recognition by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062. The Company is currently evaluating the impact of this new standard.

## **International Financial Reporting Standards ("IFRS")**

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for public accountable companies to use IFRS, replacing Canada's own GAAP. The transition date is for interim and annual financial statements relating to fiscal

years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## **Risks and Uncertainties**

### ***Exploration and Development, Foreign Countries and Currency Risks***

The business of exploring for minerals involves a high degree of risk particularly in foreign countries where the Company presently operates. Few properties that are explored are ultimately developed into producing mines. At present, none of the Company's properties have a known body of commercial ore. Major expenses may be required to establish ore resources and reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programs planned by the Company will result in a profitable commercial mining operation. Risks to foreign operations may include political unrest, war, civil disturbances and terrorist actions, arbitrary changes in law or policies, inability or delays in getting governmental permits, limitations on foreign ownership and other risks not specified here. Foreign currency fluctuations may adversely affect the Company's financial position and operating results.

### ***Financing Risks***

The Company has limited financial resources, has no operating cash flow and has no assurance that sufficient funding will be available to it for further exploration and development of its projects or to fulfill its obligations under any applicable agreements. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects with the possible forced sale or loss of such properties. The Company will require additional financing if ongoing exploration of its properties is warranted.

### ***Mineral Properties and Deferred Exploration Expenditures***

Mineral properties and deferred exploration expenditures represent the capitalized expenditures directly related to the exploration and development of mineral properties. Upon commencement of commercial production, all related capital expenditures for any given project are amortized over the estimated economic life of the property. If a property is abandoned or deemed economically unfeasible, the related project balances are written off.

## **Forward Looking Statements**

These consolidated financial statements and management's discussion and analysis contain certain forward-looking statements relating but not limited to the Company's expectations, intentions, plans and beliefs. Forward-looking information can often be identified by forward-looking words such as "anticipate", "believe", "expect", "goal", "plan", "intend", "estimate", "may" and "will" or similar words suggesting future outcomes, or other expectations, beliefs, plans, objectives, assumptions, intentions or statements about future events or performance. Forward-looking information may include reserve and resource estimates, estimates of future production, unit costs, costs of capital projects and timing of commencement of operations, and is based on current expectations that involve a number of business risks and uncertainties. Factors that could cause actual results to differ materially from any forward-looking statement include, but are not limited to, failure to establish estimated resources and reserves, the grade and recovery of ore which is mined varying from estimates, capital and operating costs varying significantly from estimates,

delays in obtaining or failures to obtain required governmental, environmental or other project approvals, inflation, changes in exchange rates, fluctuations in commodity prices, delays in the development of projects and other factors. Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from expected results.

Potential shareholders and prospective investors should be aware that these statements are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking information whether as a result of new information, future events or other such factors which affect this information, except as required by law.

### **Outlook**

To help fund its exploration and corporate expenditure plans for 2008, the Company is seeking additional equity financing, which it anticipates closing in the near term.

If the exploration on these projects is successful in the long term, additional financing will be required to continue exploration and to develop projects if warranted.

May 7, 2008

**NORTH ATLANTIC RESOURCES LTD.**  
**Consolidated Balance Sheets**  
**As at March 31, 2008 and December 31, 2007**

	<u>2008</u>	<u>2007</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 721,205	\$ 1,487,718
Sundry receivables and prepaid expenses	130,017	145,304
	<u>851,222</u>	<u>1,633,022</u>
Mineral Properties (Note 3)	1,398,058	1,200,490
Deferred Exploration Expenditures (Note 4)	12,660,065	12,570,340
Property and Equipment	<u>111,896</u>	<u>120,283</u>
	<u>\$15,021,241</u>	<u>\$15,524,135</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accrued liabilities	<u>\$ 109,079</u>	<u>\$ 170,613</u>
<b>Shareholders' Equity</b>		
Share Capital	20,748,097	20,748,097
Share Purchase Warrants	713,126	713,126
Contributed Surplus	3,253,608	3,253,608
Deficit	<u>(9,802,669)</u>	<u>(9,361,309)</u>
	<u>14,912,162</u>	<u>15,353,522</u>
	<u>\$15,021,241</u>	<u>\$15,524,135</u>

On Behalf of the Board of Directors

signed "Scott Waldie"  
J. Scott Waldie  
Director

signed "Anthony Lloyd"  
Anthony P. L. Lloyd  
Director

**NORTH ATLANTIC RESOURCES LTD.**  
**Consolidated Statements of Operations and Deficit**  
**For the Three Months Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Expenditures</b>		
Management	\$ 125,478.00	\$ 120,930.00
Investor communications and travel	55,990	76,421
Professional fees	22,122	32,693
Regulatory fees	16,266	20,223
General and office administration	34,047	31,337
Foreign exchange	(8,297)	3,746
Amortization	1,268	8,826
Write-down of mineral properties and deferred exploration	202,665	48,722
Interest income	(8,179)	(30,791)
	<u>(441,360)</u>	<u>(312,107)</u>
<b>Net Loss for Period</b>		
	(9,361,309)	(7,664,026)
<b>Deficit, Beginning of Period</b>		
<b>Deficit, End of Period</b>	<u>\$ (9,802,669)</u>	<u>\$ (7,976,133)</u>
<b>Loss per Share</b>	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
<b>Weighted Average Shares Outstanding</b>	<u>22,190,408</u>	<u>21,174,373</u>

**Consolidated Statements of Cash Flows**  
**For the Three Months Ended March 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>Cash Provided from (Used for) Operations</b>		
Net loss for period	\$ (441,360)	\$ (312,107)
Items not involving cash		
Amortization	1,268	8,826
Write-down of mineral properties and deferred exploration	202,665	48,722
Changes in non-cash working capital items	35,186	46,119
	<u>(202,241)</u>	<u>(208,440)</u>
<b>Financing Activities</b>		
Issue of share capital	<u>-</u>	<u>3,703,433</u>
<b>Investing Activities</b>		
Mineral properties	(218,965)	(190,686)
Deferred exploration expenditures	(345,307)	(329,947)
	<u>(564,272)</u>	<u>(520,633)</u>
<b>Increase (Decrease) in Cash</b>	(766,513)	2,974,360
<b>Cash and Equivalents, Beginning of Period</b>	1,487,718	1,427,405
<b>Cash and Equivalents, End of Period</b>	<u>\$ 721,205</u>	<u>\$ 4,401,765</u>

## Notes to Consolidated Financial Statements March 31, 2008 (unaudited)

### 1. Basis of Presentation

The interim financial statements of the Company are prepared by management using accounting principles generally accepted in Canada for interim financial statements and reflect the accounting principles set out in the notes to the Company's financial statements as at December 31, 2007, appearing in the Company's 2007 Annual Report. These interim financial statements should be read in conjunction with those annual financial statements and the notes thereto. The results of operations and cash flows for the current period are not necessarily indicative of the results to be expected for the full year.

The Company is in the business of acquiring and exploring mineral properties and is not at the stage where it has generated revenues from its properties. The Company has incurred significant losses during the past number of years and has accumulated a deficit amounting to \$9,802,669 at March 31, 2008. Notwithstanding these continued losses, these consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The ability of the Company to continue as a going concern and to realize its assets and discharge its liabilities when due in the normal course of business is dependent on the existence of economically recoverable mineral reserves and the ability to raise adequate financing from lenders, shareholders and other investors to support such business activities. The Company is currently seeking additional equity financings to continue its exploration plans. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

### 2. Changes in Accounting Policies

The Company has adopted the following new accounting policies effective January 1, 2008 as issued by the Canadian Institute of Chartered Accountants ("CICA"):

#### ***Capital Disclosures***

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### 3. Mineral Properties

Mineral properties are recorded at cost and consist of the following projects:

	<b>Balance</b>		<b>2008</b>		<b>2008</b>		<b>Balance</b>
	<b>December 31, 2007</b>		<b>Expenditures</b>		<b>Write-downs</b>		<b>March 31, 2008</b>
FT	\$ 172,527		\$ -		\$ -		\$ 172,527
Kantela	160,253		-		-		160,253
Diokeba	28,601		-		-		28,601
Massala	123,316		50,827		-		174,143
Sitakili	148,900		-		-		148,900
Kourouba	71,075		112,488		-		183,563
Other - Mali	21,397		-		(21,397)		-
Macina - Oil	280,711		55,650		-		336,361
Uranium - Niger	193,710		-		-		193,710
	<u>\$ 1,200,490</u>		<u>\$ 218,965</u>		<u>\$ (21,397)</u>		<u>\$ 1,398,058</u>

	<b>Balance</b>		<b>2007</b>		<b>Balance</b>
	<b>December 31, 2006</b>		<b>Expenditures</b>		<b>March 31, 2007</b>
FT	\$ 172,527		\$ -		\$ 172,527
Kantela	160,253		-		160,253
Diokeba	28,601		-		28,601
Massala	107,479		-		107,479
Sitakili	68,662		-		68,662
Kourouba	-		71,075		71,075
Macina - Oil	-		119,611		119,611
Uranium -Niger	168,645		-		168,645
	<u>\$ 706,167</u>		<u>\$ 190,686</u>		<u>\$ 896,853</u>

#### 4. Deferred Exploration Expenditures

Deferred exploration expenditures are recorded at cost and consist of the following projects:

	<b>Balance</b> <b>December 31, 2007</b>	<b>2008</b> <b>Expenditures</b>	<b>2008</b> <b>Write-downs</b>	<b>Balance</b> <b>March 31, 2008</b>
FT	\$ 8,150,669	\$ 87,910	\$ -	\$ 8,238,579
Kantela	1,499,630	31,190	-	1,530,820
Diokeba	461,488	8,799	-	470,287
Massala	623,325	13,172	-	636,497
Sitakili	176,542	18,893	-	195,435
Kourouba	581,138	47,524	-	628,662
Other - Mali	151,505	29,763	(181,268)	-
Macina - Oil	165,349	5,847	-	171,196
Uranium - Niger	760,694	27,895	-	788,589
	<u>\$ 12,570,340</u>	<u>\$ 270,993</u>	<u>\$ (181,268)</u>	<u>\$ 12,660,065</u>

  

	<b>Balance</b> <b>December 31, 2006</b>	<b>2007</b> <b>Expenditures</b>	<b>2007</b> <b>Write-downs</b>	<b>Balance</b> <b>March 31, 2007</b>
FT	\$ 7,801,735	\$ 48,019	\$ -	\$ 7,849,754
Kantela	1,466,728	2,178	-	1,468,906
Diokeba	436,452	15,385	-	451,837
Massala	364,277	136,212	-	500,489
Sitakili	80,994	19,274	-	100,268
Kourouba	-	289,504	-	289,504
Other - Mali	48,722	-	(48,722)	-
Macina - Oil	-	42,213	-	42,213
Uranium - Niger	246,797	64,412	-	311,209
	<u>\$ 10,445,705</u>	<u>\$ 617,197</u>	<u>\$ (48,722)</u>	<u>\$ 11,014,180</u>

#### Other - Mali Projects

In 2008, the Company abandoned the Kerekoto and Moussala gold projects in Mali which resulted in write-downs of accumulated mineral property and deferred exploration expenditures of \$202,665.

#### 5. Capital Management

The Company manages its capital and makes adjustments to it, based on the funds available to the Company, 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 stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration 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 that would be accretive and meaningful to the Company.

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.

Neither the Company nor its subsidiaries is subject to externally imposed capital requirements.

#### 6. Financial Instruments

The Company's financial 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 accounts receivable included in sundry receivables and prepaid expenses. The Company has no significant concentration of credit risk arising from operations. Financial instruments included in amounts receivable and prepaid expenses consist of goods and services tax due from the Federal Government of Canada and receivables from

unrelated companies for advances for exploration work to be undertaken. Management believes that the credit risk concentration with respect to financial instruments included in amounts receivable and prepaid expenses is reasonable and the amounts are not too significant.

#### 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 cash balances of \$721,000 (December 31, 2007 - \$1,488,000) to settle current liabilities of \$109,000 (December 31, 2007 - \$171,000). All 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 no interest-bearing debt. The Company periodically makes investments in Canadian bank guaranteed certificates and monitors the investments it makes and is satisfied with the credit ratings of its banks.

##### (b) Foreign Currency Risk

The Company's functional currency is the Canadian dollar and major purchases are transacted in Canadian and USA dollars. The Company funds certain operations, exploration and administrative expenses in west Africa on a cash call basis using US dollar currency converted from its Canadian dollar bank accounts held in Canada. The US dollars are then converted into west African Francs ("CEF"). Management believes the foreign exchange risk derived from currency conversions is not significant to its operations and therefore does not hedge its foreign exchange risk.

##### (c) Price Risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

#### Sensitivity Analysis

The Company has designated its cash and cash equivalents and short term deposits as held-for-trading, which are measured at fair value. Financial instruments included in amounts receivable and prepaid expenses 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.

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:

(a) For cash balances, sensitivity to a plus or minus 1% change in rates would affect net loss by \$7,200 on an annualized basis.

(b) At March 31, 2008, the Company held US\$79,000 which, with a 5% change in exchange rates, would affect the net loss by \$4,000. At March 31, 2008, the Company also held \$137,000 in CEF which with a 10% change in exchange rate would affect net loss by \$13,700.

(c) Price risk is remote since the Company is not a producing entity.

## 7. Related Party Transactions

A law firm in which an officer and one of the directors are partners invoiced the Company \$12,000 (2007 - \$67,000) for legal services for the three-month period ended March 31, 2008. The law firm charges the Company the same rates as it does to its other clients.