

# Rocmec Mining Inc.

(Exploration Stage Company)

## **CONSOLIDATED FINANCIAL STATEMENTS**

YEARS ENDED SEPTEMBER 30, 2007 AND 2006

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## MANAGEMENT'S REPORT

The consolidated financial statements of Rocmec Mining Inc. and the other financial information included in this annual report are the responsibility of the Company's management and have been examined and approved by its Board of Directors. These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include some amounts that are based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

The Company maintains internal control systems designed to ensure that financial information is relevant and reliable and that assets are safeguarded.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of three directors, two of whom are independent.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets with the external auditors, either with or without the Company's management, to review their respective audit plans and discuss the results of their examinations. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

The Company's external auditors, Raymond Chabot Grant Thornton, L.L.P., appointed by the shareholders at the Annual General Meeting, have audited the Company's financial statements and their report indicating the scope of their audit and their opinion on the financial statements is presented below.

(s) Donald Brisebois  
\_\_\_\_\_  
President and Chief Executive Officer

(s) Daniel Gilbert  
\_\_\_\_\_  
Vice-President, Finance

Pointe-Claire  
November 23, 2007

## Auditors' Report

To the shareholders of  
Rocmec Mining Inc.

We have audited the consolidated balance sheets of Rocmec Mining Inc. as at September 30, 2007 and 2006 and the consolidated statements of earnings and comprehensive income, deficit, contributed surplus and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Val-d'Or (Quebec)  
November 23, 2007

# Rocmec Mining Inc.

(Exploration Stage Company)

## CONSOLIDATED BALANCE SHEETS

	\$	\$
	September 30, 2007	September 30, 2006
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	-	16,553
Precious metals - Fair value	16,743	65,019
Accounts receivable and other receivable	125,086	449
Sales taxes receivable	247,150	277,204
Tax credits receivable	2,640,039	901,287
Prepaid expenses	121,458	29,287
	<u>3,150,476</u>	<u>1,289,799</u>
<b>PROPERTY, PLANT AND EQUIPMENT (Note 5)</b>	1,504,600	1,895,345
<b>FUNDS HELD FOR EXPLORATION AND DEVELOPMENT CHARGES</b>	100,655	503,069
<b>MINING PROPERTIES (Note 6)</b>	1,838,368	2,052,751
<b>DEFERRED EXPLORATION AND DEVELOPMENT CHARGES (Note 7)</b>	10,919,604	5,280,168
<b>SECURITY DEPOSITS</b>	6,440	33,220
<b>THERMAL FRAGMENTATION - EXCLUSIVE LICENCE</b>	<u>1,348,346</u>	<u>1,332,476</u>
	18,868,489	12,386,828
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	2,579,890	1,617,116
Loans (Note 8)	1,640,087	2,100,000
Current portion of long-term debt (Note 9)	150,911	140,724
Current portion of debentures (Note 10)	255,289	54,562
	<u>4,626,177</u>	<u>3,912,402</u>
<b>LONG-TERM DEBT (Note 9)</b>	174,649	276,296
<b>DEBENTURES (Note 10)</b>	2,811,805	1,489,355
<b>FUTURE INCOME TAXES (Note 15)</b>	<u>1,319,732</u>	<u>633,620</u>
	8,932,363	6,311,673
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 11)	19,216,927	12,640,688
Share capital to be issued (Note 11)	-	357,000
Contributed surplus	972,823	265,029
Warrants (Note 11)	1,580,180	772,083
Equity component of convertible debentures	774,944	620,944
Deficit	<u>(12,608,748)</u>	<u>(8,580,589)</u>
	9,936,126	6,075,155
	<u>18,868,489</u>	<u>12,386,828</u>

### CONTINGENCIES AND COMMITMENTS (Notes 12 and 13)

The accompanying notes form an integral part of these consolidated financial statements

ON BEHALF OF THE BOARD OF DIRECTORS

(s) Donald Brisebois \_\_\_\_\_, Director

(s) Daniel Gilbert \_\_\_\_\_, Director

# Rocmec Mining Inc.

(Exploration Stage Company)

## CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME AND DEFICIT

	\$	\$
	Year ended September 30, 2007	Year ended September 30, 2006
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries and fringe benefits	353,484	312,050
Training	999	140
Stock-based compensation	130,842	37,000
Insurance	15,168	48,896
Bank charges	7,830	4,321
Trustees fees and registration	26,051	24,639
Management fees	6,025	3,000
Professional fees	341,209	227,887
Financial fees	233,552	466,076
Reporting to shareholders	15,115	12,435
Directors' fees	1,200	1,800
Rent	38,200	35,300
Bad debts (recovered)	(267,058)	270,478
Stationary and office expenses	15,396	16,418
Telecommunications	17,932	31,127
Travelling and promotion	57,370	76,045
Interest on debentures and long-term debt	1,298,396	301,992
Autres Intérêts	33,256	36,573
Amortization of fixed assets	6,542	3,515
Loss (gain) on disposal of fixed assets	(18,606)	8,732
Gain on revaluation of precious metals	(2,457)	-
Part XII.6 income taxes	-	(2,089)
Write-off of mining properties	214,227	336,205
Write-off of deferred exploration and development charges	25,272	713,593
	2,549,945	2,966,133
<b>LOSS BEFORE INCOME TAXES</b>	(2,549,945)	(2,966,133)
<b>INCOME TAXES</b>		
Future income taxes (Note 15)	(460,935)	288,209
<b>NET LOSS AND COMPREHENSIVE INCOME</b>	(3,010,880)	(2,677,924)
<b>NET LOSS PER SHARE</b>		
Basic	(0.042)	(0.058)
Diluted	(0.042)	(0.058)
Weighted average number of shares outstanding	71,610,419	46,379,541
<b>DEFICIT AT BEGINNING OF YEAR</b>	(8,580,589)	(4,946,267)
<b>NET LOSS</b>	(3,010,880)	(2,677,924)
<b>SHARE ISSUANCE EXPENSES</b>	(1,017,279)	(956,398)
<b>DEFICIT AT END OF YEAR</b>	(12,608,748)	(8,580,589)

The accompanying notes form an integral part of these consolidated financial statements

# Rocmec Mining Inc.

(Exploration Stage Company)

## CONSOLIDATED CONTRIBUTED SURPLUS

	\$	\$
	September 30, 2007	September 30, 2006
<b>BALANCE, BEGINNING OF YEAR</b>	265,029	154,779
Options granted	130,842	37,000
Warrants expired	582,407	73,250
Options exercised	(5,455)	-
<b>BALANCE, END OF YEAR</b>	<b>972,823</b>	<b>265,029</b>

The accompanying notes form an integral part of these consolidated financial statements

# Rocmec Mining Inc.

(Exploration Stage Company)

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	\$	\$
	Year ended September 30, 2007	Year ended September 30, 2006
<b>OPERATING ACTIVITIES</b>		
Net loss	(3,010,880)	(2,677,924)
<b>Operating items not involving cash</b>		
Non-cash interest expense on convertible debentures	177,177	114,861
Amortization of fixed assets	6,542	3,515
Loss (gain) on disposal of fixed assets	(18,606)	8,732
Stock-based compensation	130,842	37,000
Financial fees paid by the issuance of warrants	17,207	76,312
Write-off of mining properties	214,227	336,205
Write-off of deferred exploration and development charges	25,272	713,593
Future income taxes	460,935	(288,209)
Changes in working capital items	(407,517)	(968,657)
Cash flows from operating activities	(2,404,801)	(2,644,572)
<b>INVESTING ACTIVITIES</b>		
Acquisition of fixed assets	(168,996)	(642,117)
Disposal of fixed assets	206,556	5,660
Acquisition (disposal) of mining properties	156	(2,140)
Tax credits received	679,114	372,163
Deferred exploration and development charges	(6,410,662)	(3,279,299)
Funds held for exploration and development charges	402,414	(408,069)
Security deposits	26,780	(33,220)
Acquisition of thermal fragmentation - exclusive licence	(15,870)	(8,979)
Cash flows from investing activities	(5,280,508)	(3,996,001)
<b>FINANCING ACTIVITIES</b>		
Issuance of debenture	1,346,000	1,429,056
Note payable	-	49,235
Loans	1,174,000	2,100,000
Loan reimbursement	(1,633,913)	(400,000)
Issuance of long-term debt	-	231,132
Long-term debt reimbursement	(98,310)	(74,110)
Share issuance expenses	(686,102)	(327,291)
Share capital issued and to be issued	6,120,527	2,957,079
Issuance of warrants	1,292,554	63,064
Equity component of convertible debentures	154,000	620,944
Cash flows from financing activities	7,668,756	6,649,109
<b>NET INCREASE (DECREASE) IN CASH AN CASH EQUIVALENTS</b>	(16,553)	8,536
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	16,553	8,017
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	-	16,553
Interest paid	1,104,612	258,212

Supplemental cash flows information (Note 14)

The accompanying notes form an integral part of these consolidated financial statements

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

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### 1- STATUTES OF INCORPORATION AND NATURE OF ACTIVITIES

Rocmec Mining Inc. (the "Company"), incorporated under Part 1A of the Companies Act (Québec), is an exploration Company with activities in Canada.

The exploration and development of mineral deposits involve significant financial risks. The success of the Company will be influenced by a number of factors including financing, exploration and extraction risks and environmental and other regulations.

### 2- GOING CONCERN

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and on the basis of the going concern assumption meaning the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

A number of unfavorable conditions and events have left some doubt as to the appropriateness of this assumption. The Company has incurred significant operating losses in the last period and its working capital is deficient.

The company is trying to obtain various options from its lenders and shareholders that would allow it to obtain financing (Note 18). The company's ability to continue as a going concern depends on its capacity to raise additional funds and while it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate, because management feels that the measures described above that it took or intends to take will mitigate the effect of the conditions and facts that raise doubt about the appropriateness of this assumption.

### 3- SIGNIFICANT ACCOUNTING POLICIES

#### Property, plant and equipment

Property, plant and equipment are accounted for at cost. Amortization is based on their estimated useful life using the diminishing balance method at the following annual rates:

Equipment	20%
Gravimetric plant	20%
Computer equipment	30%
Automotive equipment	30%

#### Funds held for exploration and development charges

Exploration funds consist of cash and represent the unexpended proceeds of flow-through financing agreement under which the Company has committed to spend the amounts on exploration.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

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### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Mining rights tax credit and tax credit for mining exploration companies**

The Company is entitled to a refundable mining rights tax credit on mining exploration expenses incurred in Quebec. This tax credit is applied against the costs incurred and is recorded, provided that the company is reasonably certain that this credit will be received.

Furthermore, the Company is entitled to the refundable tax credit that may reach 38.75% for mining exploration companies on qualified expenditures incurred after March 29, 2001. This tax credit is accounted for against the costs incurred.

#### **Mining properties and deferred exploration and development charges**

Mining properties, composed of mining exploration permits, claims and options to acquire undivided interests in properties are accounted for at their acquisition cost.

Costs related to the acquisition, exploration and development of mining properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized on the unit of production method. If it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the project is abandoned, the project is written down to its net realizable value.

The recoverability of amounts recorded for mining properties and deferred exploration charges depends on the discovery of economically recoverable reserves, the confirmation of the Company's interest in the mining claims, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds in excess of the carrying value.

#### **Thermal fragmentation - Exclusive licence**

The thermal fragmentation exclusive license is accounted for at cost and amortization of fixed assets will be based on their estimated useful life using the straight-line method over 10 years beginning with the first of the following: Beginning of the commercial production using the thermal fragmentation or the sale of the first sub license of thermal fragmentation.

#### **Impairment of long-lived assets**

Property, plant and equipment and the exclusive license thermal fragmentation subject to amortization are tested for recoverability when events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying amount of a long-lived asset is non-recoverable when it exceeds the sum of the undiscounted cash flows expected from its use and eventual disposal. In such a case, an impairment loss must be recognized and is equivalent to the excess of the carrying amount of a long-lived asset over its fair value.

#### **Share capital**

Capital stock issued for non-monetary consideration is generally recorded at the quoted market price of the shares at the date of agreement. The resource expenditure deductions for income tax purposes related to exploration and development activities funded by the proceeds of the flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting of income taxes, the future income taxes related to temporary differences arising at the renunciation are recorded at that time together with a corresponding charge in the share issue expense.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

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### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Net loss per share

Net loss per share is calculated using the weighted average number of outstanding shares during the year. The diluted net loss per share is equal to the basic net loss per share due to the anti-dilutive effect of stock options and warrants described in note 11.

#### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the amounts of assets and liabilities reported in the financial statements. Those estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and charges during the years. Actual results could differ from those estimates.

#### Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries; 9167-6718 Québec Inc. This subsidiary is presently inactive.

#### Revenue recognition

The Company recognizes revenue from metals when they have been delivered and title has passed to a purchaser. Up until beginning of commercial production, revenue are accounted for in decrease of deferred explorations and development charges.

#### Income taxes

Future income taxes are a result of the future tax consequences attributable to differences between the financial statements carrying amounts for existing assets and liabilities and their respective tax bases. Future tax assets are accounted for only if the management believes that it will be more likely than not that future tax assets will be recoverable. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

#### Stock option plan

The Company accounted in earnings stock-based compensation provided to its officers and directors, and other stock-based payments to consultants, using the fair-value-based method. The fair value of stock options at the grant date is determined using the Black-Scholes Option Pricing Model. When holders exercise their options, any consideration received and any contributed surplus related to these options is credited to capital stock. Compensation expense is recognized over the vesting period of the stock options.

#### Share issue expenses

Share issue expenses are recognized in the statement of deficit.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

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### 3- SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments

At October 1st, 2006, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA):

Section 1530 "Comprehensive Income", introduces a new financial statement which shows the change in equity of an enterprise from transactions and other events and circumstances from non-owner sources.

Section 3251 "Equity" establishes standards for the presentation of equity and changes in equity during the reporting fiscal year.

Section 3855 "Financial Instruments - Recognition and Measurement", establishes standards for recognizing and measuring financial instruments, namely financial assets, financial liabilities and derivatives. The new standards lay out how financial instruments are to be recognized depending on their classification. Financial instruments are initially recorded at fair value. The subsequent evaluation depends on the classification of the financial instruments. Depending on financial instruments' classification, changes in subsequent measurements are recognized in net income or comprehensive income.

Section 3861 "Financial Instruments - Disclosure and presentation" deal with the disclosure of financial instruments and non-financial derivatives in the financial statements.

Transaction costs are recognized in earnings as they are incurred.

Embedded derivatives that are not closely related to the host contract must be separated and classified as held-for-trading financial instruments. They are therefore measured at fair value and changes in fair value are recognized in earnings and the transaction costs related to these embedded derivatives are recognized in earnings as administrative expenses. As at September 30, 2007, the Company has no instruments including an embedded derivative that should be separated from the host contract.

#### The Company has implemented the following classification:

Cash and cash equivalents, precious metals and funds held for exploration and development charges are classified as "Financial Assets Held for Trading". Those financial assets are marked-to-market through net income at each period end.

Trade accounts receivable are classified as "loans and receivables". Trade accounts receivable are measured at amortized cost, which is generally the initially recognized amount, less any allowance for doubtful accounts.

Accounts payables and accrued liabilities, loan, long-term debt and debentures are classified as "Other Financial Liabilities". They are initially recorded at fair value. Subsequent evaluation are measured at amortized cost using the effective interest rate method.

The adoption of these new standards had no impact on the financial position and the results of operations of the Company.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

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### 4- FINANCIAL INSTRUMENTS

The Company is exposed to various financial risks that result from both its operations and its investment activities. Financial risk management is carried out by the Company's management.

The Company did not conclude contracts for financial instruments, including financial derivatives, for speculative purposes. The main financial risks to which the Company is exposed, as well as the policy on financial risk management are as follows:

#### Liquidity risk

The liquidity risk management aims to maintain a sufficient amount of cash and cash equivalents and ensure that the company has source of financing of sufficient amounts authorized. The Company prepares budget forecasts and cash-flow budget to ensure that it has available funds to meet its obligations.

#### Credit risk

The Company is subject to the risk of concentration of credit through its tax credits receivable from the Government of Quebec.

#### Interest rate Risk

The loans and debentures issued by the Company shall bear interest at a fixed rate and thus the Company is exposed to the risk of change in fair value resulting from fluctuations in interest rates.

#### Fair value

Financial instruments book values and fair values were as follows:

	2007		2006	
	Book value	Fair value	Book value	Fair value
<u>Other financial liabilities</u>				
Long-term debt	325,560	325,560	417,020	417,020
Convertible debentures	3,067,094	3,067,094	1,543,917	1,543,917

# Rocmec Mining Inc.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 4- FINANCIAL INSTRUMENTS (continued)

The fair value of cash and cash equivalents, precious metals, accounts receivable and other receivable, tax credits receivable, funds held for exploration and development charges, accounts payable and accrued liabilities and loans approximates their carrying value because of the short-term maturity of these instruments.

The fair value of long-term debt and debentures are estimated using discounted cash-flow analysis, based on current corresponding borrowing rates for similar types of borrowing arrangements.

### 5- PROPERTY, PLANT AND EQUIPMENT

	September 30, 2007			September 30, 2006		
	Cost	Accumulated amortization	Net value	Cost	Accumulated amortization	Net value
	\$	\$	\$	\$	\$	\$
Equipment	1,538,114	471,533	1,066,581	1,618,580	228,834	1,389,746
Gravimetric plant	523,758	222,992	300,766	523,758	147,800	375,958
Computer equipment	27,643	11,660	15,983	15,985	5,978	10,007
Automotive equipment	172,699	70,029	102,670	153,099	51,230	101,869
	<u>2,262,214</u>	<u>776,214</u>	<u>1,486,000</u>	<u>2,311,422</u>	<u>433,842</u>	<u>1,877,580</u>
<b>Capital lease</b>						
Equipment	6,850	685	6,165	-	-	-
Automotive equipment	20,900	8,465	12,435	20,900	3,135	17,765
	<u>27,750</u>	<u>9,150</u>	<u>18,600</u>	<u>20,900</u>	<u>3,135</u>	<u>17,765</u>
	<u>2,289,964</u>	<u>785,364</u>	<u>1,504,600</u>	<u>2,332,322</u>	<u>436,977</u>	<u>1,895,345</u>

# Rocmec Mining Inc.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 6- MINING PROPERTIES

	Balance as at September 30, 2005	Addition	Write-off	Balance as at September 30, 2006	Addition	Write-off	Balance as at September 30, 2007
Montauban	803,994	700	-	804,694	2,964	-	807,658
Denain	112,323	35,261	-	147,584	(5,016)	-	142,568
Courville-Maruska	140,000	831	-	140,831	-	(140,831)	-
Vauquelin	132,000	15	(132,015)	-	96	(96)	-
Lac Rose	155,000	49,190	(204,190)	-	1,800	(1,800)	-
Rocmec 1 (Russian Kid)	887,999	143	-	888,142	-	-	888,142
Tiblemont	-	71,500	-	71,500	-	(71,500)	-
	2,231,316	157,640	(336,205)	2,052,751	(156)	(214,227)	1,838,368

**a) Montauban project - Montauban and Grondines township, Québec**

A 100% interest in 83 mining claims.

**b) Denain project - Denain township, Québec**

A 85% interest in 23 mining claims subject to a 3.5% net smelter return (NSR) royalty. On October 2006, the Company granted an option to sell his participation. The option calls for a cash payment to the Company of \$5,000 upon signature of the agreement, the issuance of 100,000 common shares during the first year, the issuance of an additional 300,000 common shares no later than 18 months following the signature of the agreement and a cash payment of \$2,400,000 within 24 months of the signature of the agreement. Furthermore, a 2.5% NSR royalty is attached to the option. After the year-end, conditions on which the option was granted were not fulfilled.

**c) Courville-Maruska project - Courville township, Québec**

A 100% interest in 20 mining claims.

**d) Rocmec 1 project - Dasserat township, Québec**

A 100% interest in 11 mining claims subject to a 5% Net Metal royalty on first 25,000 ounces and 3% on the additional ounces.

**e) Tiblemont project - Tiblemont township, Québec**

A 100% interest in 6 mining claims.

# Rocmec Mining Inc.

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## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 7- DEFERRED EXPLORATION AND DEVELOPMENT CHARGES

	Balance as at September 30, 2005	Deferred exploration and development charges	Write-off	Tax credit	Balance as at September 30, 2006	Deferred exploration and development charges	Write-off	Tax credit	Balance as at September 30, 2007
Montauban	792,187	-	-	382	792,569	74,496	-	(30,528)	836,537
Denain	1,062,277	(5,851)	-	14,178	1,070,604	-	-	43,554	1,114,158
Courville-Maruska	3,995	-	-	129	4,124	-	(4,577)	453	-
Vauquelin	13,455	-	(13,740)	285	-	-	(911)	911	-
Lac Rose	528,276	1,463	(530,980)	1,241	-	-	(13,933)	13,933	-
Rocmec 1 (Russian Kid)	94,021	4,094,825	-	(775,975)	3,412,871	7,975,029	-	(2,418,991)	8,968,909
Others	-	193,903	(168,873)	(25,030)	-	-	(5,851)	5,851	-
	2,494,211	4,284,340	(713,593)	(784,790)	5,280,168	8,049,525	(25,272)	(2,384,817)	10,919,604

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 7- DEFERRED EXPLORATION AND DEVELOPMENT CHARGES (continued)

#### DETAIL OF DEFERRED EXPLORATION AND DEVELOPMENT CHARGES

	<u>2007</u>	<u>2006</u>
Diamond drilling	371,661	9,341
Development drifts and raises	5,799,585	3,443,187
Technical services	293,984	295,312
Other exploration expenses	427,459	256,449
Transport and milling	739,429	192,317
Royalty	57,010	(99,520)
Equipment rental	749,736	(124,077)
Mineral sales	(761,438)	-
Amortization of fixed assets	372,099	311,331
	<u>8,049,525</u>	<u>4,284,340</u>

### 8- LOANS

Loan, bearing 1% monthly interest, reimbursed in 2007. -                      100,000

Loan, bearing 1% monthly interest, secured by all product from mineral sales present and future, maturing October 2007. 300,000                      -

Loans, bearing 15% interest, secured by tax credit receivable relating to exploration having a net book value of \$2,014,683, maturing April 2008. 874,000                      -

Loan reimbursable in gold, bearing 1% monthly interest, repayable in 4 equal quarterly installments, commencing on November 30th, 2006 and maturing August 2007. Repayment of interest and principal will be paid in gold ounces delivered to the lenders. The number of ounces of gold to be delivered will be calculated by dividing the sum of the interests and capital to be paid by the average closing price of the last ten days based on the "spot market New York" in Canadian dollars minus 20%. At September 30, 2007, an amount of \$466,087 had not yet been reimbursed. The Company has reached an agreement with lenders allowing a 350,000\$ reimbursement on October 31, 2007 and the 116,087\$ balance at demand. 466,087                      2,000,000

1,640,087                      2,100,000

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 9- LONG-TERM DEBT

	<u>2007</u>	<u>2006</u>
Obligations under capital lease secured by the equipment and the automotive equipment of a net book value of \$18,600, repayable by monthly installments varying from \$129 to \$1,050 including interest calculated at rates varying from 13.92% to 18.65%, maturing between May 2008 and March 2009.	12,728	17,931
Loans secured by automotive equipment of a net book value of \$102,670 repayable by monthly installments of \$3,912 including principal and interest calculated at rates varying from 0.06% to 3.9%, maturing between October 2008 and August 2011.	106,492	96,887
Loan secured by thermal fragmentor of a net book value of \$142,372 repayable by monthly installments of \$5,213 including principal and interest calculated at a rate 9.2%, maturing August 2008.	54,800	109,558
Loans secured by loader of a net book value of \$108,720 repayable by monthly installments of \$4,191 including principal and interest calculated at rates varying from 4.8% to 7.0%, maturing between August 2009 and August 2011.	151,540	192,644
	<u>325,560</u>	<u>417,020</u>
Current portion	150,911	140,724
	<u>174,649</u>	<u>276,296</u>

Long-term debt principal repayments to be made during the following years are as follows:

	<u>Long-term debt</u>	<u>Capital lease</u>	<u>Total</u>
2008	139,599	15,486	155,085
2009	71,052	1,441	72,493
2010	52,532	-	52,532
2011	49,649	-	49,649
Total minimum lease payments	<u>312,832</u>	<u>16,927</u>	<u>329,759</u>

Amounts included in minimum lease payments

Interest expense	4,199
	<u>12,728</u>

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 10- DEBENTURES

	<u>2007</u>	<u>2006</u>
<u>Liability component of convertible debentures</u>		
Ten \$100,000 convertible debentures totalling \$1,000,000, bearing interest rate of 12% (effective rate of 40%), repayable monthly, maturing at different maturity dates between September 2007 and November 2010. The debentures are convertible at the holder's option, into common shares at conversion prices ranging between \$0.23 and \$0.28. The holders, subject to regulatory approval, may request that interest payments be paid in common shares, semi-annually.	700,911	608,303
Convertible debenture totalling \$200,000, bearing interest rate of 12% (effective rate of 58%), repayable semi-annually, in common shares, commencing 36 months following the date of issuance March 2009. The debenture is convertible at the holder's option into common shares at conversion prices ranging between \$0.23 and \$0.25. Subject to regulatory approval, interest payments will be paid in common shares.	115,119	85,614
Convertible debentures totalling \$1,500,000, bearing interest rate of 12% (effective rate of 28.81%), plus a maximum NSR royalty of 1.8% on gold ounces produced during the first year at Rocmec 1 and 1.2% thereafter. The debentures will mature on December 31st, 2008, are redeemable on demand, at the Company's option, with a 3 month interest and royalty penalty. The debenture holders may convert 30% of the total amount of the debentures into common shares at a price of \$0.30 per share and the issuer has the right to force conversion of 70% of the total amount of the debentures into common shares at a price of \$0.70 if the closing stock price of the last 30 days preceding conversion exceeds \$0.90.	1,401,064	-
Balance to carry-forward	<u>2,217,094</u>	<u>693,917</u>

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 10- DEBENTURES (continued)

	<u>2007</u>	<u>2006</u>
Carry-forward balance	2,217,094	693,917
<u>Others debentures</u>		
Debtures, totalling \$850,000, bearing interest rate of 12% and maturing on March 2009. The debtures are redeemable at all times with a penalty equal to three months interest and are convertible into common shares at the Company's option at the market price on the date of conversion subject to a minimum price of \$0.22. The holders, subject to regulatory approval, may request that interest payments be paid half-yearly in common shares.	850,000	850,000
	3,067,094	1,543,917
Current portion	255,289	54,562
	<u>2,811,805</u>	<u>1,489,355</u>

Debtures principal repayments to be made during the following years are as follows:

	<u>\$</u>
2008	255,289
2009	2,630,219
2010	121,630
2011	59,956
	<u>3,067,094</u>

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 11- SHARE CAPITAL

#### Authorized

Unlimited number of common shares without par value, voting, participating, dividend as declared by the Board of Directors.

Changes in the Company's common share capital were as follows:

	September 30, 2007		September 30, 2006	
	Number	Amount	Number	Amount
<b>Shares issued</b>		\$		\$
<b>Balance, beginning of year</b>	55,288,070	12,640,688	35,411,728	8,117,588
Paid in cash	13,813,810	2,336,269	3,466,276	415,479
Flow-through financing	20,294,120	4,011,258	8,572,566	2,166,600
Mining properties	-	-	875,000	136,628
Exercise of warrants	650,000	132,757	150,000	34,800
Debt settlement	374,166	80,000	6,812,500	1,769,593
Exercise of share purchase options	50,000	15,955	-	-
	<u>90,470,166</u>	<u>19,216,927</u>	<u>55,288,070</u>	<u>12,640,688</u>
<b>Shares to be issued</b>				
Flow-through shares	-	-	1,232,143	345,000
Debt settlement	-	-	54,545	12,000
	<u>-</u>	<u>-</u>	<u>1,286,688</u>	<u>357,000</u>
<b>Balance, end of year</b>	<u>90,470,166</u>	<u>19,216,927</u>	<u>56,574,758</u>	<u>12,997,688</u>
Weighted average number of shares outstanding	<u>71,610,419</u>		<u>46,379,541</u>	

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 11- SHARE CAPITAL (continued)

#### Common share purchase options

The Company maintains a stock option plan (the "Plan") whereby the Board of Directors may from time to time grant to employees, officers, directors of, or consultants to the Company, options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board of Directors.

The Plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance under the Plan shall be equal to 5,000,000 common shares and that the maximum number of common shares which may be reserved for issuance to any one optionee may not exceed 5% of the common shares outstanding at the time of vest. These options must be exercised no later than 5 years after the date of vest. The options currently granted are subject to a minimum of a sixth vesting period for which options will vest gradually, except those granted to consultants providing investor relations services for which options will vest over 12 months.

The option exercise price is established by the Board of Directors and may not be lower than the market price of the common shares at the time of grant.

A summary of changes in the Company's common share purchase options are as follows:

	September 30, 2007		September 30, 2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
<b>Balance, beginning of year</b>	1,125,000	0.276	1,275,000	0.291
Granted	1,250,000	0.242	350,000	0.270
Exercised	(50,000)	0.210	(500,000)	0.310
Expired	(400,000)	0.241	-	-
<b>Balance, end of year</b>	<b>1,925,000</b>	<b>0.263</b>	<b>1,125,000</b>	<b>0.276</b>
Options exercisable at the end	<u>1,683,332</u>		<u>1,075,000</u>	

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 11- SHARE CAPITAL (continued)

#### Options granted and exercisable as at September 30, 2007:

Options granted	Options exercisable	Exercise price	Expiry date
400,000	400,000	0.30 \$	October 2007
275,000	275,000	0.24 \$	June 2008
400,000	400,000	0.30 \$	June 2009
100,000	100,000	0.30 \$	December 2009
100,000	100,000	0.30 \$	January 2011
450,000	308,332	0.21 \$	November 2011
200,000	100,000	0.23 \$	January 2012
<b>1,925,000</b>	<b>1,683,332</b>		

#### Accounting for compensation plans

The fair value of options was estimated using the Black-Scholes option pricing model with the following assumptions:

	2007	2006
Weighted average Risk-free interest rate	4.02%	4.00%
Weighted average Expected volatility	94.35%	84.90%
Weighted average Expected life	51.5 months	25 months
Expected dividends	0.0%	0.0%
Fair value	0.105 \$	0.106 \$

Compensation cost for stock-based employee recognized in earnings amounts to \$109,023 (\$24,000 in 2006).

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 11- SHARE CAPITAL (continued)

#### Warrants

Outstanding common share purchase warrants, entitling their holders to subscribe to an equivalent number of common shares, were as follows:

	2007		
	Number of warrants	Weighted average exercise price	Fair value allocated
			\$
<b>Balance, beginning of year</b>	12,985,638	0.298	772,083
Granted	24,281,934	0.311	1,415,761
Exercised	(650,000)	(0.165)	(25,257)
Expired	(9,793,888)	(0.363)	(582,407)
<b>Balance, end of year</b>	<b>26,823,684</b>	<b>0.289</b>	<b>1,580,180</b>

  

	2006		
	Number of warrants	Weighted average exercise price	Fair value allocated
			\$
<b>Balance, beginning of year</b>	10,168,888	0.346	528,908
Granted	4,216,750	0.231	321,225
Exercised	(150,000)	(0.200)	(4,800)
Expired	(1,250,000)	(0.472)	(73,250)
<b>Balance, end of year</b>	<b>12,985,638</b>	<b>0.298</b>	<b>772,083</b>

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 11- SHARE CAPITAL (continued)

Warrants outstanding as at September 30, 2007 are as follows:

Number	Exercise price	Expiry date
41,750	0.240 \$	October 2007
362,500	0.250 \$	October 2007
250,000	0.200 \$	November 2007
446,008	0.400 \$	December 2007
1,250,000	0.250 \$	January 2008
337,500	0.230 \$	March 2008
300,000	0.220 \$	March 2008
3,115,383	0.50 \$ et 0.75 \$	December 2007 and 2008
8,006,955	0.28 \$ et 0.35 \$	February 2008 and 2009
6,547,615	0.30 \$ et 0.35 \$	June 2008 and 2009
2,128,310	0.28 \$ et 0.35 \$	June 2008 and 2009
1,013,000	0.22 et 0.28 \$	June 2008 and 2009
291,332	0.159 \$	August 2009
900,000	0.30 \$ et 0.35 \$	September 2008 and 2009
1,833,331	0.25 \$ et 0.30 \$	September 2008 and 2009
<u>26,823,684</u>		

The fair value of warrants was estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>2007</u>	<u>2006</u>
Weighted average Risk-free interest rate	4.35%	4.00%
Weighted average expected volatility	95.70%	89.13%
Weighted average expected life	23.8 months	17.1 months
Expected dividends	0.0%	0.0%

During the year, the Company issued 24,281,934 warrants (4,216,750 in 2006). Each warrant entitles the holder to purchase one common share with expiry dates from December 2007 to September 2009 at a price between \$0.20 to \$0.75 per share (\$0.15 to \$0.255 in 2006).

The warrants were issued under private placements to common shareholders and to brokers. They have been accounted for at their value of \$1,292,554 (\$135,350 in 2006), \$106,000 (\$3,382 in 2006) and \$17,207 (\$76,312 in 2006) respectively in warrants under share holder's equity, share issuance charges and financing charges.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

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### 12- CONTINGENCIES

The Company's operations are governed by governmental laws and regulations regarding environmental protection. The environmental consequences are hardly identifiable, whether it is the result level, the impact or its deadline. At the present time and to the best knowledge of its management, the Company is in conformity with the laws and regulations. A provision of \$18,500 (\$26,500 in 2006) for restoration of the premises is included in the accounts payable and accrued liabilities. It is possible that real account payable differ from this estimate.

### 13- COMMITMENTS

- i) The Company has entered into long-term lease agreements until 2010 for the hiring of spaces and the hiring of equipment. The balance of engagements according to these leases, is established to \$218,385. The minimum lease payments for the following years are as follows:

2008	128,641
2009	46,823
2010	42,921
	<hr/>
	218,385
	<hr/>

- ii) The Company entered into an agreement with an independent private company to acquire the exclusive rights to operate the thermal fragmentation in the narrow vein. By this agreement, the company can use the exploitation method, develop it or handover sub-licenses.

In counterpart of the rights acquired by this agreement, the company will pay a royalty calculated on the quarterly production. The Company entered into a new exclusive licensing agreement that sets royalty payments at \$15,00 per ounce produced by way of thermal fragmentation.

The Company can terminate this agreement at any time without penalty or compensation, by giving the assignor a written notice of 90 days, by which the Company will be released of all it's obligations towards the assignor.

- iii) The Company is committed to spend exploration expenses amounting to \$613,817 relating to flow-through financing. These expenses have to be spent before December 31, 2008.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

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### 14- CASH FLOWS

#### Supplemental cash flows information:

	<u>2007</u>	<u>2006</u>
Non-cash investing and financing activities:		
Asset under capital lease	6,850	20,900
Acquisition of mining properties financed by share capital	-	136,628
Acquisition of mining properties financed by warrants	-	18,872
Amortization included in the deferred exploration and development charges	372,099	311,331
Share issuance expense paid by the issuance of warrants	106,000	6,061
Future income taxes included in share issuance expenses	225,177	623,046
Tax credit receivable deducted from exploration and development charges	2,417,866	784,788
Deferred exploration and development charges financed by accounts payable	1,960,472	693,708
Debt settlement paid by the issuance of share capital	68,000	58,000
Accounts payable settlement paid by issuance of share capital	-	12,000
Warrants exercised transferred to share capital	25,257	4,800
Warrants expired transferred to contributed surplus	582,407	73,250
Options exercised transferred to share capital	(5,455)	-

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 15- FUTURE INCOME TAXES

The reconciliation of the income tax provision calculated using the combined federal and Quebec provincial statutory tax rate to the provision for income taxes per the financial statements is as follows:

	<b>2007</b>	<b>2006</b>
Loss before income taxes	2,549,945	2,966,133
Income taxes at the combined federal and provincial income tax rates of 31.02 %	(790,993)	(920,094)
Mining rights (12%)	686,112	334,837
Non-deductible stock-based compensation	40,587	11,477
Share issuance expenses	(143,249)	(623,046)
Future income tax assets not recorded	668,478	899,769
Other	-	8,848
	<b>460,935</b>	<b>(288,209)</b>

As at September 30, future income tax assets and liabilities are as follows:

#### Future income tax assets

##### Long term

Non-capital losses carried forward (1)	1,938,039	1,090,216
Share issuance charges	420,717	243,121
Fixed assets	246,393	138,868
Obligation under capital lease	3,948	5,562
Mining properties	119,761	53,302

#### Future income tax liabilities

##### Long term

Deferred exploration and development charges	(1,503,333)	(949,589)
Capital lease	(5,769)	(5,511)

#### Valuation allowance

Mining rights

#### Future income taxes

-	-
1,319,732	633,620
<b>1,319,732</b>	<b>633,620</b>

(1) As at September 30, 2007, the Company has the following non-capital losses carried forward to reduce future years' income taxes:

<b>2008</b>	154,687
<b>2009</b>	328,277
<b>2010</b>	347,114
<b>2014</b>	578,684
<b>2015</b>	958,813
<b>2026</b>	1,297,730
<b>2027</b>	2,662,894
	<b>6,328,199</b>

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

### 16- RELATED PARTY TRANSACTIONS

During the year, the Company incurred the following expenses with a company controlled by director of the Company. These transactions occurred during the normal course of operations and were measured at the exchange amount that is the amount established and accepted by the parties.

	<u>2007</u>	<u>2006</u>
<b>Exploration charges</b>		
Geology	20,000	-

### 17- IMPORTANT EVENT

#### March 2006

The Company concluded transactions aimed at readjusting the exclusive thermal fragmentation licensing agreement with Rocmec International Inc. In accordance with the transactions, the Company has acquired all the equipment from Rocmec International Inc., reduced royalty payments on ounces produced by way of thermal fragmentation and eliminated the minimal guaranteed royalty payments. In return, the Company has taken on certain financial obligations of Rocmec International Inc.

#### License modification and equipment acquisition

The Company has acquired all the equipment from Rocmec International Inc. The equipment includes the thermal fragmentors and accessories, vacuum equipment and various types of small equipment. The Company entered into a new exclusive licensing agreement that sets royalty payments at \$15,00 per ounce produced by way of thermal fragmentation, wrote off the minimum guaranteed royalty payments and terminates the indemnity agreement. Furthermore, Rocmec International Inc. has agreed to offer to a debenture owner a mortgage on its intellectual property and in turn the Company has offered an open mortgage to Rocmec International Inc. (Note 18vi)

#### Compensation

In return, the Company took on certain obligations of Rocmec International Inc. totalling \$2,018,345. In payment of \$1,868,509 of these obligations, a total of 6,450,00 common shares issued at an average price of \$0.29 and 1,000,000 warrants valid for 18 months and will enable the subscriber to acquire one common share at a price \$0.25.

Additionally, the Company will take on 2 loans secured by equipment included in the sale for an amount totaling \$150,516.

#### Acquisition of net assets

	<u>2006</u>
Acquisition of Thermal fragmentation - exclusive licence	(1,273,302)
Acquisition of fixed assets	(750,000)
Debt settlement by share capital	1,711,593
Issuance of warrants	156,916
Take on 2 loans	150,516
Take on Account payable	4,277

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

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### 18- SUBSEQUENT EVENTS

- i) On October 2, 2007, the Company issued 4,547,777 flow-through units ("FT Unit") at \$0.18 for a total amount of \$818,600 in cash. Each FT Unit is comprised of one flow-through common share of the Company and one transferable non-flow-through share purchase warrant. Each share purchase warrant entitles its holder thereof to purchase one additional common share of the Company at a price of \$0.25 for a period of 12 months from the closing date and thereafter at a price of \$0.30 for an additional period of twelve months. The broker obtained a cash finder's fee from the Company equal to 2% of the aggregate gross proceeds along with finder's shares equal to 2% of the FT Units subscribed for and finder's options equal to 10% of the number of FT Units subscribed for. The options are issued under the same terms as the share purchase warrants issued to the subscribers.
- ii) On October 4, 2007, the Company issued 4,722,300 units at \$0.18 for a total amount of \$850,014 in cash. Each unit is comprised of 0.88 flow-through common share, 0.12 non flow-through common share and one transferable common share purchase warrant. Each common share purchase warrant is exercisable into one common share of the Company for a period of two years from closing at an exercise price of \$0.30 for the first twelve months and \$0.35 for the last 12 months. The broker obtained a cash finder's fee from the Company equal to 10% of the aggregate gross proceeds along with finder's shares equal to 5% of the units subscribed for and finder's options equal to 5% of the number of units subscribed for. The options are issued under the same terms as the share purchase warrants issued to the subscribers.
- iii) On October 17, 2007, the Company has granted a total of 480,000 options to members of the management team, board and advisory members and a consultant. The options have a 5-year term and an exercise price of \$0.16 per share.

The fair value of options was estimated using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.31%
Expected volatility	88.19%
Expected life	5 years
Expected dividends	0.0%
Fair value	0.109 \$

- iv) On October 22, 2007, the Company issued 6,958,331 flow-through units ("FT Unit") at \$0.18 for a total amount of \$1,252,500 in cash. Each FT Unit is comprised of one flow-through common share of the Company and one transferable non-flow-through share purchase warrant. Each share purchase warrant entitles its holder thereof to purchase one additional common share of the Company at a price of \$0.25 for a period of 12 months from the closing date and thereafter at a price of \$0.30 for an additional period of twelve months. The broker obtained a cash finder's fee from the Company equal to 6% of the aggregate gross proceeds along with finder's shares equal to 2% of the FT Units subscribed for and finder's options equal to 10% of the number of FT Units subscribed for. The options are issued under the same terms as the share purchase warrants issued to the subscribers.

# Rocmec Mining Inc.

(Exploration Stage Company)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2007

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### 18- SUBSEQUENT EVENTS (continued)

- v) On October 26, 2007, the Company issued 8,608,056 flow-through units ("FT Unit") at \$0.18 for a total amount of \$1,549,450 in cash. Each FT Unit is comprised of one flow-through common share and one transferable non-flow-through share purchase warrant. Each share purchase warrant entitles its holder thereof to purchase one additional common share of the Company at a price of \$0.25 for a period of 12 months from the closing date and thereafter at a price of \$0.30 for an additional period of twelve months. The broker obtained a cash finder's fee from the Company equal to 6% of the aggregate gross proceeds along with finder's options equal to 10% of the number of units subscribed for. The options are issued under the same terms as the warrants issued to the subscribers.
  
- vi) On November 21, 2007, the Company concluded an agreement with Rocmec International Inc. where they committed to pay a fixed royalty of \$55,000 for the period of October 1, 2007 to september 30, 2008 in lieu of a royalty of \$15.00 per ounce. (note 17)
  
- vii) In November, 2007, the Company has signed an option agreement to acquire 6 narrow vein gold concessions in Peru. The concessions cover 1,700 hectares and are located approximately 80 km from the city of Arequipa. The option is valid for 6 months from signing at a cost of \$100,000 USD. An initial \$50,000 USD was paid upon signing, the remaining \$50,000 USD will be employed for due diligence purposes.
  
- viii) On November 22, 2007, the Company issued 2,675,194 flow-through units ("FT Unit") at \$0.18 for a total amount of \$481,535 in cash. Each FT Unit is comprised of one flow-through common share and one transferable non-flow-through share purchase warrant. Each share purchase warrant entitles its holder thereof to purchase one additional common share of the Company at a price of \$0.25 for a period of 12 months from the closing date and thereafter at a price of \$0.30 for an additional period of twelve months. The broker obtained a cash finder's fee from the Company equal to 2% of the aggregate gross proceeds along with finder's shares equal to 2% of the units subscribed for and finder's options equal to 10% of the number of units subscribed for. The options are issued under the same terms as the share purchase warrants issued to the subscribers.

### 19- COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.