

## **Notice of No Auditor Review of Interim Consolidated Financial Statements**

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Corporation discloses that its auditors have not reviewed the unaudited consolidated financial statements as at and for the three and six months ended June 30, 2007 and 2006.

**Jasper Mining Corporation**  
**(a development stage Corporation)**  
**Consolidated Balance Sheets**  
(unaudited)

	<u>June 30</u> <u>2007</u>	<u>December 31</u> <u>2006</u>
<b>Assets</b>		
Current		
Cash	\$ 256,869	\$ 234,847
Term deposit (note 4)	349,177	1,341,900
Accounts receivable	<u>58,225</u>	<u>43,304</u>
	664,271	1,620,051
Prepaid and mineral property deposits	48,357	41,104
Investment	100	100
Mineral properties (note 5)	6,751,208	5,804,075
Capital assets (note 6)	<u>168,600</u>	<u>164,774</u>
	<u>\$ 7,632,536</u>	<u>\$ 7,630,104</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 289,443	\$ 398,242
Current portion of long-term debt (note 7)	<u>15,221</u>	<u>15,221</u>
	304,664	413,463
Long term debt (note 7)	2,669	10,282
Future income taxes (note 11)	<u>1,323,780</u>	<u>1,309,090</u>
	<u>1,631,113</u>	<u>1,732,835</u>
<b>Shareholders' Equity</b>		
Share capital (note 8)	4,967,675	4,643,699
Warrants (note 9)	565,645	2,178,057
Contributed surplus (note 10)	2,950,513	1,306,512
Deficit	<u>(2,482,410)</u>	<u>(2,230,999)</u>
	<u>6,001,423</u>	<u>5,897,269</u>
	<u>\$ 7,632,536</u>	<u>\$ 7,630,104</u>

See accompanying notes to consolidated financial statements.

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**Jasper Mining Corporation**  
**(a development stage Corporation)**  
**Interim Consolidated Statements of Operations and Deficit**  
(unaudited)

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	Three months ended June 30		Six months ended June 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Interest income</b>	\$ <u>13,516</u>	\$ <u>27,275</u>	\$ <u>29,247</u>	\$ <u>53,597</u>
<b>Expenses</b>				
General and administrative	55,337	76,947	102,445	106,865
Stock-based compensation (note 8)	66,588	322,105	157,380	394,630
Interest	582	37,093	10,820	60,790
Depreciation	5,124	6,143	9,823	8,894
	<u>127,631</u>	<u>442,288</u>	<u>280,468</u>	<u>571,179</u>
<b>Loss before income taxes</b>	<b>(114,115)</b>	<b>(415,013)</b>	<b>(251,221)</b>	<b>(517,582)</b>
<b>Income taxes</b>				
Future income tax provision (reduction) (note 11)	<u>(1,486)</u>	<u>(176,216)</u>	<u>190</u>	<u>(125,261)</u>
<b>Loss for the period</b>	<b>(112,629)</b>	<b>(238,797)</b>	<b>(251,411)</b>	<b>(392,321)</b>
<b>Deficit, beginning of period</b>	<b>(2,369,781)</b>	<b>(1,263,173)</b>	<b>(2,230,999)</b>	<b>(1,109,649)</b>
<b>Deficit, end of period</b>	\$ <b><u>(2,482,410)</u></b>	\$ <b><u>(1,501,970)</u></b>	\$ <b><u>(2,482,410)</u></b>	\$ <b><u>(1,501,970)</u></b>
<b>Loss per share – basic</b>	\$ -	\$ (0.01)	\$ (0.01)	\$ -
Weighted average number of shares outstanding	<b>47,585,053</b>	46,198,451	<b>47,406,600</b>	45,839,220

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See accompanying notes to consolidated financial statements.

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**Jasper Mining Corporation**  
**(a development stage Corporation)**  
**Interim Consolidated Statements of Cash Flows**  
(unaudited)

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	Three months ended June 30		Six months ended June 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Operating</b>				
Loss for the period	\$ (112,629)	\$ (238,797)	\$ (251,411)	\$ (392,321)
Add back non-cash items:				
Stock-based compensation	66,588	322,105	157,380	394,630
Interest income	10,401	–	–	–
Interest expense	(10)	–	(503)	–
Depreciation	5,124	6,143	9,823	8,894
Future income tax provision (reduction)	(1,486)	(176,216)	190	(125,261)
	<u>(32,012)</u>	<u>(86,765)</u>	<u>(84,521)</u>	<u>(114,058)</u>
Change in non-cash working capital (note 12)	<u>(71,507)</u>	<u>(6,633)</u>	<u>(153,725)</u>	<u>(10,194)</u>
	<u>(103,519)</u>	<u>(93,398)</u>	<u>(238,246)</u>	<u>(124,252)</u>
<b>Financing</b>				
Issuance of equity instruments, net of costs	-	97,500	190,000	317,500
Repayment of long-term debt	(3,807)	(3,806)	(7,613)	(7,611)
Change in non-cash working capital (note 12)	<u>(37,000)</u>	<u>47,693</u>	<u>(37,795)</u>	<u>(28,622)</u>
	<u>(40,807)</u>	<u>141,387</u>	<u>144,592</u>	<u>281,267</u>
<b>Investing</b>				
Mineral property expenditures	(494,271)	(726,631)	(924,449)	(836,859)
Capital asset expenditures	(13,649)	(43,923)	(13,649)	(43,923)
Redemption of short term investment	743,227	722,726	993,227	696,403
Advances on deposits	(4,900)	(6,612)	(7,253)	(11,339)
Change in non-cash working capital (note 12)	<u>7,886</u>	<u>64,392</u>	<u>67,800</u>	<u>(11,414)</u>
	<u>238,293</u>	<u>9,952</u>	<u>115,676</u>	<u>(207,132)</u>
<b>Increase (decrease) in cash</b>	<b>93,967</b>	<b>57,941</b>	<b>22,022</b>	<b>(50,117)</b>
Cash, beginning of period	<u>162,902</u>	<u>400,169</u>	<u>234,847</u>	<u>508,227</u>
<b>Cash, end of period</b>	<b>\$ <u>256,869</u></b>	<b>\$ <u>458,110</u></b>	<b>\$ <u>256,869</u></b>	<b>\$ <u>458,110</u></b>

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See accompanying notes to consolidated financial statements.

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# **Jasper Mining Corporation**

## **(a development stage Corporation)**

### **Notes to the Financial Statements**

June 30, 2007

(unaudited)

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#### **1. Nature of operations and basis of presentation**

Jasper Mining Corporation (the "Corporation") was incorporated on November 28, 1994 in the Province of Alberta. The Corporation is in the exploration stage and is engaged in the exploration for and development of base and precious metals in Canada.

Although the Corporation has taken steps to verify the title to resources properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Corporation's title. Property title may be subject to unregistered prior agreements, transfers or Native land claims and as a result the property titles may be affected by undetected defects.

The carrying value of mineral properties represents costs incurred to date, net of abandonment's and write-downs, and do not necessarily reflect present or future values. The ability of the Corporation to continue as a going concern and the recoverability of amounts shown for mineral properties is dependent upon the existence of economically recoverable mineral reserves, the ability of the Corporation to obtain necessary financing to complete their development and upon future profitable operations. These unaudited interim consolidated financial statements have been prepared on a going concern basis, which assumes the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. These unaudited interim consolidated financial statements do not include any adjustments that would be necessary should the Corporation be unable to raise sufficient capital and consequently be unable to continue as a going concern.

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiary, Mountain Star Resources Ltd. All inter-corporate balances and transactions have been eliminated.

#### **2. Significant accounting policies**

These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and on a basis consistent with the audited December 31, 2006 consolidated financial statements except that certain disclosures have been condensed or omitted. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the notes contained in the Corporation's audited December 31, 2006 consolidated financial statements. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. Accordingly, actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies.

The operating results for the three and six months ended June 30, 2007 may not be indicative of the results for the year ended December 31, 2007.

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# Jasper Mining Corporation

## (a development stage Corporation)

### Notes to the Financial Statements

June 30, 2007  
(unaudited)

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#### 3. Changes in accounting policies

On January 1, 2007, the Company adopted the new or revised Canadian accounting standards for financial instruments—recognition and measurement, financial instruments—presentation and disclosures, comprehensive income and accounting changes. Prior periods have not been restated. Additional disclosure requirements for financial instruments have been approved by the Canadian Institute of Chartered Accountants and will be required disclosure beginning January 1, 2008.

##### a) Financial instruments—recognition and measurement

This new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired. Changes to the measurement of existing financial assets and liabilities at the date of adoption were adjusted to either opening deficit or opening accumulated other comprehensive income as noted above.

##### b) Derivative instruments

Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value unless they qualify for the normal sale and purchase exception. Changes in the fair values of derivative instruments are recognized in net loss with the exception of derivatives designated as cash flow hedges. The Corporation did not identify any derivatives which require separate recognition and measurement.

##### c) Comprehensive income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as held available-for-sale. In accordance with this new standard, the Corporation now reports a consolidated statement of comprehensive income combined with the statement of loss and a new category, accumulated other comprehensive income, in the shareholders' equity section of the consolidated balance sheet.

##### d) Accounting changes

Voluntary changes in accounting policies are permitted only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impracticable to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and change in accounting estimates are applied prospectively by including the effect of the change in earnings.

# Jasper Mining Corporation

## (a development stage Corporation)

### Notes to the Financial Statements

June 30, 2007  
(unaudited)

#### 4. Term deposit

The Corporation holds a guaranteed investment certificate in the principal amount of \$348,674 (2006 – \$1,319,203) which bears interest of 4.05% for the term. Included in the reported balance of the term deposit is interest of \$503 which has been accrued as at June 30, 2007 (December 31, 2006 – \$22,697). The investment matures on July 30, 2007 and is redeemable at any time before maturity.

#### 5. Mineral properties

		December 31, 2006	Expenditures	June 30, 2007
Vowell Creek	Acquisition	\$ 618,579	\$ -	\$ 618,579
	Exploration	1,618,287	3,107	1,621,394
Isintok	Acquisition	112,957	-	112,957
	Exploration	1,236,116	68,206	1,304,322
Lydy/McFarlene	Acquisition	87,561	260	87,821
	Exploration	518,548	191,556	710,104
Proximal	Acquisition	37,718	536	38,254
	Exploration	119,877	435	120,312
Erie Creek	Acquisition	42,734	4,269	47,003
	Exploration	154,377	627,067	781,444
Irony	Acquisition	46,469	11,793	58,262
	Exploration	541,063	9,905	550,968
Other	Acquisition	280,653	7,748	288,401
	Exploration	389,136	22,251	411,387
		\$ <u>5,804,075</u>	\$ <u>947,133</u>	\$ <u>6,751,208</u>
Summary	Acquisition	\$ 1,226,671	\$ 24,606	\$ 1,251,277
	Exploration	<u>4,577,404</u>	<u>922,527</u>	<u>5,499,931</u>
		\$ <u>5,804,075</u>	\$ <u>947,133</u>	\$ <u>6,751,208</u>

# Jasper Mining Corporation

## (a development stage Corporation)

### Notes to the Financial Statements

June 30, 2007  
(unaudited)

#### 6. Capital Assets

	June 30, 2007		
	Cost	Accumulated depreciation	Net
Land	\$ 106,735	\$ –	\$ 106,735
Furniture and fixtures	1,708	1,334	374
Vehicle	70,887	28,907	41,980
Fence	12,692	317	12,375
Computer equipment	14,005	6,869	7,136
	<u>\$ 206,027</u>	<u>\$ 37,427</u>	<u>\$ 168,600</u>

#### 7. Long-term debt

In September 2005, the Corporation obtained vehicle purchase financing in the amount of \$45,000 with an implicit interest rate of 3.9% per annum having blended payments of \$1,346 each month from October 2005 to October 2008 and secured by the vehicle with a net book value of \$33,503. As at June 30, 2007, the balance of the financing was \$17,890, of which \$15,221 represents the principal portion of total of payments due by June 30, 2008.

Remaining future principal payments due each fiscal year are as follows:

2007	\$ 15,221
2008	<u>2,669</u>
	<u>\$ 17,890</u>

#### 8. Share capital

##### a) Common shares issued

	Number	Amount
Balance – December 31, 2006	46,985,053	\$ 4,643,699
Exercise of warrants (i)	600,000	338,476
Tax effect of flow-through share proceeds (ii)	–	(14,500)
Balance – June 30, 2007	<u>47,585,053</u>	<u>\$ 4,967,675</u>

- i) In March 2007, the Corporation issued 600,000 common shares for total proceeds of \$190,000 on the exercise of 600,000 warrants. In addition to the cash proceeds, a pro-rata allocation of the exercised warrants' fair value in the amount of \$148,476 has been reclassified from warrants to the amount for common shares.
- ii) The \$14,500 tax effect of the \$50,000 flow-through share proceeds raised in 2006 was recorded in February 2007 when the tax benefits were filed with the tax authorities and renounced to investors with an effective date of December 31, 2006. All of the qualifying flow-through expenditures had been incurred as at March 31, 2007.

# Jasper Mining Corporation

## (a development stage Corporation)

### Notes to the Financial Statements

June 30, 2007  
(unaudited)

#### 8. Share capital (continued)

##### b) Stock options

As at December 31, 2006 and June 30, 2007, the Corporation had 5,452,500 stock options outstanding. The following table summarizes information about stock options outstanding as at June 30, 2007:

Exercise price \$	Number Outstanding	Weighted average remaining contractual life (years)	Number exercisable	Weighted average exercise price \$
0.20	925,000	2.40	925,000	0.20
0.25	200,000	3.00	200,000	0.25
0.30	1,207,500	3.68	1,207,500	0.30
0.40	2,200,000	4.40	1,100,000	0.40
0.45	920,000	3.30	920,000	0.45
	<u>5,452,500</u>	<u>3.64</u>	<u>4,352,500</u>	<u>0.35</u>

The Corporation recognized stock-based compensation expense in 2007 for the following options granted in 2006:

Number of options	Weighted average estimated fair value per share	2007 stock-based compensation expense	Remaining stock- based compensation expense
1,025,000	\$0.35	\$ 26,486	\$ –
<u>2,200,000</u>	<u>\$0.28</u>	<u>130,894</u>	<u>112,388</u>
<u>3,225,000</u>		<u>\$ 157,380</u>	<u>\$ 112,388</u>

Stock-based compensation for options granted to directors is based on the estimated fair value at the time of the grant. Stock-based compensation for options granted to consultants is based on the estimated fair value at each balance sheet date until the related options are fully vested. The estimated fair value of the options is recognized over the vesting period of the options and has been recorded in the three and six months ended June 30, 2007 as follows:

	Three months ended June 30, 2007	Six months ended June 30, 2007
Stock-based compensation expense	\$ 66,588	\$ 157,380
Capitalized to mineral properties	<u>8,766</u>	<u>22,685</u>
	<u>\$ 75,354</u>	<u>\$ 180,065</u>

##### c) Per share amounts

Per share calculations are based on 47,585,053 and 47,406,600 basic weighted average number of common shares outstanding during the three and six months ended June 30, 2007 (three and six months ended June 30, 2006 – 46,198,451 and 45,839,220). Diluted loss per share has not been disclosed as such would be anti-dilutive.

# Jasper Mining Corporation

## (a development stage Corporation)

### Notes to the Financial Statements

June 30, 2007  
(unaudited)

#### 9. Warrants

	Number		Amount
Balance – December 31, 2006	7,409,107	\$	2,178,057
Expired	(4,972,107)		(1,463,936)
Exercised ( <i>note 8(a)(i)</i> )	(600,000)		(148,476)
Balance – June 30, 2007	<u>1,837,000</u>	\$	<u>565,645</u>

The following table summarizes information about common share purchase warrants outstanding at June 30, 2007:

Exercise Price \$	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Number Exercisable	Weighted Average Exercise Price \$
0.75	1,837,000	0.71	1,837,000	0.75

#### 10. Contributed surplus

Balance – December 31, 2006	\$ 1,306,512
Stock-based compensation expense ( <i>note 8(b)</i> )	180,065
Warrants expired ( <i>note 9</i> )	<u>1,463,936</u>
Balance – June 30, 2007	<u>\$ 2,950,513</u>

#### 11. Income taxes

The Corporation's computation of future income tax provision is as follows:

	Three months ended June		Six months ended June 30	
	2007	2006	2007	2006
Expected income tax recovery at 32.12% (2006 – 32.5%)	\$ (36,654)	\$ (131,679)	\$ (80,692)	\$ (168,214)
Stock compensation and other non-deductible items	21,635	103,789	51,107	130,562
Change in valuation allowance	12,074	(83,603)	3,713	(50,513)
Resource allowance	-	2,997	-	4,819
Effect of rate change and other	1,459	(67,720)	26,062	(41,915)
Income tax recovery	<u>\$ (1,486)</u>	<u>\$ (176,216)</u>	<u>\$ 190</u>	<u>\$ (125,261)</u>

**Jasper Mining Corporation**  
**(a development stage Corporation)**  
**Notes to the Financial Statements**  
June 30, 2007  
(unaudited)

**11. Income taxes (continued)**

The components of the net future income tax asset (liability) as at June 30, 2007 are as follows:

Mineral properties and deferred exploration costs	\$ (1,323,780)
Non-capital loss carryforwards	424,110
Share issue costs	91,478
	<u>(808,192)</u>
Valuation allowance	(515,588)
	<u>\$ (1,323,780)</u>

As at June 30, 2007, the Corporation had approximately \$2,200,000 of tax pools and \$1,460,000 of non-capital losses available for deduction against future taxable income. The non-capital losses expire between 2007 and 2015.

The future income tax assets for non-capital losses and share issue costs have not been recognized as their recovery is uncertain.

**12. Change in non-cash working capital**

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Accounts receivable	\$ (23,227)	\$ (36,369)	\$ (14,921)	\$ (10,740)
Note receivable	-	(30,000)	-	(30,000)
Accounts payable and accrued liabilities	<u>(77,394)</u>	<u>171,821</u>	<u>(108,799)</u>	<u>(9,490)</u>
	<u>\$ (100,621)</u>	<u>\$ 105,452</u>	<u>\$ (123,720)</u>	<u>\$ (50,230)</u>

The change in non-cash working capital has been allocated to the following activities:

	Three months ended June 30		Six months ended June 30	
	2007	2006	2007	2006
Operating	\$ (71,507)	\$ (6,633)	\$ (153,725)	\$ (10,194)
Financing	(37,000)	47,693	(37,795)	(28,622)
Investing	<u>7,886</u>	<u>64,392</u>	<u>67,800</u>	<u>(11,414)</u>
	<u>\$ (100,621)</u>	<u>\$ 105,452</u>	<u>\$ (123,720)</u>	<u>\$ (50,230)</u>

**13. Related Party Transactions**

Except as disclosed elsewhere in the financial statements, the Corporation had the following related party transactions during the three and six months ended June 30, 2007:

- a) A total of \$11,025 and \$22,050, respectively, (2006 – \$5,250 and \$10,500) was charged by a company owned by the president for rent and administrative services.
- b) Consulting fees of \$70,845 and \$147,031, respectively, (2006 – \$80,048 and \$110,096) was paid to a company owned by an officer of the Corporation and capitalized to exploration and development costs.

Transactions in the normal course of operations were recorded at exchange amounts, which is the amount of consideration established and agreed to by the related parties.