
Auditors' Report

To the Shareholders of
Jasper Mining Corporation

We have audited the balance sheets of Jasper Mining Corporation as at December 31, 2007 and 2006 and the statements of loss and deficit 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 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.

Signed "BDO Dunwoody LLP"
CHARTERED ACCOUNTANTS

Calgary, Alberta
April 25, 2008

Jasper Mining Corporation

(an exploration stage Corporation)

Balance Sheets

December 31

	2007	2006
Assets		
Current		
Cash and cash equivalents	\$ 597,796	\$ 234,847
Term deposit (note 4)	2,265,294	1,341,900
Due from related party (note 15)	15,830	-
Accounts receivable	44,557	43,304
	<u>2,923,477</u>	1,620,051
Mineral property deposits (note 5)	41,492	41,104
Investment (note 6)	100	100
Mineral properties (note 7)	7,537,486	5,804,075
Capital assets (note 8)	164,497	164,774
	<u>\$ 10,667,052</u>	<u>\$ 7,630,104</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 457,904	\$ 398,242
Current portion of long-term debt (note 9)	10,282	15,220
	<u>468,186</u>	413,462
Long-term debt (note 9)	-	10,283
Future income taxes (note 13)	1,058,200	1,309,090
	<u>1,526,386</u>	<u>1,732,835</u>
Shareholders' Equity		
Share capital (note 10)	7,064,611	4,643,699
Warrants (note 11)	1,088,921	2,178,057
Contributed surplus (note 12)	3,912,411	1,306,512
Deficit	<u>(2,925,277)</u>	<u>(2,230,999)</u>
	<u>9,140,666</u>	<u>5,897,269</u>
	<u>\$ 10,667,052</u>	<u>\$ 7,630,104</u>
Nature of operation and basis of presentation (note 1)		
Commitments (note 10(b)(v))		
Subsequent events (note 17)		

On behalf of the Board

"Signed" Gordon Dixon, Director

"Signed" Ronald W. Shepherd Director

See accompanying notes to financial statements

Jasper Mining Corporation
(an exploration stage Corporation)
Statements of Loss and Deficit
Years ended December 31

	<u>2007</u>	<u>2006</u>
Revenue		
Interest	\$ <u>27,183</u>	\$ <u>90,788</u>
Expenses		
General and administrative (note 15)	336,627	427,916
Part XII.6 interest	25,412	120,674
Interest on long-term debt	2,331	1,981
Stock-based compensation (note 10)	388,011	757,144
Impairment on mineral properties (note 7)	98,382	-
Amortization	19,647	17,788
	<u>870,410</u>	<u>1,325,503</u>
Loss before income taxes	(843,227)	(1,234,715)
Income taxes (note 13)		
Current income tax	-	9,159
Future income tax reduction	(148,949)	(122,524)
	<u>(148,949)</u>	<u>(113,365)</u>
Net loss for the year	(694,278)	(1,121,350)
Deficit, beginning of year	<u>(2,230,999)</u>	<u>(1,109,649)</u>
Deficit, end of year	<u><u>\$ (2,925,277)</u></u>	<u><u>\$ (2,230,999)</u></u>
Net loss per share – basic and diluted (note 10(d))	\$ (0.02)	\$ (0.02)

See accompanying notes to financial statements

Jasper Mining Corporation

(an exploration stage Corporation)

Statements of Cash Flows

Years ended December 31

	2007	2006
Operating		
Net loss for the year	\$ (694,278)	\$ (1,121,350)
Add back non-cash items:		
Stock-based compensation	388,011	757,144
Interest revenue	(5,794)	(22,698)
Part XII.6 interest	-	120,674
Amortization	19,647	17,788
Impairment on mineral properties	98,382	-
Future income tax reduction	(148,949)	(122,524)
	(342,981)	(370,966)
Change in non-cash working capital (<i>note 14</i>)	(37,229)	105,542
	(380,210)	(265,424)
Financing		
Issuance of share capital, net of costs	3,384,237	560,181
Repayment of long-term debt	(15,221)	(15,222)
Change in non-cash working capital (<i>note 14</i>)	11,109	(75,520)
	3,380,125	469,439
Investing		
Payment on mineral deposit	(388)	(13,604)
Mineral property expenditures	(1,768,309)	(2,568,962)
Capital asset expenditures	(19,370)	(43,923)
Term deposit (purchase) redemption	(917,596)	2,188,111
Investment purchase	-	(100)
Change in non-cash working capital (<i>note 14</i>)	68,697	(38,917)
	(2,636,966)	(477,395)
Increase (decrease) in cash	362,949	(273,380)
Cash and cash equivalents, beginning of year	234,847	508,227
Cash and cash equivalents, end of year	\$ 597,796	\$ 234,847
Supplemental cash flow information:		
Interest paid	\$ 158,086	\$ 6,696
Taxes paid	-	5,906

See accompanying notes to financial statements

Jasper Mining Corporation

(an exploration stage Corporation)

Notes to the Financial Statements

December 31, 2007 and 2006

1. Nature of operations and basis of presentation

Jasper Mining Corporation (the "Corporation") was incorporated on November 28, 1994 in the Province of Alberta. Effective November 14, 2007, the Corporation amalgamated with its wholly-owned subsidiary, Mountain Star Resources Ltd. 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 resource 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.

Mineral properties, including exploration properties, are recognized in these financial statements in accordance with the accounting policies outlined in note 2. Accordingly, their carrying amounts represent 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 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 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.

Subsequent to December 31, 2007, the Corporation has raised additional equity of \$521,500 on four private placements plus \$190,000 on the exercise of warrants which will assist the Corporation in meeting its outstanding flow-through expenditure commitments while undertaking further exploration and development on its mineral properties.

The financial statements include the accounts of the Corporation and its amalgamated corporation, Mountain Star Resources Ltd. All inter-corporate balances and transactions have been eliminated that occurred prior to the amalgamation. The comparative 2006 financial statements were consolidated with Mountain Star Resources Ltd.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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 summarized below:

a) Investment

Investment is stated at cost less provisions for other than temporary impairment, if any. Investment is classified as a long-term asset in concurrence with the nature of the investment.

Jasper Mining Corporation

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Notes to the Financial Statements

December 31, 2007 and 2006

2. Significant accounting policies (continued)

b) Mineral properties

The Corporation records its interest in mineral claims and properties at cost whereby all direct and indirect costs of acquiring, exploring for and developing mining properties are capitalized as separate areas of interest. If the areas of interest are brought into production, the costs will be amortized using the unit-of-production method based on estimated proved reserves. Where a property shows no promise from prior exploration results and is dormant, the claims may be allowed to lapse, and would be written down to a nominal value where an interest in claims remained. Management will also determine if an exploration property is impaired, and whether the carrying value of such property should be written down and whether exploration costs incurred should be charged against earnings (loss) rather than being deferred, on each occasion that financial statements are issued.

Amounts recorded for mineral properties represent costs incurred to date and are not intended to reflect present or future values. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves and future production or proceeds from the disposition thereof.

Where the Corporation's exploration commitments for a mineral property are performed under option agreements with a third party, the proceeds of option payments under such agreements are applied to the mineral property to the extent costs are incurred. The excess is recorded to earnings (loss). Provincial government mining tax credits reduce the book value of mineral properties.

c) Capital Assets

Capital assets are recorded at cost. Amortization is determined using the declining balance basis, over the estimated useful life of the assets at the following annual rates:

Furniture and equipment	20 to 30%
Vehicles	30%

d) Asset retirement obligation

Asset retirement costs and liabilities associated with site restoration and abandonment of long-lived assets are initially measured at fair value which approximates the cost a third party would incur in performing the tasks necessary to retire such assets. Such costs are capitalized as part of the cost of mineral properties and amortized to expense through depletion over the life of the asset. The change in the liability due to the passage of time is measured by applying an interest method of allocation to the opening liability and is recognized as an increase in the carrying value of the liability and an expense. The expense is recorded as accretion expense in the statement of loss. A change in the liability resulting from revisions to either the timing or the amount of the original estimate of undiscounted cash flows is recognized as an increase or decrease in the carrying amount of the liability, with an offsetting increase or decrease in the carrying amount of the associated asset. Management has reviewed the nature of exploration activity on the properties including the potential impact that would require restoration. The Corporation has assessed the exposure to be immaterial to the financial statements and accordingly, has not recorded an asset retirement obligation.

Jasper Mining Corporation

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Notes to the Financial Statements

December 31, 2007 and 2006

2. Significant accounting policies (continued)

e) Future income taxes

The Corporation follows the asset and liability method of accounting for income taxes. Under this method future tax assets and liabilities are determined based on differences between financial reporting and income tax bases of assets and liabilities, and are measured using substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in earnings (loss) in the period in which the change is substantively enacted. A valuation allowance is recorded against a future income tax asset if it is more likely than not that the asset will not be realized.

f) Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada) (the "Act"). The Act provides that, where the share issuance proceeds are used for exploration and development expenditures, the related income tax deduction may be renounced to subscribers. Accordingly, these expenditures provide no income tax deduction to the Corporation.

Share capital is reduced and a future income tax liability is recorded for the estimated future tax cost of the renounced expenditures, on the date that the Corporation files the renouncement documents with the tax authorities.

g) Stock options

Under the Corporation's stock option plan described in note 10, options to purchase common shares are granted to directors and consultants at current market prices. Stock-based compensation expense is recorded in the statement of loss for all options granted with a corresponding increase recorded as contributed surplus. Compensation expense is based on the estimated fair values on the options at the time of the grant as determined using a Black-Scholes option pricing model. The expense is recognized on a straight-line basis over the vesting period. Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. In the event that vested options expire unexercised, previously recognized compensation expense associated with such stock options is not reversed. In the event that unvested options are cancelled, previously recognized compensation expense associated with such stock options is reversed.

h) Per share amounts

The treasury stock method of calculating diluted per share amounts is used whereby any proceeds from the exercise of in-the-money stock options or warrants are assumed to be used to purchase, for cancellation, common shares of the Corporation at the average market price during the year. Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the year. Diluted per share amounts reflect the potential dilution that could occur if stock options or warrants to purchase common shares were exercised and converted to common shares.

Jasper Mining Corporation

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Notes to the Financial Statements

December 31, 2007 and 2006

2. Significant accounting policies (continued)

i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The expenditure classification made with respect to the renouncement of flow-through shares is based on estimates from geologic information obtained and the classification of the expenditures may be challenged by the taxation authorities and in this regard the assessments may be different from that of management. The amounts recorded for stock-based compensation and the value of warrants are based on estimates and assumptions for expected volatility and risk-free interest rates. By their nature, these estimates and assumptions are subject to measurement uncertainty, and the impact in the financial statements of future periods could be material. These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings (loss) in the periods in which they become known.

j) Revenue Recognition

Interest income is recorded on a pro rata basis over the interest term.

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 (loss). Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings (loss) 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.

The Corporation has classified its financial assets and liabilities as follows:

<u>Held-for-trading</u>	<u>Loans and receivables</u>	<u>Other liabilities</u>
Cash and cash equivalents	Accounts receivable	Accounts payable and accrued liabilities
Investment	Due from related party	Long term debt
Term deposits	Mineral property deposits	

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Notes to the Financial Statements

December 31, 2007 and 2006

3. Changes in accounting policies (continued)

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 (loss)

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 will report a statement of comprehensive income (loss) combined with the statement of loss and a new category, accumulated other comprehensive income (loss), in the shareholders' equity section of the balance sheet. The application of this new standard has no effect on the Corporation's financial statements.

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.

e) Pending accounting pronouncements

The Corporation is currently assessing the impact of these following new standards on its financial statements:

(i) Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006 three new accounting standards were issued by the CICA. These were Section 1535 Capital Disclosures, Section 3862 Financial Instruments – Disclosure and Section 3863 Financial Instruments – Presentation. These new standards will be effective on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital, (ii) quantitative data about what the entity regards as capital, (iii) whether the entity has complied with any capital requirements, and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Section 3861 Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

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Notes to the Financial Statements

December 31, 2007 and 2006

3. Changes in accounting policies (continued)

e) Pending accounting pronouncements (continued)

(ii) International Financial Reporting Standards ("IFRS")

In 2005, the Accounting Standards Board of Canada ("AcSB") announced that accounting standards in Canada are to converge with IFRS. The AcSB has indicated that Canadian entities will need to begin reporting under IFRS by the first quarter of 2011 with appropriate comparative data from the prior year. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed.

4. Term deposit

The Corporation holds a guaranteed investment certificate in the principal amount of \$2,259,500 (2006 – \$1,319,203) which bears interest of 3.90% (2006 – 4.05%) for the term. The term deposit has been classified as a held-for-trading financial instrument. The reported balance of the term deposit represents its estimated fair value and includes interest of \$5,794 which has been accrued as at December 31, 2007 (December 31, 2006 – \$22,697). The investment matures on December 8, 2008 and is redeemable at any time before maturity.

5. Mineral property deposits

The Corporation has made no provision for site restoration costs or potential environmental liabilities on the basis any such liability would not have a material effect on these financial statements. Factors such as further exploration, inflation and changes in technology may materially change the cost estimate. Mineral property deposits totaling \$41,492 (2006 – \$41,104) have been paid to the Government of British Columbia and are refundable upon reclamation of areas impacted by mining exploration activities.

6. Investment

The Corporation owns 50% of the common shares outstanding in a private company named Jasper Diamonds Inc. for \$100. The remaining 50% is held by the President of the Corporation. The Company was inactive throughout the year and held no assets or liabilities.

Jasper Mining Corporation
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Notes to the Financial Statements
December 31, 2007 and 2006

7. Mineral properties

		<u>December 31, 2006</u>	<u>Expenditures</u>	<u>December 31, 2007</u>
Vowell Creek	Acquisition	\$ 618,579	\$ 2,803	\$ 621,382
	Exploration	1,618,287	11,230	1,629,517
Isintok	Acquisition	112,957	351	113,308
	Exploration	1,236,116	71,793	1,307,909
Lydy/McFarlene	Acquisition	87,561	2,167	89,728
	Exploration	518,548	728,818	1,247,366
Proximal	Acquisition	37,718	536	38,254
	Exploration	119,877	447	120,324
Erie Creek	Acquisition	42,734	14,723	57,457
	Exploration	154,377	822,805	977,182
Irony	Acquisition	46,469	11,793	58,262
	Exploration	541,063	13,161	554,224
Other	Acquisition	280,653	13,832	294,485
	Exploration	389,136	137,334	526,470
		<u>\$ 5,804,075</u>	<u>\$ 1,831,793</u>	<u>\$ 7,635,868</u>
Impairment		<u>-</u>	<u>(98,382)</u>	<u>(98,382)</u>
		<u><u>5,804,075</u></u>	<u><u>1,733,411</u></u>	<u><u>7,537,486</u></u>
Summary	Acquisition	\$ 1,226,671	\$ 46,205	\$ 1,272,876
	Exploration	4,577,404	1,785,588	6,362,992
Impairment		<u>-</u>	<u>(98,382)</u>	<u>(98,382)</u>
		<u><u>\$ 5,804,075</u></u>	<u><u>\$ 1,733,411</u></u>	<u><u>\$ 7,537,486</u></u>

- a) During 2007 the Corporation capitalized \$63,485 of stock based compensation (2006 – \$98,572). During 2007, management's evaluation of the Corporation's exploration results and future plans for the two properties in British Columbia determined the properties to be impaired. Although the Company will continue to hold the related claims, an impairment charge of \$98,382 was recorded to the statement of loss. Future license fees will be expensed as incurred until management recommences exploration plans or the claims are sold.

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Notes to the Financial Statements

December 31, 2007 and 2006

7. Mineral properties (continued)

- b) Pursuant to a mining option agreement between the Corporation and Van der Lee, Berar, Coldwell and Adamson, signed June 29, 2001 and a letter agreement signed January 11, 2002, the Corporation has an option to earn a 100% interest in the Vowell Creek area claims located in British Columbia under the following conditions:

- i) \$5,000 payment
- ii) Issue of 1,100,000 common shares of the Corporation within 90 days of closing
- iii) \$40,000 to be paid before June 2, 2006
- iv) \$50,000 to be spent annually on the properties on exploration.

At December 31, 2007 the Corporation has complied with all items above. Due to the amount already spent on exploration, the Corporation had no financial commitment in 2007. In June 2006, the Corporation had earned a 100% interest in these claims.

Pursuant to the mining option agreement the Corporation also has the option to purchase a 3% net smelter return royalty for \$1,750,000, at any time. The 3% return royalty only relates to Van der Lee, Berar, Coldwell and Adamson claims which is a small portion of the Corporation's Ruth Vermont Vowell Creek claims.

- c) Pursuant to a mining option agreement between the Corporation and Mellenco Investments Ltd., signed May 31, 1999, the Corporation has the option to earn a 100% interest in the Vermont Creek area claims (part of the Vowell Creek Project) located in British Columbia under the following conditions:

- i) \$10,000 payment upon closing;
- ii) Issue of 450,000 common shares of the Corporation to be issued within 60 days of closing;
- iii) \$100,000 to be paid before May 31, 2005;
- iv) \$50,000 to be spent annually on the properties on exploration until closing; and
- v) Mellenco Investments Ltd. to be guaranteed a 1.5% net smelter return royalty interest

In August 2005, the Corporation renegotiated the terms of the original agreement to earn the 100% interest in the claims in exchange for 100,000 common shares of the Corporation and a \$20,000 cash payment. The Corporation issued the common shares in August 2005 which were valued at \$5,000 based on the trading price of the Corporation's shares on the date of issuance. The acquisition was completed in February 2006 upon delivery of the \$20,000 cash payment.

- d) Pursuant to an agreement dated February 6, 1996, Centipede Resources Ltd. transferred certain mining claims held in the Ruth Vermont Claim Group, being part of the Vowell Creek project in British Columbia, to the Corporation for a 5% net profits return. The Corporation has the option to purchase the net profits return for \$1,000,000.
- e) In June 2005, the Corporation signed an agreement to acquire six crown grants located in the Bobbie Burns/Vowell Creek area of British Columbia from an unrelated party in exchange for 100,000 common shares of the Corporation and an \$18,000 cash payment. The Corporation issued the common shares in July 2005 which were valued at \$7,000 based on the trading price of the Corporation's shares on the date of issuance. The acquisition was completed in February 2006 upon delivery of the \$18,000 cash payment.
- f) Pursuant to an agreement dated April 19, 2006, Rich River Exploration Ltd. transferred 59 mining claim properties in British Columbia to the Corporation in exchange for 50,000 common shares of the Corporation and \$31,200 cash payment made in May 2006. The Corporation issued the common shares in May 2006 which were valued at \$25,000 based on the trading price of the Corporation's shares on the date of issuance. The Corporation has no outstanding financial commitment to Rich River Exploration Ltd.

Jasper Mining Corporation

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Notes to the Financial Statements

December 31, 2007 and 2006

7. Mineral properties (continued)

- g) Pursuant to an agreement signed in September 2006, two unrelated parties transferred two mining claim properties in British Columbia to the Corporation in exchange for 40,000 common shares of the Corporation and \$22,500 cash payment made in November 2006. The Corporation issued the common shares in November 2006 which were valued at \$14,000 based on the trading price of the Corporation's shares on the date of issuance. The Corporation has no outstanding financial commitment to the two parties.

8. Capital Assets

	2007		
	Cost	Accumulated amortization	Net
Land	\$ 112,456	\$ -	\$ 112,456
Furniture and fixtures	1,708	1,375	333
Vehicle	70,887	36,315	34,572
Fence	12,692	635	12,057
Computer equipment	14,005	8,926	5,079
	<u>\$ 211,748</u>	<u>\$ 47,251</u>	<u>\$ 164,497</u>
	2006		
	Cost	Accumulated amortization	Net
Land	\$ 106,735	\$ -	\$ 106,735
Furniture and fixtures	1,708	1,292	416
Vehicle	70,887	21,499	49,388
Computer equipment	13,048	4,813	8,235
	<u>\$ 192,378</u>	<u>\$ 27,604</u>	<u>\$ 164,774</u>

9. 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 December 31, 2007, the balance of the financing was \$10,282, all of which represents the amortized cost of total principal payments due by October 31, 2008.

Jasper Mining Corporation

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Notes to the Financial Statements

December 31, 2007 and 2006

10. Share capital

a) Authorized

Unlimited number of common shares

b) Issued

	Number		Amount
Balance – December 31, 2005	44,829,220	\$	5,004,297
Exercise of stock options (i)	1,347,500		300,078
Exercise of warrants (ii)	618,333		315,673
Acquisition of mineral properties (note 7(e)(f))	90,000		39,000
Flow-through common shares (iii)	100,000		50,000
Tax effect of flow-through shares (iv)	–		(1,053,614)
Share issue costs	–		(11,735)
Balance – December 31, 2006	46,985,053		4,643,699
Flow-through common shares (v)	9,125,000		2,561,079
Exercise of stock options (vi)	50,000		10,000
Exercise of warrants (vii)	600,000		338,476
Tax effect of flow-through shares (iii)	–		(14,500)
Share issue costs (net of tax of \$116,441)	–		(474,143)
Balance – December 31, 2007	<u>56,760,053</u>	<u>\$</u>	<u>7,064,611</u>

i) Stock options exercised

During 2006, the Corporation issued 1,347,500 common shares for total proceeds of \$278,750 on the exercise of 1,300,000 options at \$0.20 per share, 17,500 options at \$0.30 per share and 30,000 options at \$0.45 per share. In addition to the cash proceeds, a \$21,329 pro-rata allocation of the options' fair value has been reclassified from contributed surplus to the amount for common shares. Five directors of the Corporation exercised 1,100,000 options for total proceeds of \$220,000. Two officers of the Corporation exercised 200,000 options for total proceeds of \$40,000.

ii) Warrants exercised

During 2006, the Corporation issued 618,333 common shares for total proceeds of \$243,168 on the exercise of 618,333 warrants. In addition to the cash proceeds, a pro-rata allocation of the exercised warrants' fair value in the amount of \$72,505 has been reclassified from warrants to the amount for common shares.

iii) In December 2006, the Corporation completed a non-brokered private placement of 100,000 flow-through common shares at a price of \$0.20 per flow-through common share for aggregate proceeds of \$50,000. The tax effect of the qualifying expenditures was recognized in 2007 when the renouncement documents were filed with the tax authorities. As at December 31, 2007 all of the qualifying expenditures had been incurred.

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Notes to the Financial Statements

December 31, 2007 and 2006

10. Share capital (continued)

b) Issued (continued)

- iv) The tax effect of the 2005 flow-through proceeds was recognized in 2006 when the renouncement documents were filed with the tax authorities. As at December 31, 2006 all of the qualifying expenditures had been incurred.
- v) During October to December 2007, the Corporation completed private placements for a total of 9,125,000 units at \$0.40 per unit for gross proceeds of \$3,650,000. A director of the Corporation purchased 375,000 units. Each unit consists of one flow-through common share and one common share purchase warrant entitling the holder to purchase one common share at an exercise price of \$0.75 per share up to one year from the closing date and \$1.00 per share in the subsequent year. At the time of the private placements \$2,561,079 was ascribed to common shares and \$1,088,921 was ascribed to warrants. The fair value of the warrants was estimated using the Black-Scholes option pricing model assuming a risk-free interest rate of 4.13%; expected life of 2.0 years; dividend yield of nil; and expected volatility between 106% and 110%.

A finder's fee was paid comprised of \$280,095 cash and 700,000 unit options. The unit options are exercisable at \$0.40 per unit and expire by November 2009. The fair value of the unit options has been recorded as share issue costs estimated at \$124,822 using the Black-Scholes option pricing model assuming a risk-free rate of 4.13%; expected life of 2 years; dividend yield of nil; and expected volatility rate between 109% and 110%.

The tax effect of the 2007 total flow-through share proceeds will be recorded in February 2008 when the tax benefits were filed with the tax authorities and renounced to investors with an effective date of December 31, 2007. As at December 31, 2007, a total of approximately \$480,300 of qualifying expenditures had been incurred leaving \$3,169,700 to be spent.

- vi) Stock options exercised

During 2007, the Corporation issued 50,000 common shares for total proceeds of \$10,000 on the exercise of 50,000 options at \$0.20 per share.

- vii) Warrants exercised

During 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.

c) Stock options

The Corporation has a stock option plan, administered by the Board of Directors, for directors, officers, key employees and consultants of the Corporation. The options expire not more than five years from the date of grant, or earlier if the individual ceases to be associated with the Corporation, and vest over terms determined at the time of grant. In August 2006, the Corporation's shareholders approved increasing the number of shares covered by the Corporation's stock option plan from 5,600,000 shares to 9,200,000 shares.

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December 31, 2007 and 2006

10. Share capital (continued)

c) Stock options (continued)

During the year ended December 31, 2007, the Corporation granted a total of 950,000 stock options all of which vested one-half upon grant date and one-half on the first anniversaries of the grant dates and expire five years from grant date. The total fair value of the options granted was estimated to be \$285,735. The Black-Scholes pricing model was used to estimate the fair value of options granted using a forfeiture rate of nil%, a dividend yield of nil and based on the following significant assumptions:

Weighted average risk-free interest rate	3.84%
Weighted average volatility	123%
Expected life	5 years

In addition, the Corporation granted a total of 700,000 finder's fees options which vested immediately. The total fair value of these options granted was estimated to be \$124,822 which was recorded in share issue costs. The Black-Scholes pricing model was used to estimate the fair value of these options granted using a forfeiture rate of nil%, a dividend yield of nil and based on the following significant assumptions:

Weighted average risk-free interest rate	4.13%
Weighted average volatility	109%-110%
Expected life	2 years

The following is a continuity of stock options for which shares have been reserved at December 31:

	2007		2006	
	Number Outstanding	Weighted Average Exercise Price	Number Outstanding	Weighted Average Exercise Price
Balance – opening	5,452,500	\$0.40	3,575,000	\$ 0.27
Granted	1,650,000	\$0.34	3,225,000	0.40
Expired/cancelled	(200,000)	\$0.38	-	-
Exercised	(50,000)	\$0.20	(1,347,500)	0.20
Balance – closing	<u>6,852,500</u>	<u>\$0.35</u>	<u>5,452,500</u>	<u>\$ 0.40</u>

The following table summarizes information about stock options as at December 31, 2007:

Exercise price	Number Outstanding	Number Exercisable	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life(years)
\$ 0.20	875,000	875,000	\$ 0.20	1.9
0.25	200,000	200,000	0.25	2.5
0.30	2,097,500	1,622,500	0.30	4.1
0.40	2,800,000	2,800,000	0.40	3.0
0.45	880,000	880,000	0.45	2.8
	<u>6,852,500</u>	<u>6,377,500</u>	<u>\$ 0.35</u>	<u>3.2</u>

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December 31, 2007 and 2006

10. Share capital (continued)

c) Stock options (continued)

The Company recognized stock based compensation expense in the year ended December 31, 2007 for the following option grants:

Year of option grant	Weighted average value per share	Year ended December 31, 2007
2006	\$0.38	\$ 308,629
2007	\$1.52	142,867
		<u>451,496</u>
Capitalized to mineral properties (note 7)		<u>(63,485)</u>
Expensed		<u>\$ 388,011</u>

d) Per share amounts

Per share calculations are based on the weighted average number of common shares outstanding during the year of 49,119,848 (2006 – 46,310,796). The effect of the conversion of all outstanding options and warrants would be anti-dilutive. There are no escrow shares outstanding at December 31, 2007.

11. Warrants

	Number	Amount
Balance – December 31, 2005	8,232,440	\$ 2,250,562
Expired	(205,000)	–
Exercised (note 10(b)(ii))	<u>(618,333)</u>	<u>(72,505)</u>
Balance – December 31, 2006	7,409,107	2,178,057
Expired	(6,809,107)	(2,029,581)
Private placements (note 10(b)(v))	9,125,000	1,088,921
Exercised (note 10(b)(vii))	<u>(600,000)</u>	<u>(148,476)</u>
Balance – December 31, 2007	<u>9,125,000</u>	<u>\$ 1,088,921</u>

The following table summarizes information about warrants as at December 31, 2007:

Exercise Price \$	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life (years)
0.75-1.00	9,125,000	1.80

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12. Contributed surplus

Balance – December 31, 2005	\$	472,125
Exercise of stock options (note 10(b)(i))		(21,329)
Stock-based compensation (note 10(c))		<u>855,716</u>
Balance, December 31, 2006	\$	1,306,512
Stock-based compensation (note 10(c))		451,496
Warrants expired (note 11)		2,029,581
Finder's option (note 10(c))		<u>124,822</u>
Balance – December 31, 2007	\$	<u><u>3,912,411</u></u>

13. Income taxes

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

	<u>2007</u>	<u>2006</u>
Loss for the year before income taxes	\$ (843,227)	\$ (1,234,715)
Anticipated income tax reduction at 32.12% (2006 – 34.50%)	(270,845)	(425,977)
Stock-based compensation and other non-deductible items	178,050	354,923
Change in valuation allowance	108,149	44,922
Resource allowance	-	15,220
Other	(72,301)	72,010
Effect of tax rate change	<u>(92,002)</u>	<u>(183,622)</u>
Future income tax reduction	(148,949)	(122,524)
Current income tax provision	-	9,159
	<u>\$ (148,949)</u>	<u>\$ (113,365)</u>

The components of the net future income tax liability at December 31 are as follows:

	<u>2007</u>	<u>2006</u>
Non-capital loss carry forwards	\$ 464,356	\$ 401,748
Share issue costs	155,669	110,128
Cumulative eligible capital	11,720	13,595
Mineral properties and deferred exploration costs	<u>(1,069,920)</u>	<u>(1,322,685)</u>
	(438,175)	(797,214)
Valuation allowance	<u>(620,025)</u>	<u>(511,876)</u>
	<u>\$ (1,058,200)</u>	<u>\$ (1,309,090)</u>

As at December 31, 2007, the Corporation has approximately \$2,800,000 (2006 - \$1,650,000) in tax pools and \$1,800,000 (2006 \$1,385,000) in non-capital losses available for deduction against future taxable income. The non-capital losses expire between 2008 and 2028.

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

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Notes to the Financial Statements

December 31, 2007 and 2006

14. Change in non-cash working capital

	2007	2006
Accounts receivable	\$ (1,253)	\$ (333)
Due from related party	(15,830)	-
Accounts payable and accrued liabilities	59,660	(8,562)
	<u>\$ 42,577</u>	<u>\$ (8,895)</u>

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

	2007	2006
Operating	\$ (37,229)	\$ 105,542
Financing	11,109	(75,520)
Investing	68,697	(38,917)
	<u>\$ 42,577</u>	<u>\$ (8,895)</u>

15. Related party balances and transactions

Except as disclosed elsewhere in the financial statements, the Corporation had the following related party transactions:

- a) Legal fees of \$149,739 (2006 – \$120,221) relating to various financings were charged by the President's law firm of which \$89,825 (2006 – \$23,055) was recognized as share issue costs, \$39,250 (2006 – \$63,836) was capitalized to mineral properties and \$20,664 (2006 – \$33,330) was recorded to general and administrative expenses.
- b) A total of \$44,100 (2006 – \$22,075) was charged by a company owned by the President for rent and administrative services.
- c) Consulting and rental fees of \$236,999 (2006 – \$255,246) was paid to a company owned by an officer of the Corporation and capitalized to exploration and development costs.
- d) Finder's fees of \$75,000 (2006 – \$70,000) were paid to the President and recognized as share issue costs.
- e) An advance to an employee for field expenses was unspent at year end. No interest was charged on the advance.

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.

16. Financial instruments

a) Fair values of financial assets and liabilities

Financial instruments consist of cash and cash equivalents, term deposit, accounts receivable, mineral property deposits, accounts payable and accrued liabilities and long-term debt. At December 31, 2007 and 2006 there are no significant differences between the carrying amounts reported on the balance sheets and their estimated fair values.

b) Credit Risk

The Corporation has not experienced any material credit loss in the collection of receivables in the past. Substantially all of the Corporation's cash and the term deposit are held at one Canadian chartered bank and as such the Corporation is exposed to the risks of that institution.

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17. Subsequent events

- a) In March 2008, the Corporation issued 1,050,000 units in a private placement for total proceeds of \$367,500. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share for \$0.50 per share on or before the date that is 12 months from the closing date or for \$1.00 per share on or before the date that is before 18 months from the closing date.
- b) In April 2008, the Corporation issued 440,000 units in a private placement for total proceeds of \$154,000. Each unit consists of one common share and one-half common share purchase warrant. Each whole warrant entitles the holder to purchase one common share for \$0.50 per share on or before 18 months from the closing date.