
ASTRAL MINING CORPORATION

(An Exploration Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
JUNE 30, 2007 AND 2006

(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

**MANAGEMENT'S COMMENTS ON UNAUDITED
INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Astral Mining Corporation for the three months ended June 30, 2007 have been prepared by management and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

ASTRAL MINING CORPORATION
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS

<i>(Unaudited)</i> <i>(Expressed in Canadian Dollars)</i>	June 30, 2007 \$	March 31, 2007 \$
A S S E T S		
CURRENT ASSETS		
Cash	1,046,192	182,474
Short-term investments (Note 3)	474,835	600,000
Amounts receivable, prepaids and deposits	<u>122,143</u>	<u>106,879</u>
	1,643,170	889,353
MINERAL PROPERTIES AND DEFERRED COSTS (Note 4)	<u>2,650,635</u>	<u>1,659,074</u>
	<u><u>4,293,805</u></u>	<u><u>2,548,427</u></u>
L I A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>241,774</u>	<u>134,511</u>
S H A R E H O L D E R S ' E Q U I T Y		
SHARE CAPITAL (Note 5)	4,500,632	3,027,337
WARRANTS (Note 5)	579,939	197,509
CONTRIBUTED SURPLUS (Note 6)	407,735	297,321
DEFICIT	<u>(1,436,275)</u>	<u>(1,108,251)</u>
	<u>4,052,031</u>	<u>2,413,916</u>
	<u><u>4,293,805</u></u>	<u><u>2,548,427</u></u>

NATURE OF OPERATIONS (Note 1)

COMMITMENTS (Note 4)

APPROVED BY THE DIRECTORS

“Manfred Kurschner” , Director

“Nick DeMare” , Director

The accompanying notes are an integral part of these interim consolidated financial statements.

ASTRAL MINING CORPORATION
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

<i>(Unaudited)</i> <i>(Expressed in Canadian Dollars)</i>	Three Months Ended June 30, 2007 \$	Three Months Ended June 30, 2006 \$
EXPENSES		
Administrative and management services	4,005	2,725
Corporate development and investor relations	51,399	76,500
General exploration	675	6,253
Management fees (Note 7)	22,500	20,000
Office and sundry (Note 7)	36,605	18,695
Professional fees	8,014	11,342
Rent (Note 7)	17,678	19,616
Salaries and benefits (Note 7)	43,623	38,713
Stock-based compensation (Note 5(b))	112,715	68,338
Transfer agent and regulatory	5,350	7,581
Travel and accommodation	26,987	18,461
	<u>329,551</u>	<u>288,224</u>
LOSS BEFORE OTHER ITEMS	<u>(329,551)</u>	<u>(288,224)</u>
OTHER INCOME (EXPENSE)		
Interest income	11,286	10,018
Foreign exchange	(2,352)	2,671
Part XII.6 tax (Note 5(a))	(7,407)	-
	<u>1,527</u>	<u>12,689</u>
NET LOSS FOR THE PERIOD	<u>(328,024)</u>	<u>(275,535)</u>
DEFICIT - BEGINNING OF PERIOD	<u>(1,108,251)</u>	<u>(556,947)</u>
DEFICIT - END OF PERIOD	<u>(1,436,275)</u>	<u>(832,482)</u>
 LOSS PER SHARE - BASIC AND DILUTED	 <u><u>\$(0.02)</u></u>	 <u><u>\$(0.02)</u></u>
 WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	 <u><u>15,930,155</u></u>	 <u><u>13,079,819</u></u>

The accompanying notes are an integral part of these interim consolidated financial statements.

ASTRAL MINING CORPORATION
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i> <i>(Expressed in Canadian Dollars)</i>	Three Months Ended June 30, 2007 \$	Three Months Ended June 30, 2006 \$
CASH PROVIDED FROM (USED FOR)		
OPERATING ACTIVITIES		
Net loss for the period	(328,024)	(275,535)
Items not affecting cash		
Stock-based compensation	<u>112,715</u>	<u>68,338</u>
	(215,309)	(207,197)
Changes in non-cash working capital balances		
Amounts receivable, prepaids and deposits	(15,264)	(48,751)
Accounts payable and accrued liabilities	<u>107,263</u>	<u>98,880</u>
	<u>(123,310)</u>	<u>(157,068)</u>
FINANCING ACTIVITIES		
Issuance of common shares and warrants	1,771,250	1,080,000
Share and warrant issuance costs	<u>(119,662)</u>	<u>(69,876)</u>
	<u>1,651,588</u>	<u>1,010,124</u>
INVESTING ACTIVITIES		
Expenditures on mineral properties and deferred costs	(789,725)	(380,492)
Decrease in short-term investments	<u>125,165</u>	<u>-</u>
	<u>(664,560)</u>	<u>(380,492)</u>
INCREASE (DECREASE) IN CASH DURING THE PERIOD	863,718	472,564
CASH - BEGINNING OF PERIOD	<u>182,474</u>	<u>1,422,902</u>
CASH - END OF PERIOD	<u><u>1,046,192</u></u>	<u><u>1,895,466</u></u>

SUPPLEMENTARY CASH FLOW INFORMATION (Note 9)

The accompanying notes are an integral part of these interim consolidated financial statements.

ASTRAL MINING CORPORATION
(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Expressed in Canadian Dollars)

	Three Months Ended June 30,	
	2007	2006
	\$	\$
SHARE CAPITAL		
Balance, beginning of period	3,027,337	2,250,258
Private placements	1,750,000	1,080,000
Warrant valuation	(408,271)	(183,600)
Shares issued for agent's commission	-	15,750
Shares issued for mineral property interest	194,250	49,600
Exercise of stock options	21,250	-
Contributed surplus reallocated on the exercise of stock options	9,887	-
Share issue costs	(93,821)	(99,535)
Balance, end of period	4,500,632	3,112,473
WARRANTS		
Balance, beginning of period	197,509	-
Warrant valuation from private placement warrants granted	408,271	183,600
Warrant valuation from agent's warrants granted	-	34,426
Warrant issue costs	(25,841)	(20,517)
Balance, end of period	579,939	197,509
CONTRIBUTED SURPLUS		
Balance, beginning of period	297,321	267,914
Contributed surplus as a result of stock options granted	120,301	68,338
Contributed surplus reallocated on exercise of stock options	(9,887)	-
Balance, end of period	407,735	336,252
DEFICIT		
Balance, beginning of period	(1,108,251)	(556,947)
Net loss for the period	(328,024)	(275,535)
Balance, end of period	(1,436,275)	(832,482)
TOTAL SHAREHOLDERS' EQUITY	3,948,531	2,813,752

The accompanying notes are an integral part of these interim consolidated financial statements.

ASTRAL MINING CORPORATION

(An Exploration Stage Company)

CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS

FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited)

(Expressed in Canadian Dollars)

	Canada				USA						Total
	Jumping Josephine	JAG	Chenier	Blueberry	Gold Springs	Scraper Springs	Roy & Hills	Monzo	Saluda & Bear Creek	Other	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
BALANCE, BEGINNING OF PERIOD	444,160	20,700	-	-	731,789	102,329	161,743	48,684	59,480	90,189	1,659,074
EXPENDITURES DURING THE PERIOD											
EXPLORATION COSTS											
Assays	4,443	2,955	-	-	-	-	1,339	-	-	-	8,737
Drilling	348,451	-	-	-	-	-	8,907	-	109,892	-	467,250
Geophysics	4,000	-	92,601	-	-	-	-	-	-	-	96,601
Office and other	2,195	386	-	-	-	-	-	-	-	-	2,581
Road building and trenching	1,080	-	-	-	-	-	-	-	-	-	1,080
Salaries and contractors	72,310	6,368	-	-	-	-	-	-	45,778	-	124,456
Supplies and equipment	10,776	-	-	-	-	-	-	-	-	-	10,776
Transportation	19,199	-	-	-	-	-	-	-	-	-	19,199
	462,454	9,709	92,601	-	-	-	10,246	-	155,670	-	730,680
ACQUISITION COSTS											
Option payments	44,250	-	103,500	18,000	-	57,024	-	-	38,107	-	260,881
BALANCE, END OF PERIOD	950,864	30,409	196,101	18,000	731,789	159,353	171,989	48,684	253,257	90,189	2,650,635

ASTRAL MINING CORPORATION
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited – Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

The Company was incorporated under the Company Act (British Columbia) on February 12, 2004 and was transitioned under the Business Corporations Act (British Columbia) on November 1, 2004. The Company completed its listing on the TSX Venture Exchange (the “TSXV”) and began trading on March 1, 2006 with a symbol “AST” as a junior mineral exploration company.

The Company is a junior resource company engaged in the acquisition and exploration of unproven mineral interests in the United States and Canada. As at June 30, 2007, the Company has not earned any production revenue, nor found proved reserves on any of its mineral interests. Consequently, the Company considers itself to be an exploration company. The amounts shown as mineral properties and deferred costs represent expenditures incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral properties and deferred costs are entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and future profitable production.

The Company considers that it has adequate resources to maintain its core operations for the balance of the fiscal year but currently may not have sufficient working capital to fund all of its planned exploration and development work. The Company will continue to rely on successfully completing additional equity financing.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgement within reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual consolidated financial statements.

New accounting policies

Effective April 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”).

- (a) Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Disclosure and Presentation*, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

ASTRAL MINING CORPORATION
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited – Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Company has designated its financial instruments as follows:

- (i) Cash and short-term investments are classified as “*Available-for-sale*”. Due to their short-term nature, their carrying value is equal to their fair value.
- (ii) Marketable securities are classified as “*Available-for-sale*”. The fair value is obtained by reference to the closing quoted market price on the balance sheet date.
- (ii) Amounts receivable, prepaids and deposits are classified as “*Loans and Receivables*”. These financial assets are recorded at values that approximate their amortized cost using the effective interest method.
- (iii) Accounts payable and accrued liabilities are classified as “*Other Financial Liabilities*”. These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

As a result of adopting Section 3855, on April 1, 2007, interest accrued from short-term investments in the amount of \$6,707 was reclassified from amounts receivable, prepaids and deposits to short-term investments.

- (b) Section 1530, *Comprehensive Income*, introduces a new financial statement “Statement of Comprehensive Income” and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments. The Company has not recognized any adjustments through other comprehensive income for the three months ended June 30, 2007.
- (c) Section 3865, *Hedges* specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did not have an impact on the Company for the three months ended June 30, 2007.

Comparative Figures

Certain of the prior period comparative figures have been reclassified to conform to the current period’s presentation.

ASTRAL MINING CORPORATION
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited – Expressed in Canadian Dollars)

3. SHORT-TERM INVESTMENTS

As at June 30, 2007 and March 31, 2007, the Company held short-term investments comprised of the following:

		June 30, 2007	
		Maturity	Fair Value
		\$	
12 month term deposit			
- 4.0% annual interest rate (\$465,000 – Principal)		December 18, 2007	474,835
		March 31, 2007	
		Maturity	Principal
		\$	
12 month term deposit			
- 4.0% annual interest rate		December 18, 2007	600,000

The term deposit is fully redeemable in full or portion at the Company's option without penalty. Interest is paid on amounts redeemed subsequent to 30 days from the date of investment. The principal and interest are unconditionally guaranteed by the Bank of Montreal.

4. MINERAL PROPERTIES AND DEFERRED COSTS

	As at June 30, 2007			As at March 31, 2007		
	Acquisition Costs	Exploration Costs	Total Costs	Acquisition Costs	Exploration Costs	Total Costs
	\$	\$	\$	\$	\$	\$
Canada						
Jumping Josephine	111,509	839,355	950,864	67,259	376,901	444,160
JAG	20,000	10,409	30,409	20,000	700	20,700
Chenier	103,500	92,601	196,101	-	-	-
Blueberry	18,000	-	18,000	-	-	-
USA						
Gold Springs	290,051	441,738	731,789	290,051	441,738	731,789
Scraper Springs	148,551	10,802	159,353	91,527	10,802	102,329
Roy & Hills	50,844	121,145	171,989	50,844	110,899	161,743
Monzo	28,080	20,604	48,684	28,080	20,604	48,684
Saluda & Bear Creek	49,494	203,763	253,257	11,387	48,093	59,480
Other	38,181	52,008	90,189	38,181	52,008	90,189
	858,210	1,792,425	2,650,635	597,329	1,061,745	1,659,074

ASTRAL MINING CORPORATION
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited – Expressed in Canadian Dollars)

4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

(a) Jumping Josephine Project

On April 11, 2006, as amended on October 12, 2006, the Company entered into an option agreement with Kootenay Gold Inc. (“Kootenay Gold”) to earn a 60% undivided interest in the Jumping Josephine Property located in British Columbia. To fulfill the terms of the option agreement the Company must spend \$2.1 million on exploration, issue 400,000 shares and make \$97,000 in option payments as follows:

Date	Cash Payments Cdn \$	Expenditures Cdn \$	Share Issuances #
Upon signing (issued)	-	-	75,000
On or before June 30, 2006 (paid)	10,000	-	-
On or before October 16, 2006 (paid)	7,500	-	-
On or before April 11, 2007 (incurred and issued)	-	150,000	75,000
On or before June 30, 2007 (paid)	7,500	-	-
On or before April 11, 2008 (incurred)	-	250,000	75,000
On or before June 30, 2008	25,000	-	-
On or before April 11, 2009	-	500,000	75,000
On or before June 30, 2009	47,000	-	-
On or before April 11, 2010	-	600,000	100,000
On or before April 11, 2011	-	600,000	-
	<u>97,000</u>	<u>2,100,000</u>	<u>400,000</u>

(b) JAG Properties

By agreement dated September 21, 2006, the Company agreed to option an undivided 100% interest in 90 claims located on the Nechako Plateau in North Central British Columbia (collectively the “JAG Properties”), on the following basis:

Date	Cash Payments Cdn \$	Expenditures Cdn \$
Upon signing (paid)	20,000	-
On or before November 30, 2007	30,000	50,000
On or before October 31, 2008	40,000	150,000
On or before October 31, 2009	50,000	300,000
On or before October 31, 2010	60,000	500,000
On or before October 31, 2011	800,000	1,000,000
	<u>1,000,000</u>	<u>2,000,000</u>

The JAG Properties project will be subject to a 1.5% net smelter royalty (“NSR”). The Company has the option to purchase 1% of the NSR at any time for \$1,000,000.

ASTRAL MINING CORPORATION
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited – Expressed in Canadian Dollars)

4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

(c) Chenier Property

Effective April 17, 2007, the Company entered into option agreement with Kootenay Gold to earn a 60% undivided interest in the 6,500 hectare Chenier Copper-Gold Project located in the West Kootenay region of southern British Columbia. To fulfill the terms of the option agreement the Company must spend \$2.5 million on exploration and issue 500,000 shares over a four year period as follows:

Date	Expenditures \$	Share Issuances #
On TSX Venture Exchange Approval (issued)	-	150,000
April 17, 2008	150,000	87,500
April 17, 2009	250,000	87,500
April 17, 2010	600,000	87,500
April 17, 2011	<u>1,500,000</u>	<u>87,500</u>
	<u>2,500,000</u>	<u>500,000</u>

Should the property go into commercial production Kootenay Gold will receive an additional 200,000 shares of the Company. Subsequent to exercise of the earn-in, the Company and Kootenay will form a 60/40 joint venture. Funding of further work on the Chenier Property will be on a proportional basis under the direction of a management committee with voting rights proportional to ownership percentage. Either party may be diluted on the basis of a standard formula if they do not contribute to the planned programs. If either party is diluted to 5%, their interest will convert to a 2.5% NSR royalty, 2% of which can be purchased at any time for \$2 million by the surviving partner.

(d) Blueberry Property

Effective May 28, 2007, the Company entered into an agreement to acquire a 100% interest in the 7000 ha BlueBerry property located immediately east of the Company's Jumping Josephine Project. To earn the interest in the property the Company must issue a total of 140,000 shares and make cash payments totalling \$75,000 over four years to a private Canadian company, as follows:

Date	Cash Payments US \$	Share Issuances #
On TSX Venture Exchange Approval (issued)	15,000	25,000
June 1, 2008	15,000	25,000
June 1, 2009	15,000	25,000
June 1, 2010	15,000	25,000
June 1, 2011	<u>15,000</u>	<u>40,000</u>
	<u>75,000</u>	<u>140,000</u>

During the term of the option the Company must keep the properties in good standing. Upon exercise of the option the vendor will retain a 2.5% NSR. The Company has the right to purchase 2.0% of the NSR for a total of \$2 million.

ASTRAL MINING CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited – Expressed in Canadian Dollars)

4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

(e) Gold Springs Project

By agreement dated March 17, 2004, and amended November 17, 2004 and March 12, 2007, the Company agreed to option an undivided 100% interest in 127 claims located within the Stateline Mining District along the Nevada-Utah border (collectively the “Gold Springs Project”), on the following basis:

Date	Cash Payments US \$	Expenditures US \$	Share Issuances #
Upon signing (paid)	32,500	-	-
Five days after Listing (issued)	-	-	50,000
March 5, 2005 (paid and issued)	30,000	-	12,500
July 31, 2005 (incurred)	-	125,000	-
March 5, 2006 (paid and issued)	55,000	-	50,000
March 5, 2007 (paid and issued)	10,000	-	75,000
March 5, 2008	75,000	-	100,000
	<u>202,500</u>	<u>125,000</u>	<u>287,500</u>

In addition, for the duration of the option, the Company will pay annual maintenance filing fees of approximately US \$20,000. The Gold Springs Project will be subject to 3% net smelter royalty (“NSR”). Upon earning the 100% interest, the Company will be required to pay US \$75,000 annually, commencing March 5, 2009, as an advance on the NSR. The Company has the right to purchase a 1.5% NSR (the “NSR Buyback”) for US \$1,500,000, less any advance NSR paid by the Company.

(f) Scraper Springs Claims

By letter agreement dated June 22, 2004, and superseded on November 5, 2004, the Company agreed to lease 33 claims (the “Scraper Springs Claims”) located in Elko County, Nevada, on the following basis:

Date	Cash Payments US \$	Share Issuances #
Upon Listing (issued)	-	30,000
June 22, 2004 (paid)	5,000	-
June 22, 2005 (paid and issued)	10,000	7,500
June 22, 2006 (paid and issued)	15,000	35,000
June 22, 2007 (paid and issued)	20,000	40,000
June 22, 2008	25,000	-
	<u>75,000</u>	<u>112,500</u>

In addition, for the duration of the agreement the Company will pay annual holding fees of approximately US \$5,000. On June 22, 2009, and every year thereafter, the Company shall pay US \$25,000 until production commences, at which time the Scraper Springs Claims will be subject to a 3% NSR. The Company has the right to purchase up to a 2% NSR at US \$1 million for each 1% NSR.

ASTRAL MINING CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited – Expressed in Canadian Dollars)

4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)

(g) Roy and Hills Properties

By agreement dated June 9, 2006, and amended June 20, 2007, the Company agreed to option up to an 80% undivided interest in the Roy and Hills properties in Nevada from Amera Resources Corporation (“Amera”). An initial 65% interest in the project may be earned by incurring US \$2.5 million in work expenditures over four years and issuing 500,000 shares to Amera on the following basis:

Date	Expenditures US \$	Share Issuances #
Approval date (issued)	-	100,000
July 1, 2007 (incurred)	100,000	-
August 1, 2007	-	100,000
July 1, 2008	150,000	100,000
July 1, 2009	850,000	100,000
July 1, 2010	<u>1,400,000</u>	<u>100,000</u>
	<u>2,500,000</u>	<u>500,000</u>

Upon earning the initial 65%, the Company may then elect to earn an additional 15% interest, by issuing a further 500,000 shares and completing a bankable feasibility study within three years.

(h) Saluda and Bear Creek Properties

On March 12, 2007, the Company entered into an option agreement with Gold Summit Corporation USA Inc. (“Gold Summit”), for a joint venture to explore for gold deposits in the Carolina Slate Belt in North Carolina and South Carolina, USA. The agreement allows the Company to acquire an initial 51% interest in Gold Summit’s properties within the designated gold districts by making an option payment of US \$10,000 and incurring total work expenditures of US \$300,000 as follows:

Date	Cash Payments US\$	Expenditures US\$
Upon signing (paid)	10,000	-
On or before March 12, 2008 (incurred)	-	100,000
On or before March 12, 2009	<u>-</u>	<u>200,000</u>
	<u>10,000</u>	<u>300,000</u>

After earning a 51% interest the parties will continue to fund exploration in the two designated gold districts unless the Company exercises its further option to acquire a total 70% interest in any property by funding further exploration and completing a feasibility study. In addition, the Company has the option to acquire a total 80% interest in any property by placing a mine into production.

ASTRAL MINING CORPORATION
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited – Expressed in Canadian Dollars)

5. SHARE CAPITAL

Authorized: unlimited common shares without par value

Issued common shares:

	June 30, 2007		March 31, 2007	
	Shares	Amount \$	Shares	Amount \$
Balance, beginning of period	14,068,614	3,027,337	11,033,444	2,250,258
Issued during the period:				
For cash				
Private placements	3,500,000	1,750,000	2,400,000	1,080,000
Less warrants valuation	-	(408,271)	-	(183,600)
Warrants and agent's warrants	-	-	370,170	149,818
Stock options	53,000	21,250	20,000	8,000
For agent's commission	-	-	35,000	15,750
For mineral property interests	325,000	194,250	210,000	82,600
Reallocation of contributed surplus on exercise of warrants, agent's warrants and stock options	-	9,887	-	59,481
Net future income taxes on flow-through expenses renounced	-	-	-	(334,800)
Less share issue costs	-	(93,821)	-	(100,170)
Balance, end of period	17,946,614	4,500,632	14,068,614	3,027,337

(a) During the three months ended June 30, 2007:

- i) the Company completed a non-brokered private placement of 2,500,000 units priced at \$0.50 resulting in gross proceeds of \$1,250,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Company for 24 months at a price of \$0.75 per common share. The fair value assigned to the warrants was \$345,938. The warrants were valued using the Black-Scholes Pricing Model at \$0.14 per warrant on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 100% and expected life of 12 months.

- ii) the Company completed a non-brokered private placement to the MineralFields Group of 1,000,000 flow-through units of the Company at a price of \$0.50 per unit for total gross proceeds of \$500,000. Each flow-through unit consists of one flow-through common share and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share of the company for a term of eighteen months at a price of \$0.65. The fair value assigned to the warrants was \$62,333. The warrants were valued using the Black-Scholes Pricing Model at \$0.14 per warrant on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 100% and expected life of 12 months.

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by the flow-through share issuance will be renounced to investors in accordance with Canadian income tax legislation. The renunciation of such expenditures will be accounted for as a

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FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited – Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

financing cost related to the flow-through issuance and will result in a reduction in share capital with a corresponding increase in the Company's future income tax liability.

For the three months ended June 30, 2007, the Company had a balance of flow through expenditures remaining to be incurred from a flow-through share issuance renounced December 31, 2006. Accordingly, the Company has recorded a \$7,407 expense for Part XII.6 tax levied on unspent flow-through expenditures in the period.

(b) **Stock Options and Stock-Based Compensation**

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved under the Plan is 10% of the issued and outstanding common shares of the Company. The exercise price of the options is set at the Company's closing shares price on the day of the grant date, less allowable discounts in accordance with the policies of the TSXV.

During the three months ended June 30, 2007, the Company granted stock options to certain directors, officers and consultants to acquire 460,000 common shares of the Company and recorded compensation expense of \$120,301 of which \$112,715 is included in expenses and \$7,586 is included in capitalized mineral property expenditures, with a corresponding increase in contributed surplus.

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes Option Pricing Model with the following assumptions used for the grants made during the three months ended June 30, 2007:

Risk-free interest rate	4%
Estimated volatility	89% - 91%
Expected life	1.5 years
Expected dividend yield	0%

The fair value per share of stock options granted in the three months ended June 30, 2007, calculated using the Black-Scholes Option Pricing Model, was \$0.21 - \$0.30 per share. Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

A summary of the changes in the Company's outstanding stock options for the three months ended June 30, 2007, is presented below:

	Options Outstanding and Exercisable	Weighted Average Exercise Price \$
Balance, beginning of period	1,334,000	0.40
Granted	460,000	0.50
Exercised	(53,000)	0.43
Cancelled	(10,000)	0.40
	<hr/>	<hr/>
Balance, end of period	<u>1,731,000</u>	<u>0.43</u>

ASTRAL MINING CORPORATION
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited – Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

Stock options outstanding and exercisable at June 30, 2007, are as follows:

Number	Exercise Price	Expiry Date
1,000,000	0.40	March 1, 2009
199,000	0.40	June 15, 2009
75,000	0.40	February 16, 2010
207,000	0.49	May 2, 2010
<u>250,000</u>	0.50	May 29, 2010
<u><u>1,731,000</u></u>		

(c) Warrants

A summary of the changes in number of common shares reserved pursuant to the Company's outstanding warrants and agents warrants for the three months ended June 30, 2007 is as follows:

	Number	Value \$
Balance, beginning of period	1,392,000	197,509
Warrants issued	3,000,000	408,271
Warrant issue costs	<u>-</u>	<u>(25,841)</u>
Balance, end of period	<u><u>4,392,000</u></u>	<u><u>579,939</u></u>

Common shares reserved pursuant to warrants outstanding at June 30, 2007 are as follows:

Number	Exercise Price \$	Expiry Date
1,392,000	0.60	November 26, 2007
500,000	0.65	April 3, 2009
<u>2,500,000</u>	0.75	May 27, 2009
<u><u>4,392,000</u></u>		

(d) As at June 30, 2007, a total of 1,542,749 common shares are held in escrow and are released every six months ending March 1, 2009.

6. CONTRIBUTED SURPLUS

A continuity summary of contributed surplus is presented below:

	\$
Balance, March 31, 2007	297,321
Contributed surplus as a result of stock options granted	120,301
Contributed surplus reallocated on exercise of stock options	<u>(9,887)</u>
Balance, June 30, 2007	<u><u>407,735</u></u>

ASTRAL MINING CORPORATION
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited – Expressed in Canadian Dollars)

7. RELATED PARTY TRANSACTIONS

- (a) The Company engages Grosso Group Management Ltd. (“Grosso Group”) to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, IMA Exploration Inc., Golden Arrow Resources Corporation, Amera, Gold Point Energy Corp. and Blue Sky Uranium Corp., each of which owns one share of the Grosso Group. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group’s costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company.

During the three months ended June 30, 2007, the Company incurred fees of \$84,814 (2006 - \$71,627) to the Grosso Group which have been allocated to rent, salaries and office expenses. In addition, included in amounts receivable, prepaids and deposits as at June 30, 2007 is a \$10,000 (2006 - \$10,000) unsecured deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

- (b) The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President for an annual fee of \$90,000. During the three months ended June 30, 2007, the President was paid an amount of \$22,500 (2006 - \$20,000).

8. SEGMENTED INFORMATION

The Company is involved in mineral exploration and development activities in the United States and in western Canada. The Company is in the exploration stage and accordingly, has no reportable segment revenues or operating results.

The Company’s total assets are segmented geographically as follows:

	<u>June 30, 2007</u>		
	<u>Canada</u>	<u>United States</u>	<u>Total</u>
	\$	\$	\$
Current assets	1,636,204	6,966	1,643,170
Mineral properties and deferred costs	1,195,374	1,455,261	2,650,635
	<u>2,831,578</u>	<u>1,462,227</u>	<u>4,293,805</u>
	<u>March 31, 2007</u>		
	<u>Canada</u>	<u>United States</u>	<u>Total</u>
	\$	\$	\$
Current assets	889,353	-	889,353
Mineral properties and deferred costs	464,860	1,194,214	1,659,074
	<u>1,354,213</u>	<u>1,194,214</u>	<u>2,548,427</u>

ASTRAL MINING CORPORATION
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JUNE 30, 2007

(Unaudited – Expressed in Canadian Dollars)

9. SUPPLEMENTARY CASH FLOW INFORMATION

Non-cash investing and financing activities were conducted by the Company as follows:

	Three Months Ended June 30, 2007 \$	Three Months Ended June 30, 2006 \$
Investing activity		
Expenditures on mineral properties and deferred costs	(201,836)	(49,600)
Shares issued for mineral properties and deferred costs	194,250	49,600
Stock based compensation capitalized	7,586	-
	<u>-</u>	<u>-</u>
Financing activities		
Share and warrant issue costs	-	(50,176)
Share capital	-	15,750
Warrants	-	34,426
	<u>-</u>	<u>-</u>

10. FINANCIAL INSTRUMENTS

The Corporation's financial instruments are comprised of cash, short-term investments, amounts receivable, prepaids and deposits, and accounts payable and accrued liabilities.

The fair values of cash, short-term investments, amounts receivable, prepaids and deposits, and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

ASTRAL MINING CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED JUNE 30, 2007

Introduction

The following management discussion and analysis and financial review, prepared as at August 29, 2007, should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes for the three months ended June 30, 2007 and audited consolidated financial statements and related notes for the years ended March 31, 2007 and 2006. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Except as otherwise disclosed, all dollar figures in this report are stated in Canadian dollars. Additional information relevant to the Company can be found on the SEDAR website at www.sedar.com.

Forward Looking Statements

Certain of the statements made and information contained herein is "forward-looking information" within the meaning of the Ontario Securities Act. Forward-looking statements are subject to a variety of risks and uncertainties which could cause actual events or results to differ from those reflected in the forward-looking statements, including, without limitation, risks and uncertainties relating to foreign currency fluctuations; risks inherent in mining including environmental hazards, industrial accidents, unusual or unexpected geological formations, risks associated with the estimation of mineral resources and reserves and the geology, grade and continuity of mineral deposits; the possibility that future exploration, development or mining results will not be consistent with the Company's expectations; the potential for and effects of labour disputes or other unanticipated difficulties with or shortages of labour; the inherent uncertainty of future production and cost estimates and the potential for unexpected costs and expenses, commodity price fluctuations; uncertain political and economic environments; changes in laws or policies, foreign taxation, delays or the inability to obtain necessary governmental permits; and other risks and uncertainties, including those described under Risk Factors Relating to the Company's Business in the Company's Prospectus that can be found on the SEDAR website and in each management discussion and analysis. Forward-looking information is in addition based on various assumptions including, without limitation, the expectations and beliefs of management, the assumed long term price of gold; that the Company can access financing, appropriate equipment and sufficient labour. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Company Overview

The Company was incorporated under the Company Act (British Columbia) on February 12, 2004 and was transitioned under the Business Corporations Act (British Columbia) on November 1, 2004. On June 6, 2005, the Company changed its name from Amanda Resources Corp. to Astral Mining Corporation. The Company completed its initial public offering and on March 1, 2006 commenced trading on the TSX Venture Exchange ("TSXV") under the symbol "AST".

The Company commenced limited operations in February 2004; however, the year ended March 31, 2007 was the first active year of operations and exploration. The Company has entered into option agreements or acquired through direct staking, a number of properties located in Nevada, North Carolina and South Carolina, USA and British Columbia, Canada.

The Company is a junior mineral exploration company engaged in the business of acquiring, exploring and evaluating natural resource properties and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. All of the Company's mineral property interests are located in Canada and USA.

The Company is currently reviewing mineral property interests in North America. As of the date of this MD&A, the Company has not earned any production revenue, nor found any proved reserves on any of its properties. The Company is a reporting issuer in British Columbia, Alberta and Ontario.

Exploration Projects

Jumping Josephine Property, British Columbia

In 2006, the Company completed an option agreement with Kootenay Gold Inc. (“Kootenay Gold”) to earn a 60% undivided interest in the 11,785 hectare Jumping Josephine Property (“JJ Property”) located in the Nelson Mining Division of southern British Columbia. The JJ Property consists of mineral claims held 100% by Kootenay Gold and straddles Highway 3, north of the town of Rossland and west of Castlegar. New intrusive-hosted vein and shear-hosted gold showings were discovered in several areas of the JJ Property during 2003 by Kootenay Gold.

To fulfill the terms of the option agreement the Company must spend \$2.1 million on exploration, issue 400,000 shares (150,000 shares issued) and make \$97,000 in option payments over 5 years. Subsequent to exercise of the earn-in, the Company and Kootenay Gold will form a 60/40 joint venture. Funding of further work on the JJ Property will then be on a proportional basis under the direction of a management committee with voting rights proportional to ownership percentage. Either party may be diluted on the basis of a standard formula if they do not contribute to the planned programs. If either party is diluted to 5%, their interest will convert to a 2.5% NSR royalty, 2% of which can be purchased at any time for \$2 million by the surviving partner.

The property area is primarily underlain by several phases of the Middle Jurassic-aged Nelson plutonic suite as well as the Eocene Coryell intrusive suite. These intrude Permo-Carboniferous metavolcanics and metasediments of the Mount Roberts Formation, which are exposed as large pendants. Gold mineralization is interpreted to be localized by several prominent north to north-northwest trending structural zones. Four main mineralized areas have been identified to date within a 15 by 10 kilometre area and are referred to as: JJ Main; JJ West; Pb-Zn; and Granville Mountain, which includes two historical prospects: the Albion and Dubrovnik veins. Another prospect, the Bonanza Pass, is located south of Granville Mountain.

The Company completed an airborne geophysical survey and carried out a surface exploration program during the 2006 field season which included a first phase soil sampling, rock-chip and channel sampling at Bonanza Pass and Albion prospects and two phases of trenching at JJ Main. The first phase soil sampling has identified three main anomalies over Bonanza Pass. Rock-chip and channel sampling from the Bonanza Pass and Albion prospects provided results ranging from 0.52 to 45.66 g/t gold. Phase I and II trenching programs have identified significant gold mineralization in the JJ Main Zone that extends over 250m in strike length. The mineralized zone remains open to the southwest and northeast. A total of six trenches (T01-06) totaling 560m were completed during Phase I trenching program. Results by fire assay included: 3.99 g/t gold over 3m in Trench 1, 21.43 g/t gold over 5m in Trench 2, 5.00 g/t gold over 10m in Trench 3, 3.18 g/t gold over 8m also in Trench 3 and 0.51g/t gold over 3m in Trench 4. Samples were reassayed by metallic gold assay which increased overall gold results indicating a coarse gold fraction. The Phase II trenching program consisted of eight infill trenches between Phase I trenches as well as three trenches north and south of the area to test for extensions to the JJ Main Zone. Gold assay results from the quartz stockwork zone and adjacent wall rock ranged from below detection up to 133.91 g/t gold, using the Metallic Gold assay. Samples from outside the stockwork zone ranged between below detection and 3.59 g/t gold, using traditional 30g fire assay.

Phase I diamond drill program on the Jumping Josephine property started on May 3, 2007 and is now completed. Three targets have been tested: the JJ Main Zone (1,461m in 20 holes), the historical Albion-Dubrovnik targets (544.2m in 9 holes) and the Bonanza Pass Zone (643.3m in 2 holes). Significant results for thirteen holes have been released to date and the remaining will be released when received from the laboratories.

At the JJ Main discovery zone drilling was completed in 5 fences along 40m-spaced section lines, testing the gold-bearing quartz stockwork zone over a strike length of 180m and to a vertical depth in excess of 100m. Significant results from 13 of the 20 holes completed on the JJ Main Zone are tabulated below. They include 10m averaging 9.95 g/t Au from 07JD001 and 19m averaging 7.01 g/t gold from hole 07JD013, which includes 5m averaging 16.42 g/t gold. Based on current information the JJ Main Gold Zone has an estimated true width of up to 12.6m. Mapping and geochemistry to date suggest that the JJ Main structure may extend for over three kilometers.

Hole ID	UTM E	UTM N	Dip	UTM Azimuth	From (m)	To (m)	Width (m)	Au (g/t)
07JD001	429793	5456774.5	-45	315.0	6	16	10	9.95
(including)					7	9	2	42.61
07JD002	429793.4	5456774.3	-65	315.0	10	19	9	1.34
(including)					10	12	2	2.52
(including)					17	19	2	2.40
07JD003	429814	5456753	-45	315	32	34	2	2.81
07JD004	429814	5456753	-65	315	24	29	5	2.04
07JD006	429831	5456798	-45	315	11	17	6	3.49
07JD007	429831	5456797	-65	315	18	21	3	10.41
(including)					18	19	1	16.91
07JD008	429839	5456840	-45	317	3	6	3	0.69
07JD009	429840	5456840	-70	317	6	8	2	0.92
07JD010	429847	5456786	-60	315	37	40	3	6.08
(including)					39	40	1	15.19
07JD011	429861	5456821	-60	315	35	37	2	1.43
07JD012	429757	5456728	-50	314	28	36	8	3.06
(including)					35	36	1	11.32
07JD013	429757	5456728	-70	314	46	65	19	7.01
(including)					48	53	5	16.42
(including)					56	60	4	7.53

Based on the results received to date, gold grades and interval widths generally increase towards the south. Visible gold was observed in 07JD012 and 013 and both are located on the southernmost fence drilled in the Phase I program. To the north drill holes 07JD008 and 009 were collared in quartz stockwork, and lower grades in these holes may reflect an incomplete sample across the mineralized zone.

Reject material from drill holes #1 and 2 was submitted to ALS Chemex Laboratories (“ALS”) in North Vancouver, B.C. for check assays using the Metallic Gold method on a 1kg sample. This work returned a general increase in gold values up to 40.8% (07JD002 between 10-12m). The original interval from 07JD001 of 10m averaging 9.95g/t gold has now been upgraded by 27.1% to 10m averaging 12.65g/t gold. Results from the gold check assays are summarized below.

HOLE ID	From (m)	To (m)	Width (m)	Original Fire Assay Au (g/t)	RE-ASSAY Au (g/t)	Change (%)
07JD001	6	16	10	9.95	12.65	+27.10
(including)	7	9	2	42.61	58.1	+36.34
07JD002	10	19	9	1.34	1.40	+4.39
(including)	10	12	2	2.52	3.55	+40.87
(including)	17	19	2	2.40	1.68	-30.0

The company is currently carrying out a surface trenching program over several new prospects, an expanded soil sampling program and geological mapping. Ministry of Energy, Mines and Petroleum Resources permitting for the Phase II expanded drill program is complete and is planned to commence later in the summer once all results from the current phase of drilling have been received and compiled. The Company has a diamond drill rig booked for this work.

All drilling results reported above are from 500g samples analyzed using the Metallic Gold method or by 30gm Fire Assay (07JD003) by Acme Analytical Laboratories Ltd. in Vancouver B.C. or 1kg samples analyzed by Metallic Gold method at ALS. Observation of gold concentrations in the coarse versus fine fractions from the original analyses prompted Astral to forward mineralized intercepts to ALS for confirmatory metallic screen analysis using the larger, 1kg sample size.

The exploration work at Jumping Josephine was completed under the supervision of the Company’s Project Geologist Dale Brittliffe B.Sc. Technical information has been reviewed by Dr. David Terry, P.Geo., Vice President Exploration and a Qualified Person as defined in National Instrument 43-101.

BlueBerry Property, British Columbia

On June 4, 2007 the Company announced it had entered into an agreement to acquire a 100% interest in the 7000 ha BlueBerry property located immediately east of the JJ Property. The property is considered strategic due to its location. An initial surface exploration program will be carried out on the BlueBerry property to evaluate its mineral potential this summer in conjunction with the surface exploration, trenching and diamond drilling programs being carried out on the JJ Gold Project.

To earn a 100% undivided interest in the BlueBerry property the Company must issue a total of 140,000 shares (25,000 issued) and make cash payments totalling \$75,000 over four years to a private Canadian company. During the term of the option the Company must keep the properties in good standing. Upon exercise of the option the vendor will retain a 2.5% NSR. The Company has the right to purchase 2.0% of the NSR for a total of \$2 million. Under the terms of the Company's option agreement with Kootenay Gold, any properties acquired within 5 kilometres of the boundaries of the Jumping Josephine property must be offered to the other party for inclusion in the claims covered by JJ option agreement.

Chenier Property, British Columbia

On April 18, 2007 the Company announced that it had entered into an option agreement with Kootenay Gold to earn a 60% undivided interest in the 6,500 hectare Chenier Copper-Gold Project located in the West Kootenay region of southern British Columbia.

To fulfill the terms of the option agreement the Company must spend \$2.5 million on exploration over four years and issue up to 500,000 shares over a three years period. Should the property go into commercial production Kootenay Gold will receive an additional 200,000 shares of the Company. Subsequent to exercise of the earn-in, the Company and Kootenay Gold will form a 60/40 joint venture. Funding of further work on the Chenier Property will be on a proportional basis under the direction of a management committee with voting rights proportional to ownership percentage. Either party may be diluted on the basis of a standard formula if they do not contribute to the planned programs. If either party is diluted to 5%, their interest will convert to a 2.5% NSR royalty, 2% of which can be purchased at any time for \$2 million by the surviving partner.

The Chenier Project is located 30km north of Rock Creek, British Columbia and straddles the Greenwood-Osoyoos Mining Division boundary. The property covers a newly-discovered mineralized system with the characteristics of the upper level of an alkalic porphyry copper-gold/silver system including well zoned structurally controlled alteration and mineralization. The Chenier Project is underlain primarily by granite and granodiorite of the Cretaceous Okanagan Batholith which intrude older metasediments. The batholith is unconformably overlain by Eocene-aged tuffs and intruded by Eocene-aged alkalic dykes which locally manifest as northeast-oriented dyke swarms thought to be related to the mineralizing event.

Erosion on the Chenier Project exposes what appears to be a transition from an outer chlorite-hematite shell to an inner potassium shell barely revealing the important copper-bearing zone. Two copper zones named the East and West zones are exposed over areas measuring roughly 500 metres by 200-300 metres. Grab sampling from the East Zone averages 1600 ppm (0.16%) copper from 10 samples with a high of 0.29% copper. Only two samples from the West zone have been assayed, returning 119 and 1693 ppm copper. Silver ranges between 1 and 5 ppm where copper is 500 ppm or more. The zonation observed on the Chenier property fits remarkably well with the alteration envelopes seen at the Ridgeway copper-gold mine in Australia, an alkalic copper porphyry deposit. The Company and Kootenay Gold management believe that the geologic characteristics of the Chenier Project suggest potential significant for a disseminated copper-gold deposit of the alkalic porphyry type.

In late April 2007, an AeroTEM helicopter-borne geophysical survey was completed on the Chenier Project. The 1000 line-kilometre airborne survey was flown by Aeroquest Limited of Mississauga, Ontario using an AeroTEM helicopter time-domain EM system. The survey was flown at a 100 metre line spacing to produce a high definition product. The magnetic component of the airborne survey is anticipated to greatly assist in delineating the structural controls to alteration and mineralization. The electromagnetic data from the survey should identify buried sulphide conductors. The Company is carrying out an aggressive surface exploration program during the 2007 field season to identify drill targets on the project.

The analytical work to date on samples from the Chenier property was carried out by Acme. Work on the Chenier Project has been carried out under the supervision of Dr. Trygve Hoy, P.Eng. a Qualified Person as defined in National Instrument 43-101. The information above was reviewed by Dr. David Terry, P.Geo., Vice President Exploration and a Qualified Person as defined in National Instrument 43-101.

JAG Properties, British Columbia

By agreement dated September 21, 2006, the Company agreed to option an undivided 100% interest in 90 claims located on the Nechako Plateau in North Central British Columbia (collectively the “JAG Properties”). The JAG properties are grass roots exploration properties and the Company will carry out a preliminary exploration program in fiscal 2008. The Company must make payments to the optionor of \$1,000,000 (\$20,000 paid) and expend \$2,000,000 on the properties over a period of 5 years to maintain its option

Saluda and Bear Creek Projects, Carolina Slate Belt, North and South Carolina

On March 12, 2007 the Company signed an option agreement with Gold Summit Corporation USA Inc. (“Gold Summit”), for a joint venture to explore for high-grade gold deposits in the Carolina Slate Belt. The agreement allows the Company to acquire an initial 51% interest in Gold Summit’s properties within the designated gold districts by making an option payment of US \$10,000 (paid) and incurring total work expenditures of US \$300,000 over a two year period, US \$100,000 due within the first year.

After earning a 51% interest the parties will continue to jointly fund exploration in the two designated gold districts unless the Company exercises its further option to acquire a total 70% interest in any property by funding further exploration and completing a feasibility study. In addition, the Company has the option to acquire a total 80% interest in any property by placing a mine into production. Gold Summit's team of consultants in the Carolinas will operate the joint venture subject to budget and program approval by the Company.

The Carolina districts both contain old workings with outcropping "greenstone-style" quartz veining from which samples containing visible gold, confirmed by assay, have been obtained. The districts are referred to as the Saluda Project (South Carolina) and the Bear Creek Project (North Carolina).

Saluda Project

In Saluda County, South Carolina, 253 acres (102 ha) of land have been leased in the auriferous Carolina Slate Belt. This land surrounds a gold-quartz vein showing (“Main Vein” at “Prospect Pit”), exposed in historical trenches. A 150m by 100m gold in soil anomaly (the Rinehart soil anomaly) surrounds the area; grades of quartz grab samples range from 3.4 to 144 g/t gold and visible gold has been identified (December 13, 2006 Gold Summit News Release).

Host rocks underlying the Rinehart soil anomaly are typical of the Lower Palaeozoic island arc volcanic and sedimentary suite that underlies the goldfields of the Southeastern United States. These rocks form a linear belt extending from Virginia to Georgia that contains at least 400 separate gold showings of record. The belt has seen little, if any, concerted exploration for high grade, greenstone-style, underground gold deposits, although a number of open pit deposits, notably Ridgeway, produced in recent years.

Core drilling on the Rinehart lease on the Saluda Project was carried out in late April 2007. A total of 525m in 6 holes have been completed along a 135m long segment of a northwest-trending shear zone containing several sub-parallel gold-bearing quartz veins dipping southwest at approximately 45°. A summary of the drill hole information and assay results for intervals containing greater than 1.0 g/t Au is provided in the table below.

Hole Number	UTM E	UTM N	UTM Azimuth	Dip	From (m)	To (m)	Width (m)	Au (g/t)
S 1	445812	3767283	125°	-45°	22.13	24.23	2.10	11.3
S 2	445845	3767212	045°	-45°	21.10	22.86	0.76	1.20
S 3	445797	3767222	045°	-60°				NSR
S 4	445807	3767285		-90°	18.14	20.12	1.98	17.8
S 5	445768	3767322	045°	-60°	32.92	33.23	0.29	5.2
S 6	445768	3767322		-90°				NSR

The Main Vein has been intersected by Hole S1 and Hole S4, respectively 55m and 75m northwest of the Prospect Pit. Where intersected, the Main Vein has an interpreted true width of 1.3m; it strikes to the northwest and dips at approximately 45° to the southwest. While the Main Vein does not appear to extend to the southeast, potential exists for extensions to the Main Vein down-dip and along strike to the northwest. Significant potential for parallel mineralized veins also exists. Additional sampling of altered felsic and mafic schist host rocks is in progress to determine if broader mineralized zones occur between the veins, as is suggested by historical trench sampling. Once all assays have been received, the Company will be finalizing its plans for the next stage of work on the prospective Saluda Gold Project.

All drill assays quoted above were by standard Fire/AA or Fire/Gravimetric methods performed at American Assay Laboratories in Sparks, Nevada (“American Assay”), an internationally-recognized analytical service provider. The drilling program on the Saluda Project has been overseen by Ronald D McDaniels, BSc., MSc., a registered Professional Geologist in the State of North Carolina, and a Qualified Person as defined by National Instrument 43-101. Dr. David Terry, P.Ge., Vice President Exploration and a Qualified Person as defined in National Instrument 43-101 has also reviewed the above information.

Bear Creek Project

In the Bear Creek project area of North Carolina a key 170-acre tract has been leased and more areas are being acquired to cover five linear gold-bearing quartz-sericite-pyrite alteration zones with associated gold-soil anomalies. Over the summer of 2007 geological mapping, rock and soil sampling as well as IP and ground magnetic surveys will be carried out to identify drill targets on the Bear Creek Project.

Gold Springs Project, Nevada

By agreement dated March 17, 2004, and amended November 17, 2004, the Company agreed to option an undivided 100% interest in 127 claims located within the Stateline Mining District along the Nevada-Utah border (collectively the “Gold Springs Project”).

Upon earning the 100% interest the Gold Springs Project will be subject to a 3% net smelter royalty (“NSR”). In addition, the Company will be required to pay US \$75,000 annually, commencing March 5, 2009, as an advance on the NSR. The Company has the right to purchase 1.5% NSR (the “NSR Buyback”) for US \$1,500,000, less any advances paid by the Company.

The property comprises 127 claims and covers an area approximately three kilometres in an east-west direction by six kilometres in a north-south direction. The property is located within the Stateline Mining District along the Nevada-Utah border which had small-scale production from at least 13 high-grade narrow veins from the late 1800s through to the mid 1900s. Gold Springs is underlain by Tertiary-aged intermediate to felsic volcanic rocks that have demonstrated potential to host both precious metal deposits in high-grade narrow vein zones and quartz stockwork/disseminated bulk tonnage targets. Three main targets have been identified on the property: Jumbo, Jennie North and Etna.

In 2006 the Company completed an initial ten-hole 1,760m reverse circulation drill program testing the three main targets. Of the 10 RC holes completed, 8 were drilled in the Jumbo area (holes GS-06-01, 02, 03, 05, 06, 07, 08, 09), one hole in the Jennie North area (GS-06-04), and one hole in the Etna area (GS-06-10). The drill program has intersected narrow high-grade structures and wide zones of anomalous gold mineralization. Highlights include 7.24 g/t gold and 28.9 g/t silver over 6.1m (GS-06-1), 1.22 g/t gold and 34.8 g/t silver over 4.5m (GS-06-02), 1.24 g/t gold and 6.6 g/t silver over 7.7m (GS-06-04), 4.00 g/t gold and 9.7 g/t silver over 1.5m (GS-06-06), 1.33 g/t gold and 11.1 g/t silver over 3.0m (GS-06-07) and 0.33 g/t gold and 10.5 silver over 86.9m (GS-06-08). In order to evaluate coarse gold factor, twenty samples were reanalyzed by screen fire assay with similar results to the original fire assay. An additional preparation and analytical method, which involved crushing the entire drill sample, was subsequently applied to six samples which increase values in four out of six samples. These results indicate the analyses of as large a sample as possible is preferred.

The Company is currently planning a 1,500m diamond drill program to test two targets: 1) a deep (>300m) CSAMT anomaly beneath the Jumbo low sulphidation epithermal vein system and 2) the Jennie North anomaly.

A National Instrument 43-101 report on the Gold Springs Project authored by Gregory Smith, a Qualified Person as defined by National Instrument 43-101, has been filed on the SEDAR website at www.sedar.com.

The fiscal 2007 drilling program was carried out under the supervision of Qualified Person John Rice, C.P.G. and all technical information has been reviewed by Dr. David A. Terry, P.Geo., Director and Vice President Exploration and a Qualified Person as defined in National Instrument 43-101.

Scraper Springs Property, Nevada

On November 5, 2004, the Company entered into a letter agreement (the "Scraper Springs Agreement") with Nevada Eagle Resources and Sedi-met, Inc. ("Sedi-met"), pursuant to which the Company was granted a lease respecting the Scraper Springs claims 1-33 located in Elko Co., Nevada (the "Scraper Springs Property"). Subject to a 3% NSR, the Company has the right to retain the proceeds from the disposition of any minerals produced on the Scraper Springs Property during the term of the Scraper Springs Agreement.

The Scraper Springs Property is located on the northern extension of the prolific Carlin Gold Trend in northwestern Elko County and is located 16.5 kilometres northeast of the high-grade Midas gold deposit which had a pre-mining resource of 3 million ounces gold and 35 million ounces of silver. The property covers an area 2.4 kilometers by 1.6 kilometers. Preliminary surface mapping, rock and soil sampling has been carried out on the property. No work was carried out on the property during fiscal 2007. One or more deep holes to test for buried Carlin Trend type deposits is planned for the property in fiscal 2008.

Emmy Property, Nevada

On October 11, 2004, the Company acquired through staking, 30 claims located in the Burner Hill area, Elko County, Nevada (the "Emmy Property"). The claims were staked by J. Rice Development Corporation ("JRD") on behalf of the Company. JRD was reimbursed for time and expenses incurred in staking the claims. Should the Emmy Property advance to production, JRD will maintain an underlying 1.5% net smelter royalty on the Emmy Property payable on a monthly basis on any gold or silver produced. Ownership of the claims will revert to JRD in the event the Company elects not to maintain the claims. The Company is required to pay all expenses associated with claim maintenance such as filing fees, annual assessment fees and notice of intent fees. Any contiguous claims staked will become part of the Emmy Property and will be subject to the same terms and conditions as the existing claims.

The Emmy Property lies 11 kilometres north of the Scraper Springs Property and 25 kilometres north-northwest of the Midas gold deposit. Emmy occurs in the same general geological environment as Scraper Springs and also has potential to host buried Carlin-type mineralization. No work was carried out on the property during fiscal 2007. Surface work comprising geological mapping, rock and soil sampling and ground magnetics is planned for fiscal 2008.

REF Property, Nevada

On October 16, 2004, the Company acquired, through staking, 34 claims located on the southern end of Battle Mountain - Eureka Trend, Nevada. The REF property is situated approximately 28 km south of the town of Eureka, Nevada, and covers an area 1 km by 3 km. The exploration target on the property is a carbonate-hosted disseminated gold deposit within the Nevada Formation and/or Pogonip Group. The Gold Bar deposit, located 50 km to the north of REF is hosted in similar Nevada Formation carbonates.

The REF property is underlain by carbonate rocks mapped as belonging to the Nevada Formation. Exposures of continuous to discontinuous massive calcite veins, ranging up to 15m in thickness, occur within a zone of sheared carbonate and calcite veining, up to 60m wide, extending over a strike length of greater than 2.7km along an east-facing range front near the pediment contact. Locally the calcite veining is replaced by red-coloured jasperoid. Gold values in 46 rock samples collected from the property by the Company since its initial staking range between <3 and 359 ppb gold and <0.1 to 11.9 ppm silver. Higher gold values are associated with jasperoidal zones within the carbonate-dominant vein system. A small knob of outcrop protruding through the pediment east of the range front has several small historical trenches and one shallow shaft.

Surface work programs comprising ground magnetics and soil sampling was carried out on the REF Property during the summer of 2006. Several combined geochemical-geophysical anomalies have been identified. A total of 384 soil samples were collected with results ranging from <3 to 182 ppb gold. The strongest multi-station gold soil anomaly occurs over three lines in the central portion of the property. Several other anomalies (>25 ppb gold) were identified in the northern and southern parts of the claim. A strong north-northeast linear structure defined by the ground magnetics corresponds to the carbonate vein trend, defines the range front and also lines up with the soil anomalies and many of the

anomalous rock chip samples. The magnetic signature decreases south across the property, abrupt changes may represent manifestations of northwest-oriented structures. As well, a discrete magnetic high occurs in the west central portion of the property, potentially reflecting a buried intrusive.

The Company intends to conduct a preliminary drill test of the main targets during the 2007 field season.

All analytical results of the REF property were carried out by American Assay. Work on the project was carried out under the supervision of Qualified Person John Rice, C.P.G. The technical information contained in this release has also been reviewed by Dr. David A. Terry, P.Geo., Vice President Exploration and a Qualified Person as defined in National Instrument 43-101.

Roy and Hills Properties, Nevada

On June 11, 2006 the Company announced signing of a Letter of Intent to option from Amera Resources Corporation (“Amera”) the Roy and Hills properties, located in the prolific Walker Lane Mineral Belt of West Central Nevada, where past production has yielded more than 35 million gold equivalent ounces. Under the terms of this Letter of Intent, the Company may earn up to an 80% undivided interest in the Roy and Hills properties. An initial 65% interest in the project may be earned by incurring US\$2,500,000 in work expenditures over four years and issuing 500,000 common shares (100,000 shares were issued upon TSXV approval) to Amera. Upon earning the initial 65%, the Company may then elect to earn an additional 15% interest, by issuing a further 500,000 shares and completing a bankable feasibility study, within three years.

The Roy and Hills properties are situated midway between the historic mining district of Tonopah (3.5 million ounces gold equivalent) and the more recently mined Paradise Peak deposit (1.5 million ounces gold). These claim blocks are underlain by Oligocene and Miocene-age volcanic rocks that consist of latites, quartz latites and dacite flows that have undergone epithermal alteration and mineralization prior to being covered by lacustrine volcanic sediments and Quaternary gravels.

The 478 hectare (1,180 acre) Roy and the 227 ha (560 acre) Hills properties have been previously sampled by Amera with several rock samples containing significant gold and silver grades. Detailed surface sampling, mapping and ground magnetics have identified drill targets on both the Roy and Hills properties.

On the Roy property a gold-silver epithermal system is hosted within an alteration zone that outcrops over a 2.25 square kilometre area. One sample of float material collected from the central portion of the claim group assayed 41.5 g/t gold (1.2 oz/ton); gold values from additional surface rock sampling to date range between 0.03 to 0.60 g/t gold. The Hills property is located 7km to the northwest of the Roy property and hosts a prospective silver-gold epithermal system within a 1km by 500m alteration area. Rock chip sampling has returned values ranging from 0.2-70.0 g/t silver and 0.1-0.2 g/t gold.

A phase I Reverse Circulation drill program of the Roy and Hills Properties was carried out between January and February 2007. Results were reported on May 18, 2007. The program comprised seven Reverse Circulation (RC) drill holes totalling 1,075.9m. Six of the holes were drilled on the Roy property and one was drilled on the Hills, 7km to the northwest.

The aim of the 2007 drill program was to test geophysical and geochemical gold-silver targets in epithermal alteration zones identified on both properties. The best results from the program were a 6.1m interval averaging 0.89 g/t gold, including a 1.5m interval assaying 2.1 g/t gold, from between 3.0 and 9.1m depth in hole R-07-5. This hole, along with R-07-03, was designed to test the area where surface samples of subcropping bladed quartz vein material assayed 41.5 g/t gold. Zones of anomalous arsenic concentration were observed in all holes except R-07-7; zones of elevated silver and copper were detected in hole R-07-05 and a 20.1m wide zone of arsenic-mercury±antimony±copper was present near the top of hole R-07-06. Management believes several more holes are required to follow up on the anomalous zone identified in hole R-07-05 and to further test the structure and vein system near hole R-07-05. This will be carried out when a drill rig becomes available.

The Roy and Hills drilling program was carried out under the supervision of John Rice, C.P.G., a Qualified Person as defined in National Instrument 43-101. All analytical work for the Roy and Hills drilling program was performed by American Assay. The technical information above has also been reviewed by Dr. David A. Terry, P.Geo., Vice President Exploration and a Qualified Person as defined in National Instrument 43-101.

Monzo Property, Nevada

In the fall of 2006 the Company staked 120 lode claims, named the Monzo 1-120 in the Walker Lane District of Nevada. The 100%-owned Monzo Property is located in the Cedar Mountains of west central Nevada, approximately 90 kms northwest of Tonopah and 35 kms southeast of Gabbs. The claims cover approximately 2,480 acres (1004 hectares) and are believed to have potential for low-sulphidation epithermal gold mineralization. The property is located approximately 21km southeast of the Paradise Peak mine, which produced 1.6 million ounces of gold and 24 million ounces of silver.

During its initial reconnaissance of the property the Company has collected 40 surface rock samples. Gold grades vary from below detection to 6.3 g/t. The 6.3 g/t gold sample came from a grab sample of quartz vein material from an old working; a 1.7 g/t gold value came from a grab sample of altered quartz monzonite. Copper values range from less than detection to >10,000 ppm. The over-limit sample and a second sample which assayed 8,030 ppm copper were collected from an altered zone at the contact of the limestone and quartz monzonite.

Work on the Monzo property has been carried out by John Rice, M.Sc, C.P.G.. Technical information stated above has been reviewed by Dr. David Terry, P.Geo., Vice President of Exploration and a Qualified Person as defined in National Instrument 43-101.

For fiscal 2008 the Company plans to carry out geological mapping, rock and soil sampling and ground magnetics to identify drill targets on the Monzo property.

Selected Quarterly Financial Information

The following selected financial information is derived from the unaudited interim consolidated financial statements of the Company prepared in accordance with Canadian GAAP.

	Fiscal 2008	Fiscal 2007				Fiscal 2006			
	June 30	Mar. 31	Dec. 31	Sep. 30	June 30	Mar. 31	Dec. 31	Sep. 30	
	\$	\$	\$	\$	\$	\$	\$	\$	
Revenues	-	-	-	-	-	-	-	-	
Net loss	(328,024)	99,401	(171,227)	(203,943)	(275,535)	(241,440)	(40,181)	(48,399)	
Net loss per common share - basic and diluted	(0.02)	0.01	(0.01)	(0.01)	(0.02)	(0.03)	(0.02)	(0.02)	

Summary of Financial Results

For the three months ended June 30, 2007, the Company reported a consolidated loss of \$328,024 (\$0.02 per share), an increase in loss of \$52,489 from the \$275,535 loss (\$0.02 per share) for the period ended June 30, 2006. The increase in consolidated loss in the current period is due to a number of factors of which \$41,327 can be attributed to an increase in operating expenses and \$11,162 to a decrease in other income items.

Results of Operations

The Company's operating expenses for the three months ended June 30, 2007 were \$329,551 compared to \$288,244 for the period ended June 30, 2006. Significant expenditures were incurred in the following categories:

- Corporate development and investor relations expenses decreased to \$51,399 in the 2007 period from \$76,500 in the 2006 period as the Company reduced its use of public relations advisory services and attendance at industry conferences.
- Management fees of \$22,500 were incurred in the 2007 period compared to \$20,000 in the 2006 period. The management fees are for the services of the President of the Company who is paid an annual fee of \$90,000.
- Office and sundry expenses were \$36,605 for the three months ended June 30, 2007 compared to \$18,695 for the three months ended June 30, 2006 as a result of the increase in activity the current period. The office expense includes an allocation of fees from the Grosso Group (see Related Party Transactions section below for more details).
- Rent expense was \$17,678 for the three months ended June 30, 2007 compared to \$19,616 the three months ended June 30, 2006. The rent expense represents an allocation of fees from the Grosso Group.

- Salaries and benefits expenses increased to \$43,623 in the 2007 period from \$38,713 in the 2006 period as a result of increased activity in the current period. The salaries expense represents an allocation of fees from the Grosso Group.
- Stock based compensation expense increased to \$112,715 in the 2007 period from \$68,338 in the 2006 period. Stock based compensation expense is the estimated fair value of stock options granted to officers, directors and consultants in the period. Stock-based compensation expense is accounted for at fair value as determined by the Black-Scholes option pricing model using estimates that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and risk-free interest rate. In addition, in the three months ended June 30, 2007 \$7,586 in stock based compensation expense was capitalized to mineral properties and deferred costs.

During the period ended June 30, 2007 the Company capitalized \$506,704 of expenditures to the JJ Property, \$9,709 on the JAG Properties, \$196,101 on the Chenier Property, and \$18,000 on the Blueberry Property in western Canada. In addition, in the 2007 period the Company capitalized \$57,024 on the Scraper Springs Claims, \$10,246 on the Roy and Hills Properties, and \$38,107 on the Saluda and Bear Creek Properties in the United States. See "Exploration Projects" section above for further discussion.

Liquidity and Capital Resources

The Company's cash position at June 30, 2007 was \$1,046,192 compared to \$182,474 at March 31, 2007. Short-term investments balance decreased to \$474,835 at June 30, 2007 from \$600,000 at March 31, 2007. Total assets increased to \$4,293,805 at June 30, 2007 from \$2,548,427 at March 31, 2007. This increase is mainly due to the increase in the cash balance and the exploration expenditures incurred the 2007 period which were capitalized to mineral properties and deferred costs.

As the Company is an exploration stage company, revenues are limited to interest earned on cash held with the Company's financial institutions. In the three months ended June 30, 2007 the Company recorded interest income of \$11,286 compared to \$10,018 in the three months ended June 30, 2006.

The Company has financed its operations through the sale of its equity securities. During the period ended June 30, 2007:

- the Company completed a non-brokered private placement of 2,500,000 units priced at \$0.50 resulting in gross proceeds of \$1,250,000. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase one common share of the Company for 24 months at a price of \$0.75 per common share.
- the Company completed a non-brokered private placement to the MineralFields Group of 1,000,000 flow-through units of the Company at a price of \$0.50 per unit for total gross proceeds of \$500,000. Each flow-through unit consists of one flow-through common share and one-half of one non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one non-flow-through common share of the company for a term of eighteen months at a price of \$0.65.

The Company considers that it has adequate resources to maintain its core operations for the balance of the fiscal year but currently may not have sufficient working capital to fund all of its planned exploration and development work. The Company will continue to rely on successfully completing additional equity financing to further exploration of its existing and new properties in North America. There can be no assurance that the Company will be successful in obtaining the required financing. The failure to obtain such financing could result in the loss of the Company's interest in one or more of its mineral claims.

The Company does not know of any trends, demand, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, its liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in liquidity are substantially determined by the success or failure of the exploration programs. The Company does not have any loans or bank debt and there are no restrictions on the use of its cash resources.

Operating Cash Flow

Cash outflow from operating activities was \$123,310 for the period ended June 30, 2007 compared to \$157,068 for the period ended June 30, 2006 as a result of the reduction in the positive impact of changes in non-cash working capital balances partially offset by an increase in operating activities.

Financing Activities

For the period ended June 30, 2007, the Company received \$1,771,250 from the sale of common shares and warrants less issue costs of \$119,662 compared to \$1,080,000 less share issue costs of \$69,876 for the period ended June 30, 2006.

Investing Activities

Investing activities required cash of \$664,560 for the period ended June 30, 2007, compared to \$380,492 in the 2006 period. In the 2007 period, these investing activities included additions of \$789,725 to mineral properties and a reduction of \$125,165 in short-term investments. In the 2006 period, the investing activities relate to additions to mineral properties and deferred costs of \$380,492.

Related Parties Transactions

The Company engages Grosso Group Management Ltd. (“Grosso Group”) to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, IMA Exploration Inc., Golden Arrow Resources Corporation, Amera, Gold Point Energy Corp. and Blue Sky Uranium Corp., each of which owns one share of the Grosso Group. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a pro-rating of the Grosso Group’s costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company.

During the three months ended June 30, 2007, the Company incurred fees of \$84,814 (2006 - \$71,627) to the Grosso Group which have been allocated to rent, salaries and office expenses. In addition, included in amounts receivable, prepaids and deposits as at June 30, 2007 is a \$10,000 (2006 - \$10,000) unsecured deposit to the Grosso Group for the purchase of equipment and leasehold improvements and for operating working capital.

The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President for an annual fee of \$90,000. During the three months ended June 30, 2007, the President was paid an amount of \$22,500 (2006 - \$20,000).

Contractual Commitments

As of June 30, 2007, the Company had the following Canadian dollar and US dollar option payment and work expenditure commitments, as well as share issue commitments, in relation to its mineral property projects:

	<u>Less than 1 year \$</u>	<u>1 to 3 years \$</u>	<u>Greater than 3 years \$</u>	<u>Total \$</u>
Canadian dollar commitments				
Option payments	85,000	167,000	875,000	1,127,000
Work expenditures	200,000	2,400,000	3,600,000	6,200,000
	<u>285,000</u>	<u>2,567,000</u>	<u>4,475,000</u>	<u>7,327,000</u>
	<u>Less than 1 year US\$</u>	<u>1 to 3 years US\$</u>	<u>Greater than 3 years US\$</u>	<u>Total US\$</u>
US dollar commitments				
Option payments	100,000	-	-	100,000
Work expenditures	-	1,200,000	1,400,000	2,600,000
	<u>100,000</u>	<u>1,200,000</u>	<u>1,400,000</u>	<u>2,700,000</u>

	Less than 1 year #	1 to 3 years #	Greater than 3 years #	Total #
Share issue commitments	427,500	600,000	427,500	1,445,000

Further details of the Company's option payments and work expenditure commitments are disclosed in Note 4 to the Company's June 30, 2007 interim consolidated financial statements.

Critical Accounting Policies

Reference should be made to the Company's significant accounting policies contained in Note 2 of the Company's consolidated financial statements for the year ended March 31, 2007. These accounting policies can have a significant impact of the financial performance and financial position of the Company.

Recent Accounting Pronouncements

Effective April 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

- (a) Section 3855, *Financial Instruments – Recognition and Measurement* and Section 3861, *Financial Instruments – Disclosure and Presentation*, prescribe the criteria for recognition and presentation of financial instruments on the balance sheet and the measurement of financial instruments according to prescribed classifications. These sections also address how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Company is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments are to be initially measured at fair value. Financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The Company has designated its financial instruments as follows:

- (i) Cash and short-term investments are classified as "*Available-for-sale*". Due to their short-term nature, their carrying value is equal to their fair value.
- (ii) Marketable securities are classified as "*Available-for-sale*". The fair value is obtained by reference to the closing quoted market price on the balance sheet date.
- (ii) Amounts receivable, prepaids and deposits are classified as "*Loans and Receivables*". These financial assets are recorded at values that approximate their amortized cost using the effective interest method.
- (iii) Accounts payable and accrued liabilities are classified as "*Other Financial Liabilities*". These financial liabilities are recorded at values that approximate their amortized cost using the effective interest method.

As a result of adopting Section 3855, on April 1, 2007, interest accrued from short-term investments in the amount of \$6,707 was reclassified from amounts receivable, prepaids and deposits to short-term investments.

- (b) Section 1530, *Comprehensive Income*, introduces a new financial statement "Statement of Comprehensive Income" and provides guidance for the reporting and display of other comprehensive income. Comprehensive income represents the change in equity of an enterprise during a period from transactions and other events arising from non-owner sources including gains and losses arising on translation of self-sustaining foreign operations, gains and losses from changes in fair value of available for sale financial assets and changes in the fair value of the effective portion of cash flow hedging instruments. The Company has not recognized any adjustments through other comprehensive income for the three months ended June 30, 2007.

- (c) Section 3865, *Hedges* specifies the criteria under which hedge accounting may be applied, how hedge accounting should be performed under permitted hedging strategies and the required disclosures. This standard did not have an impact on the Company for the three months ended June 30, 2007.

Use of Estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations and assessment of carrying values of mineral properties and deferred costs. Actual results may differ from these estimates.

Mineral Properties and Deferred Costs

Consistent with the Company's accounting policy disclosed in Note 2 of the annual consolidated financial statements, direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company have been capitalized on an individual property basis. It is the Company's policy to expense any exploration associated costs not related to specific projects or properties. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned or its carrying value has been impaired, a provision is made for any expected loss on the project or property. In the period ended June 30, 2007 no impairment of long-lived assets was identified.

Financial Instruments

The Corporation's financial instruments are comprised of cash, short-term investments, amounts receivable, prepaids and deposits, and accounts payable and accrued liabilities.

The fair values of cash, short-term investments, amounts receivable, prepaids and deposits, and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

Risk Factors

The Company's operations and results are subject to a number of different risks at any given time. These factors, include but are not limited to disclosure regarding exploration, additional financing, project delay, titles to properties, price fluctuations and share price volatility, operating hazards, insurable risks and limitations of insurance, management, foreign country and regulatory requirements, currency fluctuations and environmental regulations risks. Exploration for mineral resources involves a high degree of risk. The cost of conducting programs may be substantial and the likelihood of success is difficult to assess. For a more complete discussion of these risks and others, reference should be made to the March 31, 2007 Management Discussion and Analysis.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Management has designed disclosure controls and procedures, or has caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, is made known to management by others within those entities, particularly during the period in which the annual filings are being prepared. Management has also designed such internal control over financial reporting, or caused it to be designed under management's supervision, to provide reasonable assurance regarding the reliability of financial reporting and preparation of the financial statements for the three months ended June 30, 2007 in accordance with Canadian Generally Accepted Accounting Principles. There has been no change in the Company's disclosure controls and procedures or in the Company's internal control over financial reporting that occurred during the most recently completed quarter that has materially affected, or is reasonably likely to materially affect, the Company's disclosure controls and procedures or internal control over financial reporting.

Investor Relations Activities

Mr. Manfred Kurschner is the Company's President and coordinates investor relations activities. During the three months ended June 30, 2007 the Company retained an external investor relations firm, Vantage Communications Ltd., to provide

investor relations services for a fee of \$4,500 per month. The Company also maintains a web site at www.astralmining.com.

Outstanding Share Data

The Company's authorized share capital is an unlimited number of common shares without par value. As at June 30, 2007, there were 17,946,614 outstanding common shares and 1,731,000 stock options, which were outstanding and exercisable, with an exercise prices ranging from \$0.40 to \$0.50 per share. In addition, as at June 30, 2007, there were 4,392,000 warrants outstanding with exercise prices ranging from \$0.60 to \$0.75 per share.

As at August 29, 2007 there were 17,986,614 common shares, 1,731,000 stock options and 4,392,000 warrants outstanding.