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# **ASTRAL MINING CORPORATION**

*(An Exploration Stage Company)*

CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
MARCH 31, 2008 AND 2007

*(Expressed in Canadian Dollars)*

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### **Management's Responsibility for Financial Reporting**

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with accounting principles generally accepted in Canada, and contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the Company's independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The Company's independent auditors, D&H Group LLP, are appointed by the shareholders to conduct an audit in accordance with generally accepted auditing standards in Canada and their report follows.

*"Manfred Kurschner"*

Manfred Kurschner  
President

*"Art Lang"*

Art Lang  
Chief Financial Officer

June 11, 2008

## AUDITORS' REPORT

To the Shareholders of  
Astral Mining Corporation

We have audited the consolidated balance sheets of Astral Mining Corporation as at March 31, 2008 and 2007 and the consolidated statements of loss, comprehensive 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.  
June 11, 2008

**"D&H Group LLP"**  
**Chartered Accountants**

**ASTRAL MINING CORPORATION**  
*(An Exploration Stage Company)*  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT MARCH 31, 2008 AND 2007**  
*(Expressed in Canadian Dollars)*

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash	212,902	182,474
Short-term investments (Note 3)	304,081	606,707
GST recoverable	61,260	13,765
Amounts receivable, prepaids and deposits (Note 6)	<u>218,758</u>	<u>86,407</u>
	797,001	889,353
<b>MINERAL PROPERTIES AND DEFERRED COSTS (Note 4)</b>	<u>4,243,583</u>	<u>1,659,074</u>
	<u><u>5,040,584</u></u>	<u><u>2,548,427</u></u>
<b>L I A B I L I T I E S</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	<u>122,044</u>	<u>134,511</u>
<b>S H A R E H O L D E R S ' E Q U I T Y</b>		
<b>SHARE CAPITAL (Note 5)</b>	5,359,076	3,027,337
<b>WARRANTS (Note 5)</b>	840,984	197,509
<b>CONTRIBUTED SURPLUS</b>	486,358	297,321
<b>DEFICIT</b>	<u>(1,767,878)</u>	<u>(1,108,251)</u>
	<u>4,918,540</u>	<u>2,413,916</u>
	<u><u>5,040,584</u></u>	<u><u>2,548,427</u></u>

**NATURE OF OPERATIONS AND GOING CONCERN (Note 1)**

APPROVED BY THE DIRECTORS

"Manfred Kurschner" , Director

"Nick DeMare" , Director

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

**ASTRAL MINING CORPORATION**  
*(An Exploration Stage Company)*  
**CONSOLIDATED STATEMENTS OF LOSS, COMPREHENSIVE LOSS AND DEFICIT**  
**FOR THE YEARS ENDED MARCH 31, 2008 AND 2007**  
*(Expressed in Canadian Dollars)*

	2008 \$	2007 \$
<b>EXPENSES</b>		
Administrative and management services	15,569	15,701
Corporate development and investor relations	303,595	249,779
General exploration	9,293	17,782
Management fees (Note 6)	116,264	87,500
Office and sundry (Note 6)	122,830	91,012
Professional fees	27,342	27,825
Rent (Note 6)	66,399	84,432
Salaries (Note 6)	199,375	187,232
Stock-based compensation (Note 5(c))	195,146	78,983
Transfer agent and regulatory fees	30,189	27,271
Travel	54,543	54,186
	<u>1,140,545</u>	<u>921,703</u>
<b>LOSS BEFORE OTHER ITEMS</b>	<u>(1,140,545)</u>	<u>(921,703)</u>
<b>OTHER INCOME (EXPENSE)</b>		
Interest income	39,637	38,656
Foreign exchange gain	23,835	5,412
Write-off mineral properties and deferred costs	(264,083)	-
Part XII.6 tax (Note 5(a))	(13,154)	(8,469)
	<u>(213,765)</u>	<u>35,599</u>
<b>LOSS BEFORE INCOME TAXES</b>	(1,354,310)	(886,104)
<b>FUTURE INCOME TAX RECOVERY</b> (Notes 5(a) and 7)	<u>694,683</u>	<u>334,800</u>
<b>LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	(659,627)	(551,304)
<b>DEFICIT - BEGINNING OF YEAR</b>	<u>(1,108,251)</u>	<u>(556,947)</u>
<b>DEFICIT - END OF YEAR</b>	<u>(1,767,878)</u>	<u>(1,108,251)</u>
<b>LOSS PER SHARE - BASIC AND DILUTED</b>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b>	<u>18,936,503</u>	<u>13,559,096</u>

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

**ASTRAL MINING CORPORATION**  
*(An Exploration Stage Company)*  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED MARCH 31, 2008 AND 2007**  
*(Expressed in Canadian Dollars)*

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
<b>CASH PROVIDED FROM (USED FOR)</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	(659,627)	(551,304)
Items not affecting cash		
Future income tax recovery	(694,683)	(334,800)
Accrued interest	(4,081)	(6,707)
Stock-based compensation	195,146	78,983
Write-off mineral properties and deferred costs	264,083	-
	<u>(899,162)</u>	<u>(813,828)</u>
Changes in non-cash working capital balances		
Amounts receivable, prepaids and deposits	(125,644)	(67,835)
GST recoverable	(47,495)	906
Accounts payable and accrued liabilities	(77,584)	95,622
	<u>(1,149,885)</u>	<u>(785,135)</u>
<b>FINANCING ACTIVITIES</b>		
Issuance of common shares and warrants	3,554,567	1,080,000
Share and warrant issuance costs	(231,066)	(70,510)
Exercise of warrants and stock options	-	157,818
	<u>3,323,501</u>	<u>1,167,308</u>
<b>INVESTING ACTIVITIES</b>		
Expenditures on mineral properties and deferred costs	(2,443,188)	(1,022,601)
Decrease (increase) in short-term investments	300,000	(600,000)
	<u>(2,143,188)</u>	<u>(1,622,601)</u>
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	<b>30,428</b>	<b>(1,240,428)</b>
<b>CASH - BEGINNING OF YEAR</b>	<u><b>182,474</b></u>	<u><b>1,422,902</b></u>
<b>CASH - END OF YEAR</b>	<u><u><b>212,902</b></u></u>	<u><u><b>182,474</b></u></u>
<b>SUPPLEMENTARY CASH FLOW INFORMATION (Note 9)</b>		
<b>Interest paid</b>	<u>-</u>	<u>-</u>
<b>Income taxes paid</b>	<u>-</u>	<u>-</u>

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**ASTRAL MINING CORPORATION**  
*(An Exploration Stage Company)*  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**FOR THE YEARS ENDED MARCH 31, 2008 AND 2007**  
*(Expressed in Canadian Dollars)*

	2008 \$	2007 \$
<b>SHARE CAPITAL</b>		
Balance, beginning of year	3,027,337	2,250,258
Private placements	3,286,000	1,080,000
Warrant valuation	(754,026)	(183,600)
Shares issued for agent's commission	-	15,750
Shares issued for mineral property interest	332,700	82,600
Exercise of warrants and agent's warrants	238,497	149,818
Exercise of stock options	30,070	8,000
Contributed surplus reallocated on exercise of stock options and agent's warrants	13,696	59,481
Warrant equity reallocated on the exercise of warrants	55,700	-
Flow-through share renunciation	(694,683)	(334,800)
Share issue costs	(176,215)	(100,170)
Balance, end of year	<u>5,359,076</u>	<u>3,027,337</u>
<b>WARRANTS</b>		
Balance, beginning of year	197,509	-
Warrant valuation from private placement warrants granted	754,026	183,600
Warrant valuation from agent's warrants granted	-	34,426
Reversal of warrant equity as a result of broker's warrants exercised	(55,700)	-
Warrant issue costs	(54,851)	(20,517)
Balance, end of year	<u>840,984</u>	<u>197,509</u>
<b>CONTRIBUTED SURPLUS</b>		
Balance, beginning of year	297,321	267,914
Contributed surplus as a result of stock options granted	202,733	88,887
Contributed surplus reallocated on exercise of stock options and agent's warrants	(13,696)	(59,480)
Balance, end of year	<u>486,358</u>	<u>297,321</u>
<b>DEFICIT</b>		
Balance, beginning of year	(1,108,251)	(556,947)
Net loss for the year	(659,627)	(551,304)
Balance, end of year	<u>(1,767,878)</u>	<u>(1,108,251)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><u>4,918,540</u></u>	<u><u>2,413,916</u></u>

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**ASTRAL MINING CORPORATION**

*(An Exploration Stage Company)*

**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS**

**FOR THE YEAR ENDED MARCH 31, 2008**

*(Expressed in Canadian Dollars)*

	Canada				USA						Total \$
	Jumping Josephine \$	JAG \$	Chenier \$	Blueberry \$	Gold Springs \$	Scraper Springs \$	Roy & Hills \$	Monzo \$	Saluda & Bear Creek \$	Other \$	
<b>BALANCE, BEGINNING OF YEAR</b>	444,160	20,700	-	-	731,789	102,329	161,743	48,684	59,480	90,189	1,659,074
<b>EXPENDITURES DURING THE YEAR</b>											
<b>EXPLORATION COSTS</b>											
Assays	158,863	25,292	41,768	-	-	-	9,636	-	9,292	-	244,851
Drilling	1,081,096	-	-	-	-	-	-	-	160,482	-	1,241,578
Geophysics	14,972	-	186,060	-	-	-	-	-	-	-	201,032
Office and other	10,683	386	-	-	155	-	-	-	-	-	11,224
Road building and trenching	8,055	-	-	-	-	-	-	-	-	-	8,055
Salaries and contractors	237,842	33,958	12,115	-	1,989	-	1,740	3,090	156,239	-	446,973
Supplies and equipment	32,593	-	5,193	-	-	-	-	-	-	-	37,786
Transportation	70,420	-	5,904	-	-	-	551	831	-	-	77,706
	1,614,524	59,636	251,040	-	2,144	-	11,927	3,921	326,013	-	2,269,205
<b>ACQUISITION COSTS</b>											
Option payments	114,250	-	104,173	57,925	106,399	76,831	-	-	35,839	-	495,417
Claim maintenance fees	11,942	-	-	7,249	17,911	4,587	15,312	16,677	-	10,292	83,970
	126,192	-	104,173	65,174	124,310	81,418	15,312	16,677	35,839	10,292	579,387
Written-off mineral properties	-	(80,336)	-	-	-	(183,747)	-	-	-	-	(264,083)
<b>BALANCE, END OF YEAR</b>	2,184,876	-	355,213	65,174	858,243	-	188,982	69,282	421,332	100,481	4,243,583

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

**ASTRAL MINING CORPORATION**  
*(An Exploration Stage Company)*  
**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS**  
**FOR THE YEAR ENDED MARCH 31, 2007**  
*(Expressed in Canadian Dollars)*

	Canada		USA					Total	
	Jumping Josephine \$	JAG \$	Gold Springs \$	Scraper Springs \$	Roy & Hills \$	Monzo \$	Saluda & Bear Creek \$		Other \$
<b>BALANCE, BEGINNING OF YEAR</b>	-	-	428,479	65,691	-	-	-	49,799	543,969
<b>EXPENDITURES DURING THE YEAR</b>									
<b>EXPLORATION COSTS</b>									
Assays	73,536	-	27,707	-	4,742	-	-	8,598	114,583
Drilling	-	-	172,609	-	87,215	-	-	-	259,824
Geophysics	167,555	-	-	-	-	-	-	7,092	174,647
Office and other	933	-	171	-	128	-	-	-	1,232
Petrography	1,854	-	-	-	-	-	-	-	1,854
Road building and trenching	6,345	-	6,548	-	-	-	-	-	12,893
Salaries and contractors	99,259	700	65,595	-	18,814	20,604	48,093	13,250	266,315
Supplies and equipment	8,354	-	-	-	-	-	-	-	8,354
Transportation	19,065	-	-	-	-	-	-	-	19,065
	376,901	700	272,630	-	110,899	20,604	48,093	28,940	858,767
<b>ACQUISITION COSTS</b>									
Option payments	52,750	20,000	11,387	31,941	33,491	-	11,387	-	160,956
Claim maintenance fees	14,509	-	19,293	4,697	17,353	28,080	-	11,450	95,382
	67,259	20,000	30,680	36,638	50,844	-	-	11,450	256,338
<b>BALANCE, END OF YEAR</b>	444,160	20,700	731,789	102,329	161,743	48,684	59,480	90,189	1,659,074

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

**ASTRAL MINING CORPORATION**  
*(An Exploration Stage Company)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2008 AND 2007**  
*(Expressed in Canadian Dollars)*

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Astral Mining Corporation (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 “TSX-V”) 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 western United States and Canada. As at March 31, 2008, 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 stage 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 next 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.

These consolidated financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. These consolidated financial statements do not reflect adjustments to the carrying value of assets and liabilities, the reported income and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

**2. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian GAAP.

***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 include assessment of carrying values of mineral properties and deferred costs for impairment and valuing stock-based compensation. Actual results may differ from these estimates.

**ASTRAL MINING CORPORATION**  
*(An Exploration Stage Company)*  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2008 AND 2007**  
*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Principles of Consolidation***

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Astral Mining USA Corporation (“Astral USA”). All inter-company transactions and balances have been eliminated.

***Short-term Investments***

Short-term investments include money market investments maturing between 3 and 12 months from the date of initial investment

***Mineral Properties and Deferred Costs***

Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company, are deferred on an individual property basis until the viability of a property is determined. Administration costs and general exploration costs are expensed as incurred. When a property is placed in commercial production, deferred costs will be depleted using the units-of-production method. 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 then the costs are written-off, or if its carrying value has been impaired, then the costs are written down to fair value.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments is recorded as a gain on option or disposition of mineral property.

***Asset Retirement Obligations***

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at March 31, 2008 the Company does not have any asset retirement obligations.

***Impairment of Long-Lived Assets***

Long-lived assets are reviewed for impairment when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

**ASTRAL MINING CORPORATION**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2008 AND 2007**  
*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Translation of Foreign Currencies***

The Company's foreign operations are integrated and are translated using the temporal method. Under this method, the Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for depreciation which is translated at historical rates. The resulting gains or losses are reflected in the operating results in the period of translation.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash, short-term investments and amounts receivable. The Company limits its exposure to credit loss by placing its cash and short-term investments with major financial institutions.

***Fair Values of Financial Instruments***

The fair value of the Company's financial instruments consisting of cash, short-term investments, amounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of those instruments.

***Income Taxes***

The Company uses the liability method of accounting for future income taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

***Flow-Through Financing***

The Company has financed a portion of its exploration activities through the issue of flow-through shares, which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to share capital and the related exploration costs are charged to the mineral properties and deferred costs as incurred. A future income tax liability is recognized, and the shareholders' equity reduced, on the date the Company renounces the tax benefits associated with the expenditures, provided that is reasonable assurance that the expenditures will be made. The Company may also recognize the benefit of previously unrecognized future income tax asset relating to non-capital loss carryforwards to offset the future income tax liability arising on a renouncement of expenditures. The corresponding credit reduces income tax expense.

***Loss Per Share***

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. In years when a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 5.

**ASTRAL MINING CORPORATION**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Stock-Based Compensation***

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes Option Pricing Model using amounts 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 the risk-free interest rate. The estimated fair value of awards of stock-based compensation is charged to expense over the vesting period, with offsetting amounts recognized as contributed surplus. Stock options granted to employees, consultants and directors vest immediately and have a four-month hold period. A stock option is considered forfeited by an employee or consultant 30 days after termination and is considered forfeited by a director 60 days after termination.

***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.

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. The classification did not have a material impact on the financial statements.
- (ii) Amounts receivable 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. The classification did not have a material impact on the financial statements.
- (iv) 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. The classification did not have a material impact on the financial statements.

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.

**ASTRAL MINING CORPORATION**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2008 AND 2007**  
*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

- (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 loss for the year ended March 31, 2008.
- (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 year ended March 31, 2008.

***Accounting Changes***

Effective January 1, 2007, the Company adopted the revised CICA Handbook Section 1506, *Accounting Changes*, which requires that: (a) a voluntary change in accounting principals can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change and (c) for changes in estimates, the nature and amount of the change should be disclosed. The Company has not made any voluntary change in accounting principles since the adoption of the revised standard.

***General Standards on Financial Statement Presentation***

CICA Handbook Section 1400, *General Standards on Financial Statement Presentation*, has been amended to include requirements to assess and disclose a company’s ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning January 1, 2008. The adoption of these changes did not have an impact on its financial statements.

***Capital Disclosures***

CICA Handbook Section 1535, *Capital Disclosures*, establishes standards for disclosing information about the company's capital and how it is managed. Under this standard the Company will be required to disclose the following, based on the information provided internally to the company's key management personnel:

- (i) qualitative information about its objectives, policies and processes for managing capital.
- (ii) summary quantitative data about what it manages as capital.
- (iii) whether during the period it complied with any externally imposed capital requirements to which it is subject.
- (iv) when the company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

This standard is effective for interim and annual financial statements beginning on January 1, 2008. The adoption of the change on disclosure did not have an impact on its financial statements

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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Goodwill and Intangible Assets***

CICA Handbook Section 3064, *Goodwill and Intangible Assets*, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, *Revenues and Expenses During the Preoperating Period*. As a result of the withdrawal of EIC 27, companies will no longer be able to defer costs and revenues incurred prior to commercial production at new mine operations. The changes are effective for interim and annual financial statements beginning January 1, 2009. The Company does not expect the adoption of the revised standard to have an impact on its financial statements.

***Financial Instruments Disclosures***

In March 2007, the CICA issued section 3862, *Financial Instruments – Disclosures* and Section 3863, *Financial Instruments – Presentation*, which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. The standard deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. These sections are effective January 1, 2008 but are not expected to have an impact on the Company's disclosure and presentation.

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

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

***Comparative Figures***

Certain of the prior year comparative figures have been reclassified to conform to the current year's presentation.

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**3. SHORT-TERM INVESTMENTS**

As at March 31, 2008 and 2007, the Company held short-term investments comprised of the following:

		March 31, 2008	
		Maturity	Fair Value \$
12 month term deposit			
Prime - 2% annual interest rate (principal \$300,000)		November 25, 2008	304,081
		March 31, 2007	
		Maturity	Principal \$
12 month term deposit			
4.0% annual interest rate (principal \$600,000)		December 18, 2007	606,707

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 March 31, 2008			As at March 31, 2007		
	Acquisition Costs \$	Exploration Costs \$	Total Costs \$	Acquisition Costs \$	Exploration Costs \$	Total Costs \$
Canada						
Jumping Josephine	193,451	1,991,425	2,184,876	67,259	376,901	444,160
JAG	-	-	-	20,000	700	20,700
Chenier	104,173	251,040	355,213	-	-	-
Blueberry	65,174	-	65,174	-	-	-
USA						
Gold Springs	414,361	443,882	858,243	290,051	441,738	731,789
Scraper Springs	-	-	-	91,527	10,802	102,329
Roy & Hills	66,156	122,826	188,982	50,844	110,899	161,743
Monzo	44,757	24,525	69,282	28,080	20,604	48,684
Saluda & Bear						
Creek	47,226	374,106	421,332	11,387	48,093	59,480
Other	48,473	52,008	100,481	38,181	52,008	90,189
	983,771,	3,259,812	4,243,583	597,329	1,061,745	1,659,074

(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:

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**4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)**

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 and issued)	-	250,000	75,000
On or before June 30, 2008	25,000	-	-
On or before April 11, 2009 (incurred and issued)	-	500,000	75,000
On or before June 30, 2009	47,000	-	-
On or before April 11, 2010 (incurred and issued)	-	600,000	100,000
On or before April 11, 2011 (incurred)	-	600,000	-
	<u>97,000</u>	<u>2,100,000</u>	<u>400,000</u>

During the year the Company fulfilled all of the terms option agreement to earn a 60% undivided interest in the Jumping Josephine Property.

(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") for cash payments of \$1,000,000 (\$20,000 paid) and incurring expenditures of \$2,000,000.

During the year ended March 31, 2008, the Company terminated the agreement and wrote-off \$80,336 of mineral property costs.

(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:

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**4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)**

Date	Expenditures \$	Share Issuances #
On TSX Venture Exchange Approval (issued)	-	150,000
April 17, 2008 (incurred)	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 July 4, 2007, the Company entered into an agreement to acquire a 100% interest in the 7,000 hectare 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 totaling \$75,000 over four years to a private Canadian company, as follows:

Date	Cash Payments Cdn \$	Share Issuances #
On TSX Venture Exchange Approval (paid and 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. Under the terms of the Company's Jumping Josephine 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 Jumping Josephine option agreement.

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**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 has acquired an undivided 100% interest in 127 claims located within the Stateline Mining District along the Nevada-Utah border (collectively the “Gold Springs Project”), by making cash payments totaling US\$202,500, incurring a minimum of \$US125,000 in expenditures on the Gold Springs Project and issuing a total of 287,500 shares.

The Gold Springs Project is subject to 3% net smelter royalty (“NSR”). 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) Scrapper Springs Claims

By letter agreement dated June 22, 2004, and superseded on November 5, 2004, the Company agreed to lease 33 claims (the “Scrapper Springs Claims”) located in Elko County, Nevada for cash of payments of US\$75,000 (\$50,000 paid) and issuing 112,500 shares (issued).

During the year ended March 31, 2008, the Company terminated the agreement and wrote-off \$183,747 of mineral property costs.

(g) Roy and Hills Properties

By agreement dated June 9, 2006, and amended on September 28, 2007, the Company agreed to option up to an 80% undivided interest in the Roy and Hills properties in Nevada from Amera Resources Corporation (“Amara”). An initial 65% interest in the project may be earned by issuing an initial 100,000 (issued) shares and incurring US \$2.5 million in work expenditures over four years and issuing a further 400,000 shares to Amara on the completion of a pre-feasibility study (100,000 issued). The schedule of work expenditures is as follows:

Date	Expenditures US \$
July 1, 2007 (incurred)	100,000
July 1, 2008	150,000
July 1, 2009	850,000
July 1, 2010	<u>1,400,000</u>
	<u>2,500,000</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) Monzo Property

In 2006 the Company staked 120 claims in the Walker Lane District of Nevada. The Company has a 100% ownership in this interest.

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**4. MINERAL PROPERTIES AND DEFERRED COSTS (continued)**

(i) 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	-	200,000
	<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.

**5. SHARE CAPITAL**

Authorized: unlimited common shares without par value

	March 31, 2008		March 31, 2007	
	Shares	Amount \$	Shares	Amount \$
Issued common shares:				
Balance, beginning of period	14,068,614	3,027,337	11,033,444	2,250,258
Issued during the period:				
For cash				
Private placements	6,572,000	3,286,000	2,400,000	1,080,000
Less warrants valuation	-	(754,026)	-	(183,600)
Warrants and agent's warrants	-	-	370,170	149,818
Stock options	68,000	30,070	20,000	8,000
Warrants	397,495	238,497	-	-
For agent's commission	-	-	35,000	15,750
For mineral property interests	715,000	332,700	210,000	82,600
Reallocation of contributed surplus on exercise of warrants, agent's warrants and stock options	-	69,396	-	59,481
Net future income taxes on flow-through expenses renounced	-	(694,683)	-	(334,800)
Less share issue costs	-	(176,215)	-	(100,170)
Balance, end of period	<u>21,821,109</u>	<u>5,359,076</u>	<u>14,068,614</u>	<u>3,027,337</u>

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**5. SHARE CAPITAL** (continued)

- (a) During the year ended March 31, 2008:
- i) On April 4, 2007 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 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. Finder's fees of \$40,000 were paid.
  - ii) On April 27, 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 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. Finder's fees of \$61,520 were paid.
  - iii) On October 22, 2007 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 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 \$52,316. The warrants were valued using the Black-Scholes Pricing Model at \$0.10 per warrant on the following assumptions: dividend yield 0%, risk-free rate 4.27%, expected volatility 102% and expected life of 12 months. A finder's fee of \$40,000 was paid.
  - iv) On November 2, 2007 the Company completed a non-brokered private placement of 2,072,000 flow-through units priced at \$0.50 resulting in gross proceeds of \$1,036,000. 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 18 months at a price of \$0.65 per common share. The fair value assigned to the warrants was \$293,439. The warrants were valued using the Black-Scholes Pricing Model at \$0.28 per warrant on the following assumptions: dividend yield 0%, risk-free rate 4.17%, expected volatility 102% and expected life of 12 months. Finder's fees of \$54,800 were paid.

In February 2008, the Company renounced the flow-through expenditures. Pursuant to the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to the subscribers. As a result, the Company recognized a future income tax liability of \$694,683 and reduced it to \$Nil by recognizing a future income tax asset for a portion of the Company's non-capital losses and share issue costs in the amount of \$694,683 at the time of renouncement. As at March 31, 2008, the Company had \$898,434 in flow through expenditures remaining to be incurred. Accordingly, the Company has recorded a \$13,154 expense for Part XII.6 tax levied on unspent flow-through expenditures in the period.

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**5. SHARE CAPITAL** (continued)

(b) During the year ended March 31, 2007:

- (i) The Company completed the private placement of 2,400,000 flow-through units of the Company at a price of \$0.45 per unit, for total proceeds of \$1,010,123, net of \$48,600 agent's commission and \$21,277 of related issuance costs. Certain directors of the Company purchased a total of 120,167 units of the private placement. Each unit was comprised of one flow-through common share of the Company and one-half non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional non-flow-through common share at a price of \$0.60 per share on or before November 26, 2007. In addition to the cash commission the underwriters were granted as commission 192,000 agent's warrants, representing 8% of the number of units issued. Each agent's warrant is exercisable for one share at a price of \$0.60, for a period of eighteen months, expiring November 26, 2007. The Company also issued 35,000 common shares at a fair value of \$15,750 as corporate finance fee.

The fair value assigned to the warrants and agent's warrants was as follows:

- i) value assigned to 1,200,000 warrants was \$163,083, net of issue costs of \$20,517.
- ii) value assigned to 192,000 agent's warrants was \$34,426.

The Black-Scholes Pricing Model was used to value the warrants and agent's warrants. The warrants and agent's warrants were valued at \$0.18 per warrant, based on the following assumptions: dividend yield 0%, risk-free rate 4.0%, expected volatility 100% and expected life of 18 months.

In February 2007, the Company renounced the flow-through expenditures. Pursuant to the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to the subscribers. As a result, the Company recognized a future income tax liability of \$334,800 and reduced it to \$Nil by recognizing a future income tax asset for a portion of the Company's non-capital losses in the amount of \$334,800 at the time of renouncement. As at March 31, 2007, the Company had \$722,454 in flow through expenditures remaining to be incurred. Accordingly, the Company has recorded an \$8,469 expense for Part XII.6 tax levied on unspent flow-through expenditures in the period.

(c) 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 TSX-V.

During the year the Company granted stock options to certain directors, officers and consultants to acquire 785,000 (2007 – 454,000) common shares of the Company and recorded compensation expense of \$202,733 (2007 – \$88,877) of which \$195,147 (2007 – \$78,983) is included in expenses and \$7,586 (2007 – \$9,904) is included in capitalized mineral property expenditures, with a corresponding increase in contributed surplus.

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**5. SHARE CAPITAL (continued)**

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 year ended March 31, 2008:

	2008	2007
Weighted average risk-free interest rate	3.98%	4.00%
Weighted average estimated volatility	95%	91% - 100%
Weighted average expected life	1.5 years	1.5 years
Weighted average expected dividend yield	0%	0%

The weighted average fair value per share of stock options granted in the year ended March 31, 2008, calculated using the Black-Scholes Option Pricing Model, was \$0.26 per share (2007 - \$0.20). 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 Company's outstanding options at March 31, 2008 and 2007 and the changes for the years ending on those dates is presented below:

	2008		2007	
	Options Outstanding and Exercisable	Weighted Average Exercise Price \$	Options Outstanding and Exercisable	Weighted Average Exercise Price \$
Balance, beginning of year	1,324,000	0.40	1,000,000	0.40
Granted	785,000	0.50	454,000	0.40
Exercised	(68,000)	0.44	(20,000)	0.40
Cancelled / Forfeited	(35,000)	0.43	(110,000)	0.40
Balance, end of year	2,006,000	0.44	1,324,000	0.40

Stock options outstanding and exercisable at March 31, 2008, are as follows:

Number	Exercise Price	Expiry Date
1,000,000	0.40	March 1, 2009
174,000	0.40	June 15, 2009
75,000	0.40	February 16, 2010
182,000	0.49	May 2, 2010
250,000	0.50	May 25, 2010
25,000	0.50	September 21, 2010
300,000	0.50	November 16, 2010
2,006,000		

(d) Warrants

A summary of the changes in number of common shares reserved pursuant to the Company's outstanding warrants and agent's warrants for the year ended March 31, 2008 and 2007 is as follows:

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**5. SHARE CAPITAL (continued)**

	<b>Number</b>
Balance, March 31, 2006	2,662,500
Warrants issued	1,200,000
Warrant valuation from agent's warrants granted	192,000
Warrants exercised	(370,170)
Warrants cancelled/forfeited/expired	<u>(2,292,330)</u>
Balance, March 31, 2007	1,392,000
Warrants issued	4,536,000
Warrants exercised	(397,495)
Warrants cancelled/forfeited/expired	<u>(994,505)</u>
Balance, March 31, 2008	<u><u>4,536,000</u></u>

Common shares reserved pursuant to warrants outstanding at March 31, 2008 are as follows:

Number	Exercise Price \$	Expiry Date
500,000	0.65	October 3, 2008
2,500,000	0.75	May 27, 2009
500,000	0.65	April 19, 2009
<u>1,036,000</u>	0.65	May 3, 2009
<u><u>4,536,000</u></u>		

- (e) As at March 31, 2008, a total of 771,374 common shares are held in escrow and are released every six months ending March 1, 2009.

**6. RELATED PARTY 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 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 year ended March 31, 2008, the Company incurred fees of \$337,640 (2007 - \$345,231) to the Grosso Group: \$370,225 (2007 - \$333,276) was paid in monthly payments and \$32,585 is included in accounts receivable (2007 - \$11,955 included in accounts payable). The fees have been allocated to rent, salaries and office expenses. In addition, included in amounts receivable, prepaids and deposits is a \$50,000 (2007 - \$10,000) unsecured deposit to the Grosso Group.

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**6. RELATED PARTY TRANSACTIONS (continued)**

The Company has given notice that effective May 31, 2008 it will withdraw as a shareholder of Grosso Group and discontinue the use of the services and facilities provided.

The President of the Company provides his services under a contract with a private company controlled by the President for an annual fee of \$110,000, effective November 1, 2007 replacing the previous contract. During fiscal 2008, the Company paid \$116,264 (2007 - \$87,500) to the President, which included a bonus of \$15,000 (2007 - \$Nil). The contract also provides that, in the event the services are terminated without cause or upon a change in control of the Company, a termination payment would include three months or eighteen months, respectively, of compensation plus a bonus amount agreed to by the parties.

All of the related party transactions and balances in these consolidated financial statements arose in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**7. INCOME TAXES**

The recovery of income taxes shown in the consolidated statements of operations and deficit differ from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2008 \$	2007 \$
Loss before income taxes	<u>(1,354,310)</u>	<u>(886,104)</u>
Provision for income taxes based on statutory Canadian combined federal and provincial income tax rates of 34.12% (2007 - 34.12%)	462,091	302,339
(Unrecognized) income tax benefits from the recognition of non-capital losses and investment tax credits	151,102	113,042
Non-deductible differences	(74,980)	(33,958)
Differences in foreign tax rates	1,109	1,232
Other	<u>155,361</u>	<u>(47,855)</u>
Future income tax recovery	<u>694,683</u>	<u>334,800</u>

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**7. INCOME TAXES (continued)**

The significant components of the Company's future income tax assets and liabilities are as follows:

	2008 \$	2007 \$
Future income tax assets		
Financing costs	119,571	117,298
Investment tax credits	34,379	34,379
Operating loss carryforward	<u>569,968</u>	<u>318,433</u>
	723,918	470,110
Valuation allowance for future income tax assets	<u>(168,060)</u>	<u>(240,322)</u>
	<u>555,858</u>	<u>229,787</u>
Future income tax liabilities		
Mineral properties and deferred costs	<u>(555,858)</u>	<u>(229,787)</u>
Net future income tax	<u><u>-</u></u>	<u><u>-</u></u>

The Company has Canadian investment tax credits of \$34,379 and non-capital loss carryforwards of \$1,943,242 that may be available for tax purposes. The investment tax credits expire in 2017. The losses expire as follows:

Expiry Date	\$
2014	6,918
2015	50,064
2026	271,544
2027	541,353
2028	<u>1,073,363</u>
	<u><u>1,943,242</u></u>

The Company has US non-capital loss carryforwards of \$126,066 that may be available for tax purposes. The losses expire as follows:

Expiry Date	US\$
2025	97,739
2026	8,127
2027	15,342
2028	<u>4,858</u>
	<u><u>126,066</u></u>

**8. SEGMENTED INFORMATION**

The Company is involved in mineral exploration and development activities in western Canada and the western United States. 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:

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**8. SEGMENTED INFORMATION (continued)**

	<b>March 31, 2008</b>		
	<b>Canada \$</b>	<b>United States \$</b>	<b>Total \$</b>
Current assets	797,001	-	797,001
Mineral properties and deferred costs	2,605,263	1,638,320	4,243,583
	<u>3,402,264</u>	<u>1,638,320</u>	<u>5,040,584</u>
	<b>March 31, 2007</b>		
	<b>Canada \$</b>	<b>United States \$</b>	<b>Total \$</b>
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>

**9. SUPPLEMENTARY CASH FLOW INFORMATION**

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

	<b>2008 \$</b>	<b>2007 \$</b>
Investing activity		
Accounts payable for mineral properties	65,118	20,089
Expenditures on mineral properties and deferred costs	(405,404)	(112,593)
Shares issued for mineral properties and deferred costs	332,700	82,600
Stock-based compensation capitalized	7,586	9,904
	<u>-</u>	<u>-</u>
Financing activities		
Share and warrant issue costs	-	(50,176)
Share capital	-	15,750
Warrants	-	34,426
Contributed surplus	-	-
	<u>-</u>	<u>-</u>