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# **ASTRAL MINING CORPORATION**

*(An Exploration Stage Company)*

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED  
SEPTEMBER 30, 2007 AND 2006

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

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

The accompanying unaudited interim consolidated financial statements of Astral Mining Corporation for the six months ended September 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)*  
**INTERIM CONSOLIDATED BALANCE SHEETS**  
*(Unaudited - Prepared by Management)*

	<b>September 30, 2007</b>	<b>March 31, 2007</b>
	\$	\$
<b>A S S E T S</b>		
<b>CURRENT ASSETS</b>		
Cash	84,366	182,474
Short-term investments (Note 3)	504,986	600,000
GST recoverable	89,452	13,765
Accounts receivable, prepaids and deposits	114,943	93,114
	<u>793,747</u>	<u>889,353</u>
<b>MINERAL PROPERTIES AND DEFERRED COSTS (Note 4)</b>	<u>3,421,438</u>	<u>1,659,074</u>
	<u><u>4,215,185</u></u>	<u><u>2,548,427</u></u>

**LIABILITIES**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>378,962</u>	<u>134,511</u>

**SHAREHOLDERS' EQUITY**

<b>SHARE CAPITAL (Note 5)</b>	4,538,876	3,027,337
<b>WARRANTS (Note 5)</b>	579,939	197,509
<b>CONTRIBUTED SURPLUS (Note 6)</b>	412,329	297,321
<b>DEFICIT</b>	<u>(1,694,921)</u>	<u>(1,108,251)</u>
	<u>3,836,223</u>	<u>2,413,916</u>
	<u><u>4,215,185</u></u>	<u><u>2,548,427</u></u>

**NATURE OF OPERATIONS (Note 1)**

**COMMITMENTS (Note 4)**

**SUBSEQUENT EVENTS (Note 11)**

**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)

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

(Unaudited – Prepared by Management)

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
<b>EXPENSES</b>				
Administrative and management services	4,255	5,432	8,260	10,657
Corporate development and investor relations	111,945	71,938	163,345	148,438
General exploration	358	4,542	1,033	10,795
Management fees (Note 7)	25,431	22,500	47,931	42,500
Office and sundry (Note 7)	17,542	28,131	54,147	46,826
Professional fees	6,430	1,691	14,444	10,533
Rent (Note 7)	16,706	24,585	34,384	44,201
Salaries and benefits (note 7)	49,172	44,387	92,795	83,100
Stock-based compensation (Note 5(b))	5,229	-	117,944	68,338
Transfer agent and regulatory fees	16,244	4,507	21,594	12,088
Travel and accommodation	1,784	8,101	28,771	26,562
	<u>255,096</u>	<u>215,814</u>	<u>584,648</u>	<u>504,038</u>
<b>LOSS BEFORE OTHER ITEMS</b>	<u>(255,096)</u>	<u>(215,814)</u>	<u>(584,648)</u>	<u>(504,038)</u>
<b>OTHER EXPENSE (INCOME)</b>				
Interest income	11,273	11,028	22,559	21,046
Foreign exchange gain (loss)	(14,346)	843	(16,697)	3,514
Part XII.6 tax (Note 5(a))	(477)	-	(7,884)	-
	<u>(3,550)</u>	<u>11,871</u>	<u>(2,022)</u>	<u>24,560</u>
<b>LOSS FOR THE PERIOD</b>	<u>(258,646)</u>	<u>(203,943)</u>	<u>(586,670)</u>	<u>(479,478)</u>
<b>DEFICIT – BEGINNING OF PERIOD</b>	<u>(1,436,275)</u>	<u>(832,482)</u>	<u>(1,108,251)</u>	<u>(556,947)</u>
<b>DEFICIT – END OF PERIOD</b>	<u>(1,694,921)</u>	<u>(1,036,425)</u>	<u>(1,694,921)</u>	<u>(1,036,425)</u>
 <b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>	<u>\$(0.01)</u>	<u>\$(0.01)</u>	<u>\$(0.03)</u>	<u>\$(0.04)</u>
 <b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<u>17,963,646</u>	<u>13,639,982</u>	<u>16,951,501</u>	<u>13,361,642</u>

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

**ASTRAL MINING CORPORATION**  
(An Exploration Stage Company)

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited – Prepared by Management)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2007 \$	2006 \$	2007 \$	2006 \$
<b>CASH PROVIDED FROM (USED FOR)</b>				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	(258,646)	(203,943)	(586,670)	(479,478)
Items not affecting cash				
Stock-based compensation	5,229	-	117,944	68,338
	(253,417)	(203,943)	(468,726)	(411,140)
Change in non-cash working capital balances				
Amounts receivable, prepaids and deposits	(44,232)	22,972	(26,815)	(36,166)
Goods and service tax recoverable	(33,170)	(9,481)	(75,687)	906
Accounts payable and accrued liabilities	317	(50,151)	(45,012)	48,729
	(330,502)	(240,603)	(616,240)	(397,671)
<b>INVESTING ACTIVITIES</b>				
Decrease (increase) in short-term investments	(35,000)	-	100,000	-
Expenditures on mineral properties and deferred costs	(593,483)	(301,717)	(1,230,615)	(731,809)
	(628,483)	(301,717)	(1,130,615)	(731,809)
<b>FINANCING ACTIVITIES</b>				
Issuance of common shares	1,470	-	1,772,720	1,145,350
Share issue costs	(4,311)	(635)	(123,973)	(86,261)
	(2,841)	(635)	1,648,747	1,059,089
<b>DECREASE IN CASH</b>	(961,826)	(542,955)	(98,108)	(70,391)
<b>CASH – BEGINNING OF PERIOD</b>	1,046,192	1,895,466	182,474	1,422,902
<b>CASH – END OF PERIOD</b>	84,366	1,352,511	84,366	1,352,511
 <b>SUPPLEMENTARY CASH FLOW INFORMATION (Note 9)</b>				
<b>Interest paid</b>	-	-	-	-
<b>Income taxes paid</b>	-	-	-	-

*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)

	<u>Six Months Ended September 30,</u>	
	<u>2007</u>	<u>2006</u>
	\$	\$
<b>SHARE CAPITAL</b>		
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	234,700	82,600
Exercise of stock options	22,720	-
Contributed surplus reallocated on the exercise of stock options	10,522	-
Share issue costs	<u>(98,132)</u>	<u>(100,170)</u>
Balance, end of period	<u>4,538,876</u>	<u>3,144,838</u>
<b>WARRANTS</b>		
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	<u>(25,841)</u>	<u>(20,517)</u>
Balance, end of period	<u>579,939</u>	<u>197,509</u>
<b>CONTRIBUTED SURPLUS</b>		
Balance, beginning of period	297,321	267,914
Contributed surplus as a result of stock options granted	125,530	68,338
Contributed surplus reallocated on exercise of stock options	<u>(10,522)</u>	<u>-</u>
Balance, end of period	<u>412,329</u>	<u>336,252</u>
<b>DEFICIT</b>		
Balance, beginning of period	(1,108,251)	(556,947)
Net loss for the period	<u>(586,670)</u>	<u>(479,478)</u>
Balance, end of period	<u>(1,694,921)</u>	<u>(1,036,425)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><u>3,836,223</u></u>	<u><u>2,642,174</u></u>

*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 SIX MONTHS ENDED SEPTEMBER 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 \$	
<b>BALANCE, BEGINNING OF PERIOD</b>	444,160	20,700	-	-	731,789	102,329	161,743	48,684	59,480	90,189	1,659,074
<b>EXPENDITURES DURING THE PERIOD</b>											
<b>EXPLORATION COSTS</b>											
Assays	68,736	3,000	25,742	-	-	-	8,706	-	-	-	106,184
Drilling	663,403	-	-	-	-	-	-	-	107,375	-	770,778
Geophysics	4,000	-	186,060	-	-	-	-	-	-	-	190,060
Office and other	3,919	386	-	-	140	-	-	-	-	-	4,445
Road building and trenching	6,210	-	-	-	-	-	-	-	-	-	6,210
Salaries and contractors	150,489	7,290	9,889	-	-	-	-	-	81,602	-	249,270
Supplies and equipment	16,668	-	1,149	-	-	-	-	-	-	-	17,817
Transportation	50,348	-	5,904	-	-	-	-	-	-	-	56,252
Mineral land tax	115	-	-	-	16,182	4,144	13,834	15,067	-	9,298	58,640
	963,888	10,676	228,744	-	16,322	4,144	22,540	15,067	188,977	9,298	1,459,656
<b>ACQUISITION COSTS</b>											
Option payments	44,250	-	104,173	50,250	-	71,655	-	-	32,380	-	302,708
<b>BALANCE, END OF PERIOD</b>	<u>1,452,298</u>	<u>31,376</u>	<u>332,917</u>	<u>50,250</u>	<u>748,111</u>	<u>178,128</u>	<u>184,283</u>	<u>63,751</u>	<u>280,837</u>	<u>99,487</u>	<u>3,421,438</u>

**ASTRAL MINING CORPORATION**  
*(An Exploration Stage Company)*

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 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 September 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 SIX MONTHS ENDED SEPTEMBER 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.
- (iii) 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.
- (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.

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 six months ended September 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 six months ended September 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 SIX MONTHS ENDED SEPTEMBER 30, 2007**

*(Unaudited – Expressed in Canadian Dollars)*

**3. SHORT-TERM INVESTMENTS**

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

	<b>September 30, 2007</b>	
	<b>Maturity</b>	<b>Fair Value</b>
		<b>\$</b>
12 month term deposit		
- 4.25% annual interest rate (principle \$500,000)	July 2, 2008	504,986
	<b>March 31, 2007</b>	
	<b>Maturity</b>	<b>Principal</b>
		<b>\$</b>
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**

	<b>As at September 30, 2007</b>			<b>As at March 31, 2007</b>		
	<b>Acquisition Costs</b>	<b>Exploration Costs</b>	<b>Total Costs</b>	<b>Acquisition Costs</b>	<b>Exploration Costs</b>	<b>Total Costs</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Canada						
Jumping Josephine	111,509	1,340,789	1,452,298	67,259	376,901	444,160
JAG	20,000	11,376	31,376	20,000	700	20,700
Chenier	104,173	228,744	332,917	-	-	-
Blueberry	50,250	-	50,250	-	-	-
USA						
Gold Springs	290,051	458,060	748,111	290,051	441,738	731,789
Scraper Springs	163,182	14,946	178,128	91,527	10,802	102,329
Roy & Hills	50,844	133,439	184,283	50,844	110,899	161,743
Monzo	28,080	35,671	63,751	28,080	20,604	48,684
Saluda & Bear Creek	43,767	237,070	280,837	11,387	48,093	59,480
Other	38,181	61,306	99,487	38,181	52,008	90,189
	<b>900,037</b>	<b>2,521,401</b>	<b>3,421,438</b>	<b>597,329</b>	<b>1,061,745</b>	<b>1,659,074</b>

**ASTRAL MINING CORPORATION**  
(An Exploration Stage Company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED SEPTEMBER 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**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 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 7,000 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 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 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.

**ASTRAL MINING CORPORATION**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED SEPTEMBER 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.

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

(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 (“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 completion of a pre-feasibility study (100,000 issued). The schedule of work expenditures is as follows:

Date	Expenditures US \$
Approval date (issued)	-
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><u>2,500,000</u></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><u>10,000</u></u>	<u><u>300,000</u></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.

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**5. SHARE CAPITAL**

Authorized: unlimited common shares without par value

Issued common shares:	September 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	22,720	20,000	8,000
For agent's commission	-	-	35,000	15,750
For mineral property interests	365,000	234,700	210,000	82,600
Reallocation of contributed surplus on exercise of warrants, agent's warrants and stock options	-	10,522	-	59,481
Net future income taxes on flow-through expenses renounced	-	-	-	(334,800)
Less share issue costs	-	(98,132)	-	(100,170)
Balance, end of period	17,986,614	4,538,876	14,068,614	3,027,337

(a) During the six months ended September 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. Finder's fees of \$61,520 were paid
  
- 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. Finder's fees of \$40,000 were paid.

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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**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 six months ended September 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 \$7,884 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 six months ended September 30, 2007, the Company granted stock options to certain directors, officers and consultants to acquire 485,000 common shares of the Company and recorded compensation expense of \$125,530 of which \$117,944 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 six months ended September 30, 2007:

Weighted average risk-free interest rate	4.01%
Weighted average estimated volatility	90%
Weighted average expected life	1.5 years
Weighted average expected dividend yield	0%

The weighted average fair value per share of stock options granted in the six months ended September 30, 2007, calculated using the Black-Scholes Option Pricing Model, was \$0.26 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 six months ended September 30, 2007, is presented below:

	<b>Options Outstanding and Exercisable</b>	<b>Weighted Average Exercise Price \$</b>
Balance, beginning of period	1,334,000	0.40
Granted	485,000	0.50
Exercised	(53,000)	0.43
Cancelled	(10,000)	0.40
	<hr/>	<hr/>
Balance, end of period	<u>1,756,000</u>	<u>0.43</u>

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**5. SHARE CAPITAL** (continued)

Stock options outstanding and exercisable at September 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
250,000	0.50	May 29, 2010
<u>25,000</u>	0.50	September 21, 2010
<u><u>1,756,000</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 six months ended September 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 September 30, 2007 are as follows:

Number	Exercise Price \$	Expiry Date
1,392,000	0.60	November 26, 2007
500,000	0.65	October 3, 2008
<u>2,500,000</u>	0.75	May 27, 2009
<u><u>4,392,000</u></u>		

- (d) As at September 30, 2007, a total of 1,157,063 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	125,530
Contributed surplus reallocated on exercise of stock options	<u>(10,522)</u>
Balance, September 30, 2007	<u><u>412,329</u></u>

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**7. 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, 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 six months ended September 30, 2007, the Company incurred fees of \$169,721 (2006 - \$163,643) to the Grosso Group: \$169,414 (2006 - \$112,127) was paid in monthly payments and \$307 (2006 - \$51,516) is included in accounts payable. The fees have been allocated to rent, salaries and office expenses. In addition, included in amounts receivable, prepaids and deposits as at September 30, 2007 is a \$50,000 (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 six months ended September 30, 2007, the President was paid an amount of \$45,000 (2006 - \$42,500).

Effective May 1, 2007, the Company entered into an agreement with IMA to pay a monthly fee for the services provided IMA’s Chief Executive Officer who is a director of the Company. The agreement may be terminated at any time by the Company upon 30 days written notice. For the nine months ended September 30, 2007, the Company paid \$1,458 to IMA for the services.

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.

**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.

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**8. SEGMENTED INFORMATION** (continued)

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

	<b>September 30, 2007</b>		
	<b>Canada</b>	<b>United States</b>	<b>Total</b>
	\$	\$	\$
Current assets	784,729	9,018	793,747
Mineral properties and deferred costs	1,866,841	1,554,597	3,421,438
	2,651,570	1,563,615	4,215,185
	<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
	1,354,213	1,194,214	2,548,427

**9. SUPPLEMENTARY CASH FLOW INFORMATION**

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

	<b>Six Months Ended September 30, 2007</b>	<b>Six Months Ended September 30, 2006</b>
	\$	\$
Investing activity		
Expenditures on mineral properties and deferred costs	(242,286)	(82,600)
Shares issued for mineral properties and deferred costs	234,700	82,600
Stock-based compensation capitalized	7,586	-
	-	-
Financing activities		
Share and warrant issue costs	-	(50,176)
Share capital	-	15,750
Warrants	-	34,426
	-	-

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**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.

**11. SUBSEQUENT EVENTS**

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. A finder's fee of \$40,000 was paid.

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. Finder's fees of \$56,800 were paid.

Effective November 1, 2007 the President of the Company entered into a new contract for an annual fee of \$110,000. A cash bonus of \$15,000 was paid.

397,495 warrants were exercised for proceeds of \$238,497.