SUTTER GOLD MINING INC.

Consolidated Financial Statements

March 31, 2008

(Expressed in US Dollars unless otherwise noted)

(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF

INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Sutter Gold Mining Inc.

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SUTTER GOLD MINING INC.
CONSOLIDATED BALANCE SHEETS
(Expressed in US Dollars)

	March 31, 2008 (Unaudited)	December 31, 2007 (Audited)
CURRENT ASSETS		
Cash and cash equivalents	$ 351,500	$ 26,300
Accounts receivable	7,600	57,900
Prepaid expenses	52,900	2,600
Marketable securities (Note 6)	81,400	244,700
Due from related party (Note 7)	17,100	247,600
Total current assets	510,500	579,100
RECLAMATION BOND (Note 3)	27,000	27,000
MINERAL PROPERTIES (Note 5)	806,300	806,300
PROPERTY AND EQUIPMENT (NET) (Note 4)	515,000	527,700
	$ 1,858,800	$ 1,940,100
CURRENT LIABILITIES		
Accounts payable	$ 88,500	$ 74,400
Due to related parties (Note 7)	26,000	5,800
Leases payable	67,000	67,000
Notes payable	23,200	-
Total current liabilities	204,700	147,200
RECLAMATION LIABILITY	23,300	23,300
	228,000	170,500
SHAREHOLDERS' EQUITY		
Deficit	(26,407,000)	(26,315,300)
Accumulated other comprehensive income (Note 8)	-	47,100
	(26,407,000)	(26,268,200)
Common shares (Note 8)	22,015,300	22,015,300
Preference shares (Note 8)	211,200	211,200
Contributed surplus (Note 8)	5,811,300	5,811,300
Total Shareholders' equity	1,630,800	1,769,600
	$ 1,858,800	$ 1,940,100

Continuing operations (Note 1)

Approved by the Board of Directors

"Hal Herron" Director   *"Mark T Brown"* Director

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

SUTTER GOLD MINING INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE MONTHS ENDED MARCH 31

(Expressed in US Dollars)
(Unaudited)

	2008	2007
OPERATING REVENUES		
Lease revenue	$ 6,500	$ 6,700
Equipment rental	1,200	1,000
	7,700	7,700
OPERATING COSTS AND EXPENSES		
Cost of tourism operations	800	700
Depreciation	12,700	13,000
Exploration of mining properties	-	309,000
Investor relations	1,400	22,100
Management fees	1,300	7,300
Mine and property holding costs	-	41,400
Office & miscellaneous (Note 7)	18,100	20,300
Permits & lease payments	1,700	-
Prefeasibility study	-	26,200
Professional & contract services	48,800	98,000
Rent & electricity	2,700	3,200
Transfer & listing fees	10,500	13,100
Travel & entertainment	6,700	11,800
Wages & benefits	22,000	59,700
	126,700	625,800
OPERATING LOSS	(119,000)	(618,100)
OTHER INCOME (EXPENSES)		
(Loss) on foreign exchange	(7,100)	-
Gain on optioned property (Note 5)	22,200	-
Other	3,800	-
Gain on sale of marketable securities (Note 6)	6,900	-
Interest income	2,100	11,000
Interest expense	(600)	(200)
	27,300	10,800
NET LOSS	(91,700)	(607,300)
DEFICIT, BEGINNING OF PERIOD	(26,315,300)	(24,727,800)
DEFICIT, END OF PERIOD	$ (26,407,000)	$ (25,335,100)
NET LOSS PER SHARE	$ (0.00)	$ (0.01)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	78,282,045	69,162,951

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

SUTTER GOLD MINING INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS AND OTHER ACCUMULATED COMPREHENSIVE LOSS FOR THE THREE MONTHS ENDED MARCH 31

(Expressed in US Dollars)

(Unaudited)

	2008	2007
Net loss for the period	$ (91,700)	$ (607,300)
Other comprehensive income - unrealized gain on marketable securities	-	638,000
Comprehensive loss for the period	$ (91,700)	$ 30,700
Accumulated other comprehensive income, beginning of the period	$ 47,100	$ -
Sale of marketable securities	(47,100)	-
Other comprehensive income for the period	-	638,000
Accumulated other comprehensive income, end of period	$ -	$ 638,000

SUTTER GOLD MINING INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31

(Expressed in US Dollars)
(Unaudited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (91,700)	$ (607,300)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	12,700	13,000
Gain on sale of marketable securities	(6,900)	-
Net changes in components of working capital:		
Accounts receivable	50,300	7,700
Prepaid expenses	(50,300)	-
Accounts payable	14,100	(232,600)
Due to/from related parties	250,700	75,400
NET CASH USED IN OPERATING ACTIVITIES	178,900	(743,800)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(900)
Mineral properties	-	(26,200)
NET CASH USED IN INVESTING ACTIVITIES	-	(27,100)
CASH FLOWS FROM FINANCING ACTIVITES		
Shares issued for cash	-	2,500
Notes Payable	23,200	-
Proceeds from sale of marketable securities	123,100	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	146,300	2,500
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	325,200	(768,400)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	26,300	1,618,300
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 351,500	$ 849,900

Supplemental disclosure of cash flow information (Note 9)

SUTTER GOLD MINING INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2008
(Expressed in US Dollars unless otherwise noted)

1. ORGANIZATION AND DESCRIPTION OF THE BUSINESS

Sutter Gold Mining Inc. ("SGMI" or "the Company"), is incorporated in the province of British Columbia, and its principal business activity is the exploration of mineral properties.

On December 29, 2004, the Company completed a reverse take-over by acquiring Sutter Gold Mining Company ("SGMC") of Riverton, Wyoming. Approximately 97% of SGMC's shareholders tendered their shares for 43,180,757 common shares of the Company as of March 31, 2008. The Company has allotted another 1,396,610 common shares for the other 3% of SGMC's shareholders should they elect to tender their shares in the future.

SGMC was established to conduct operations on mining leases and to produce gold from the Lincoln Project, a gold mining prospect in the Mother Lode mining district of Amador County, California.

As at March 31, 2008, the Company's parent company, U.S. Energy Corp. ("USE"), owned 54.4% of the Company's common shares.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

The Company has generated significant losses since its inception which have resulted in an accumulated deficit of $26,407,000 as of March 31, 2008 (December 31, 2007 - $26,315,300). The Company's working capital as of March 31, 2008 was $305,800 (December 31, 2007 - $431,900).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,

Interim financial statements

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of application as the annual financial statements. These interim consolidated financial statements do not include in all respects the annual disclosure requirements of generally accepted accounting principles and should be read in conjunction with the most recent annual statements.

Principles of consolidation

The consolidated financial statements of the Company include the accounts of the Company and those of its subsidiaries SGMC and USECC Gold. All material intercompany profits, transactions and balances have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (cont'd)

Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of six months or less to be cash equivalents. The Company maintains its cash and cash equivalents in bank deposit accounts which exceed federally insured limits. At March 31, 2008, the Company had its cash and cash equivalents with three financial institutions. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Marketable securities

The Company owns 45,000 shares of Premier Gold Mines Limited ("Premier"), which are carried at their market values.

Foreign currency translation

The Company's reporting currency is the US Dollar. The Company's Canadian operation is considered to be an integrated operation with foreign currency transactions translated into US Dollars as follows:

- monetary assets and liabilities at the rates of exchange prevailing at the balance sheet dates;
- other assets and liabilities at the applicable historical exchange rates;
- revenues and expenses at the average rates of exchange for the period, and;
- gains and losses arising from the conversion of foreign currency balances and transactions are reported in income as they occur.

Mineral properties and deferred costs

The cost of mineral properties and their related direct exploration costs are deferred until the properties are placed into production, sold or abandoned. These deferred costs will be amortized on the unit-of-production basis over the estimated useful life of the property following the commencement of production, or written-off if the properties are sold, allowed to lapse or abandoned. All costs of general exploration are expensed as incurred.

Cost includes any cash consideration and the fair market value of shares issued on the acquisition of property interests. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

The Company reviews capitalized costs on its property interests on a periodic basis and will recognize an impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value is also based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

Administrative costs are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (cont'd)

Cost of maintaining mineral properties

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Property and equipment

Land, buildings, improvements, machinery and equipment are carried at cost. Depreciation of buildings, improvements, machinery and equipment is provided principally by the straight-line and declining method over estimated useful lives ranging from 3 to 30 years.

Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized on an undiscounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation. As at March 31, 2008, the Company does not have any asset retirement obligations other than reclamation liabilities as accrued.

Retirement of long-lived assets

Long-lived assets are assessed for impairment when events and circumstances warrant, when the carrying amounts of the assets exceeds its estimated undiscounted net cash flow from use or its fair value, at which time the impairment is charged to earnings.

Environmental expenditures

The operations of the Company have been and may in the future, be affected in varying degrees by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly from country to country and are not predictable.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against operations as incurred or capitalized and amortized depending on their expected future economic benefit. Estimated future removal and site restoration costs are recognized when the ultimate liability is reasonably determinable, and are charged against operations over the estimated remaining life of the related business operations, net of expected recoveries.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (cont'd)

Stock-based compensation

The Company accounted for its stock options granted to its employees and non-employees using a fair value based method that is recommended by the Canadian generally accepted accounting principles (CICA Handbook Section 3870, stock-based compensation and other stock-based payments).

Under this standard, payments to non-employees and to employees that are direct awards of stock, that call for settlement in cash or other assets, or that are stock appreciation rights which call for settlement by the issuance of equity instruments, are accounted for using the fair value method and are included in operations, with an offset to contributed surplus.

Future income taxes

The Company accounts for potential future net tax assets which are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and which are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. Such an allowance has been applied to all potential income tax assets of the Company.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and would impact future results of operations and cash flows.

Share capital

Common shares issued for non-monetary consideration are recorded at the fair market value based upon the lower of the trading price of the Company's shares on the TSX Venture Exchange on the date of the agreement to issue the shares or the date of their issuance.

Earnings (Loss) Per Share

Earnings (loss) per share data are computed by dividing net income (loss) by the weighted average number of common shares and common share equivalents outstanding during the period. Shares issuable upon the exercise of share purchase warrants and stock options were excluded from the computation of loss per share because their effect would be anti-dilutive.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (cont'd)

Comparative figures

Certain of the prior period's figures have been reclassified in conformity with the current period's financial statement presentation.

Changes in accounting policies

On January 1, 2008, the Company adopted the following provisions of the Canadian Institute of Chartered Accountants ("CICA") Handbook Sections. There was no material impact on the Company's financial condition or operating results as a result of the adoption of these new standards:

(a) Section 3862 – Financial Instruments – Disclosures, which replaces Section 3861 and provides expanded disclosure requirements that provide additional detail by financial asset and liability categories (see Note 10).

(b) Section 3863 – Financial Instruments – Presentation, to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows (see Note 10).

(c) Section 1535 – Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed (see Note 11). Under this standard, the Company will be required to disclose the following:

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

(d) Section 1400 – General Standards of Financial Statement Presentation, to include requirements for management to assess and disclose an entity's ability to continue as a going concern (see Note 1).

3. RECLAMATION BOND

Future reclamation and mine closure costs will be the responsibility of the Company and are based on legal and regulatory requirements. The laws and regulations are continually changing and are generally becoming more restrictive. The Company believes it is in compliance with applicable laws and regulations and expects to make future expenditures to comply with these laws and regulations. Current estimated reclamation obligations are secured by a $27,000 reclamation bond as at March 31, 2008 (December 31, 2007 - $27,000).

(Expressed in US Dollars unless otherwise noted)

4. PROPERTY AND EQUIPMENT

	March 31, 2008 Cost	March 31, 2008 Accumulated depreciation	March 31, 2008 Net book value	December 31, 2007 Net book value
Land improvement	$ 175,100	$ -	$ 175,100	$ 175,100
Buildings	288,800	201,600	87,200	89,500
Equipment and vehicles	541,700	289,000	252,700	263,100
	$ 1,005,600	$ 490,600	$ 515,000	$ 527,700

5. MINERAL PROPERTIES

Mining Claims Expenditures

	December 31, 2006	Net Additions	December 31, 2007	Net Additions	March 31, 2008
Lincoln and Comet Project					
Underground drilling	$ 788,600	$ 17,700	$ 806,300	$ -	$806,300
Total Mining Claims Expenditures	$ 788,600	$ 17,700	$ 806,300	$ -	$806,300

USE has a Net Profits Interest royalty ("NPIR") of 5% until the total amount of $4.6 million is repaid, and a 1% NPIR thereafter (Note 8d).

Sutter Gold Project - Lincoln and Comet Properties

The Sutter gold project is situated on a contiguous 535-acre block of mining claims 45 miles east-southeast of Sacramento, California, in the central part of the 121-mile-long Mother Lode gold belt. Total annual lease payments are currently $23,500.

The lease terms are 30 years, broken down into ten year segments carrying a 4% production royalty or minimum annual payments as follows for the Lincoln and Comet property, respectively: $1,200 and $2,400 for each of years one to ten; $2,400 and $4,800 for each of years eleven through twenty; $3,600 and $7,200 for each of years twenty one through thirty; and $4,800 and $9,600 for each year thereafter. An additional 0.5% net smelter return royalty is held by a consultant to a lessee and was in place prior to the acquisition of the properties, which 0.5% interest covers the properties in the Lincoln Project. The payments have been made up to date.

Eureka Property

On January 21, 2005, the Company entered into a lease agreement to acquire 105 acres of land immediately adjacent to the Company's properties in California, called the Eureka Property. The lease term is 30 years, broken down into ten years segment carrying a 4% production royalty or a minimum annual payment of $2,400 for each of years one to ten, $3,600 for each of years eleven to twenty, $4,800 for each of years twenty-one to thirty, and $6,000 for each year after the year thirty-one. As of March 31, 2008, 12,000 common shares had been issued to the Eureka Property's owner for the first year's payment and the second through forth years' payments have been made up to date.

5. MINERAL PROPERTIES, (cont'd)

Keystone Property

Effective August 1, 2003, the Company entered into a lease ("Third Amendment to Mining Lease and Option") with Keystone Mining Corporation. The lease covers certain properties at the Sutter Gold Project and requires payments of $5,000 per year for the first 10 years of the lease. A royalty of 5% of the net profits on production exists on these properties. The "net profits" will be determined by subtracting from gross mineral revenues an amount equal to 105% of numerous categories of costs and expenses. The payments have been made up to date.

Mexican property

On October 26, 2006, the Company entered into an Exclusive Option Agreement with The Alamo Group, Inc. ("The Alamo Group") of Scottsdale, Arizona, to acquire a 100% interest (less royalty provisions) in the Santa Teresa mineral concession located in the historic El Alamo gold mining district southeast of Ensenada, Mexico for C$500,000 in payments and C$100,000 in work commitments.

The Company made an initial payment of $13,300 (C$15,000) on signing the Exclusive Option Agreement and issued 111,111 of its shares at a price of C$0.36 on signing the Definitive Agreement on February 7, 2007 (Note 8a). Annual payments to The Alamo Group for the next four years as follows:

February 7, 2008 - C$50,000 (paid);
February 7, 2009 - C$75,000 (C$35,000 payable in cash and C$40,000 in common shares);
February 7, 2010 - C$100,000 (C$50,000 payable in cash and C$50,000 in common shares)
February 7, 2011 - the balance of the C$500,000 purchase price, C$220,000, due in cash.

The Alamo Group can waive its right to receive shares in favor of cash.

The Alamo Group will retain a 3% net smelter royalty if gold is selling for C$650/ounce or greater and 1.5% if gold is selling for less than C$650/ounce. The Company has the right to purchase one half of the net smelter royalty for C$1 after The Alamo Group has received C$2,000,000 in royalties from commercial operations on the concession.

On March 29, 2007, the Company signed a letter of intent and on August 7, 2007 a Joint Venture Agreement with Premier to jointly explore the Company's Santa Teresa mineral concession. Premier is to earn an initial 50% interest in the project by issuing 100,000 common shares (received) to the Company, completing $1.5 million in exploration and acquisition within two years and reimbursing the Company for all option payments due to the vendor over four years (total of C$500,000; $72,200 was reimbursed to date resulting in $22,200 being recorded as a gain on the optioned property during the three months ended March 31, 2008). Premier can earn an additional 15% interest in the property (to a 65% interest) by paying a further $500,000 to the Company, payable in cash or shares, and conducting an additional $4,000,000 in exploration on the property.

(Expressed in US Dollars unless otherwise noted)

6. MARKETABLE SECURITIES

As of March 31, 2008 and December 31, 2007 the Company's marketable securities consisted of:

	Number of Shares		Fair Value at	
	December 31, 2007	March 31, 2008	December 31, 2007	March 31, 2008
Common shares of Premier	100,000	45,000	$ 244,700	$ 81,400

During the period ended March 31, 2008, the Company sold 55,000 of Premier's common shares for a gain of $6,900.

At March 31, 2008 the Company had an unrealized gain of $Nil on the 45,000 available-for-sale shares of Premier.

7. TRANSACTIONS WITH RELATED PARTIES

During the period ended March 31, 2008, the Company incurred C$12,500 (2007 – C$11,500) for accounting, administrative and secretarial fees to a private company controlled by a director. $21,000 was owed to this company as at March 31, 2008 (December 31, 2007 - $5,800) for the unpaid portion of these and expense reimbursement amounts. $17,100 was due from this company for the marketable securities sold on behalf of the Company.

Effective June 1, 1996, SGMC entered into a Management Agreement with USE and Crested whereby a joint venture between those companies, USECB Joint Venture ("USECB") serves as the manager of the Company's mine development and exploration activities, among other duties, and provides administrative staff and services to the Company. Under the terms of the Management Agreement, USECB is reimbursed for actual costs incurred plus, initially, 10% of allowable costs as defined in the Management Agreement. USECB invoiced SGMC $9,000 and $90,000 for the three month periods ended March 31, 2008 and 2007, respectively, which included general administration costs, note payments, lease payments and other costs. The Company owed $5,000 to this company as at March 31, 2008 (December 31, 2007 - $Nil) for the unpaid portion of these amounts.

The Management Agreement may be terminated by the Company at any time with one month's advance notice to USECB.

On May 3, 2007, the Company settled its outstanding debt of $2,025,700 (C$2,362,800) with USE and Crested by the issuance of 7,621,868 common shares of the Company at C$0.31 per share (Note 8c).

On May 3, 2007, the Company also settled the Contingent Stock Purchase Warrant with Crested and USE by the issuance of a Net Profits Interest royalty (Note 8d).

(Expressed in US Dollars unless otherwise noted)

7. TRANSACTIONS WITH RELATED PARTIES, (cont'd)

USE and Crested agreed during fiscal 2007 to provide a $1,000,000 line of credit to the Company at 12% annual interest, drawable and repayable at anytime in tranches of $50,000 or more by the Company. The line of credit became due no later than two years from June 20, 2007. It was collateralized by the Company's California properties. USE and Crested had the sole option to have the Company repay the debt in cash or the Company's common shares at a 10% discount to the 10 day volume weighted average price ("VWAP") before payment (subject to the TSX Venture Exchange approval). Terms of the credit agreement were negotiated and approved by the independent directors of USE, Crested and the Company. As of December 31, 2007, USE had loaned $723,300 to the Company, with an accrued interest of $12,000, totalling $735,300. On December 31, 2007, the Company settled the outstanding debt through the sale of its 225,000 USE shares valued at the last 5 days VWAP for $4.37 and totalling $983,300, of which $735,300 was used to settle the line of credit. A balance of $247,600 owed to the Company as of December 31, 2007 was received in 2008.

Related party transactions are measured at their fair value amounts as determined by management. The amounts bear no interest and are unsecured with no repayment terms.

8. SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of preference shares without par value.

Common Shares, Contributed Surplus and Other Comprehensive Income

	Number of Shares	Amount	Contributed Surplus	Other Comprehensive Income
Allotted, issued and outstanding:				
Balance, December 31, 2006	70,534,066*	$ 19,951,700	$ 1,099,500	$ -
Issued for property acquisition (Note 8a)	111,111	33,700	-	-
Options exercised (Note 8b)	15,000	2,400	-	-
Fair value of options exercised (Note 8b)	-	1,800	(1,800)	-
Shares issued for debt settlement (Note 8c)	7,621,868	2,025,700	-	-
Contingent stock purchase warrant (Note 8d)	-	-	4,644,900	-
Stock-based compensation	-	-	68,700	-
Fair value of marketable securities	-	-	-	47,100
Balance, December 31, 2007	78,282,045	22,015,300	5,811,300	47,100
Fair value of marketable securities	-	-	-	(47,100)
Balance, March 31, 2008	78,282,045	$ 22,015,300	$ 5,811,300	$ -

**Included in this amount originally were 1,787,847 (as at December 31, 2007 and March 31, 2008: 1,396,610) of the Company's common shares allotted to the former shareholders of SGMC for tendering their ownership of SGMC, representing 4% of the 44,577,367 common shares at a deemed value of C$0.26 per common share issued on December 29, 2004 on the acquisition of SGMC.*

(Expressed in US Dollars unless otherwise noted)

8. SHARE CAPITAL, (cont'd)

a. On February 9, 2007, 111,111 common shares at a price of C$0.36 per share were issued for the Mexican Property acquisition (Note 5).

b. During the year ended December 31, 2007, 15,000 options at a price of C$0.20 per share were exercised. A fair value of $1,800 was recognized on these exercised stock options.

c. During the year ended December 31, 2007, the Company settled its outstanding debt of $2,025,700 (C$2,362,800) with USE and Crested by the issuance of 7,621,868 common shares of the Company at C$0.31 per share (Note 7).

d. On May 3, 2007, the Company settled the Contingent Stock Purchase Warrant with Crested and USE by the issuance of a Net Profits Interest royalty ("NPIR") of 5% until the total amount of $4.6 million is repaid, and granting a 1% NPIR thereafter. NPIR is defined as the price received from the sale of gold or other mineralized product that is mined, saved and sold, less mining, milling, processing or refining and transportation costs and allowable taxes and royalties, but excluding development costs incurred prior to December 31, 2006. As of December 31, 2007, the settlement of $4,644,900 contingent stock purchase warrant was reclassified as contributed surplus.

Series 1 Convertible Redeemable Preference shares	Number of Shares	Amount
Balance, March 31, 2008 and December 31, 2007	254,414	$ 211,200

Series 1 Convertible Redeemable Preference shares are convertible at any time by the holder into common shares of the Company on a one for one basis and are redeemable at any time by the Company at a price of C$1 for each share redeemed. These shares are non-interest bearing.

Warrants outstanding

	Warrants	Weighted Average Exercise Price C$
Balance outstanding, December 31, 2006	17,276,960	0.33
Warrants expired	(964,960)	0.25
Balance outstanding, December 31, 2007 and March 31, 2008	16,312,000	0.34

As at March 31, 2008, the following warrants were outstanding:

Description	Number	Exercise Price C$	Expiry Date
Private Placement	4,250,000	$0.30	April 13, 2008*
Private Placement	5,562,000	$0.35	May19, 2008*
Private Placement	6,500,000	$0.35	May 25, 2008*
	16,312,000		

*Subsequently, all the warrants expired.

The weighted-average remaining life of warrants outstanding as at March 31, 2008 was 0.12 years (December 31, 2007 – 0.36 years).

(Expressed in US Dollars unless otherwise noted)

8. SHARE CAPITAL, (cont'd)

Options outstanding

The Company, in accordance with the policies of the TSX Venture Exchange, is authorized to grant options to directors, officers and employees to acquire up to 10% of issued and outstanding common stock.

	Options	Weighted Average Exercise Price C$
Balance outstanding, December 31, 2006	5,490,000	0.31
Options granted	700,000	0.28
Options exercised	(15,000)	0.20
Options expired/cancelled	(860,000)	0.31
Balance outstanding, December 31, 2007	5,315,000	0.30
Options expired/cancelled	(850,000)	0.29
Balance outstanding, March 31, 2008	4,465,000	0.30

As at March 31, 2008 the following options were outstanding:

Number	Exercise Price C$	Expiry Date
40,000	0.20	November 14, 2008
200,000	0.28	July 3, 2009
2,560,000	0.28	April 8, 2010
200,000	0.30	April 20, 2011
1,465,000	0.35	August 16, 2011
4,465,000		

The weighted-average remaining life of options outstanding as at March 31, 2008 was 2.47 years (December 31, 2007 – 2.47 years).

Stock-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. The fair value of options vested in the period ended March 31, 2008 totaled $Nil (2007 - $Nil).

There were 700,000 options granted during year ended December 31, 2007. The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options granted during fiscal 2007:

	2007
Risk-free interest rate	4.59%
Annualized volatility	108%
Expected dividend yield	Nil
Expected option life in years	2 years

(Expressed in US Dollars unless otherwise noted)

9. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	For the Three Months Ended March 31, 2008	2007
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest income	$ 2,100	$ 11,000
Interest paid	$ 600	$ 200
NON CASH INVESTING AND FINANCING ACTIVITIES		
Common shares issued for mineral property payment (Note 5)	$ -	$ 33,800

10. FINANCIAL INSTRUMENTS

The Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and leases payable are classified as other financial liabilities. Marketable securities are classified as available-for-sale which are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

The Company had no "other comprehensive income" during the period ended March 31, 2008.

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and commodity price risk.

(a) Currency risk

The Company's property interests in United States make it subject to foreign currency fluctuations and inflationary pressures which may adversely affect the Company's financial position, results of operations and cash flows. The Company is affected by changes in exchange rates between the Canadian Dollar and foreign functional currencies. The Company does not invest in foreign currency contracts to mitigate the risks.

(b) Credit risk

The Company's cash and cash equivalents are held in Canadian and U.S. financial institutions. The Company does not have any asset-backed commercial paper in its cash and cash equivalents. The Company's accounts receivable consists primarily of goods and services tax due from the federal government of Canada.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure.

Accounts payable and accrued liabilities, leases payable and notes payable are due within the current operating period.

10. FINANCIAL INSTRUMENTS, (cont'd)

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the cash and cash equivalents is limited because they are generally held to maturity.

(e) Commodity price risk

The ability of the Company to develop its mineral properties and the future profitability of the Company are directly related to the market price of gold. The Company has not hedged any of its future gold sales. The Company's input costs are also affected by the price of fuel. The Company closely monitors gold and fuel prices to determine the appropriate course of action to be taken by the Company.

11. MANAGEMENT OF CAPITAL RISK

The Company manages its cash and cash equivalents, common shares, stock options and warrants as capital (see Note 8). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest its short-term excess cash in highly liquid short-term interest-bearing investments with maturities 90 days or less from the original date of acquisition, selected with regards to the expected timing of expenditures from continuing operations.

The Company expects its current capital resources will be sufficient to carry its exploration plans and operations through its current operating period.