

Advanced Explorations Inc.
(A Development Stage Company)

Consolidated Financial Statements
(Expressed in Canadian Dollars)
December 31, 2007 and 2006

Advanced Explorations Inc.
(A Development Stage Company)

Table of Contents

December 31, 2007 and 2006

| | Pages |
|---|--------------|
| Auditors' Report | 1 |
| Consolidated Financial Statements | |
| Balance Sheets | 2 |
| Statements of Loss and Comprehensive Loss | 3 |
| Statements of Changes in Shareholders' Equity | 4 - 5 |
| Statements of Cash Flows | 6 |
| Statement of Mineral Property | 7 |
| Notes to Financial Statements | 8 - 24 |

Auditors' Report

To the Shareholders of
Advanced Explorations Inc.

We have audited the consolidated balance sheets of Advanced Explorations Inc., (A Development Stage Company) as at December 31, 2007 and 2006 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 December 31, 2007 and 2006 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Signed: "*MSCM LLP*"

**Chartered Accountants
Licensed Public Accountants**

Toronto, Ontario
March 29, 2008

Advanced Explorations Inc.
(A Development Stage Company)

Consolidated Balance Sheets

December 31, 2007 and 2006

(Expressed in Canadian Dollars)

| | 2007 | 2006 |
|--|----------------------|------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents (<i>Note 3</i>) | \$ 9,413,136 | \$ - |
| Amounts receivable | 719,516 | - |
| Prepaid expenses | 48,063 | - |
| | 10,180,715 | - |
| Equipment, net of accumulated amortization (<i>Note 4</i>) | 69,035 | - |
| Prepaid exploration expenditures | 514,568 | - |
| Mineral property (<i>Note 5</i>) | 21,274,123 | - |
| Deferred cost (<i>Note 6</i>) | 325,000 | - |
| | \$ 32,363,441 | \$ 1 |
| Liabilities | | |
| Current liabilities | | |
| Bank indebtedness (<i>Note 12</i>) | \$ - | \$ 50,000 |
| Accounts payable and accrued liabilities | 1,041,471 | 227,905 |
| Loans payable (<i>Note 11</i>) | - | 161,457 |
| Promissory note (<i>Note 12</i>) | - | 358,980 |
| | 1,041,471 | 798,342 |
| Shareholders' Equity (Deficiency in Assets) | | |
| Share capital (<i>Note 7</i>) | 24,223,168 | 2,492,152 |
| Contributed surplus | 1,059,111 | 236,941 |
| Rights (<i>Note 5</i>) | 7,477,021 | - |
| Warrants (<i>Note 9</i>) | 4,652,930 | - |
| Deficit | (6,090,260) | (3,527,435) |
| | 31,321,970 | (798,342) |
| | \$ 32,363,441 | \$ - |

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

Basis of presentation and nature of operations (*Note 1*)

Subsequent events (*Note 17*)

Approved by the Board

Signed: "John Gingerich"

Signed: "Daniel Botes"

Director

Director

Advanced Explorations Inc.
(A Development Stage Company)

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2007 and 2006

(Expressed in Canadian Dollars)

| | 2007 | 2006 | Cumulative from date of inception on January 1, 2007 |
|--|-----------------------|---------------------|---|
| Expenses | | | |
| Stock-based compensation (<i>Note 8</i>) | \$ 636,312 | \$ - | \$ 636,312 |
| Bonus share compensation (<i>Note 7(b)(viii)(ix)</i>) | 526,239 | - | 526,239 |
| Consulting fees (<i>Note 14</i>) | 488,563 | 71,500 | 488,563 |
| Professional fees | 252,051 | 43,056 | 252,051 |
| Business development | 214,932 | 1,304 | 214,932 |
| Shareholder information and filing fees | 214,628 | 16,860 | 214,628 |
| Office and general | 149,031 | 5,042 | 149,031 |
| Travel | 68,121 | 34,077 | 68,121 |
| Interest and bank charges | 59,774 | 59,276 | 59,774 |
| Amortization | 7,671 | - | 7,671 |
| Gain on loan forgiven | (54,497) | - | (54,497) |
| | 2,562,825 | 231,115 | 2,562,825 |
| Net loss and comprehensive loss for the year | \$ (2,562,825) | \$ (231,115) | \$ (2,562,825) |
| Basic and diluted loss per share | \$ (0.15) | \$ (0.03) | |
| Weighted average number of shares outstanding | 16,690,752 | 8,363,439 | |

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

Advanced Explorations Inc.
(A Development Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2007 and 2006

(Expressed in Canadian Dollars)

| | 2007 | 2006 | Cumulative from date of inception on January 1, 2007 |
|--|----------------------|---------------------|---|
| Share capital | | | |
| Balance, beginning of year | \$ 2,492,152 | \$ 2,390,760 | \$ 2,492,152 |
| Private placements | 25,884,849 | - | 25,884,849 |
| Fair value of warrants issued | (3,997,272) | - | (3,997,272) |
| Exercise of options | 47,600 | - | 47,600 |
| Fair value of options exercised | 30,592 | - | 30,592 |
| Exercise of warrants | 190,000 | - | 190,000 |
| Fair value of warrants exercised | 40,114 | - | 40,114 |
| Exercise of rights | 168,071 | - | 168,071 |
| Fair value of rights exercised | 477,472 | - | 477,472 |
| Bonus shares issued | 963,739 | - | 963,739 |
| Debt for shares settlement | 368,454 | 101,392 | 368,454 |
| Finders' fee for the Roche Bay Project | 180,774 | - | 180,774 |
| Option agreement payment | 300,000 | - | 300,000 |
| Cost of issue: non-cash | (695,772) | - | (695,772) |
| Cost of issue: cash | (2,227,605) | - | (2,227,605) |
| Balance, end of year | \$ 24,223,168 | \$ 2,492,152 | \$ 24,223,168 |
| Contributed Surplus | | | |
| Balance, beginning of year | \$ 236,941 | \$ 236,941 | \$ 236,941 |
| Fair value of options granted | 852,762 | - | 852,762 |
| Fair value of options exercised | (30,592) | - | (30,592) |
| Balance, end of year | \$ 1,059,111 | \$ 236,941 | \$ 1,059,111 |

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

Advanced Explorations Inc.
(A Development Stage Company)

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2007 and 2006

(Expressed in Canadian Dollars)

| | 2007 | 2006 | Cumulative from date of inception on January 1, 2007 |
|---------------------------------------|-----------------------|----------------|---|
| Rights | | | |
| Balance, beginning of year | \$ - | \$ - | \$ - |
| Fair value of rights granted (Note 5) | 7,954,493 | - | 7,954,493 |
| Fair value of rights exercised | (477,472) | - | (477,472) |
| Balance, end of year | \$ 7,477,021 | \$ - | \$ 7,477,021 |
| Warrants | | | |
| Balance, beginning of year | \$ - | \$ - | \$ - |
| Fair value of warrants issued | 4,693,044 | - | 4,693,044 |
| Fair value of warrants exercised | (40,114) | - | (40,114) |
| Balance, end of year | \$ 4,652,930 | \$ - | \$ 4,652,930 |
| Deficit | | | |
| Balance, beginning of year | \$ (3,527,435) | \$ (3,296,320) | \$ (3,527,435) |
| Net loss for year | (2,562,825) | (231,115) | (2,562,825) |
| Balance, end year | \$ (6,090,260) | \$ (3,527,435) | \$ (6,090,260) |
| Total | \$ 31,321,970 | \$ (798,342) | \$ 31,321,970 |

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

Advanced Explorations Inc.
(A Development Stage Company)

Consolidated Statements of Cash Flows
For the years ended December 31, 2007 and 2006
(Expressed in Canadian Dollars)

| | 2007 | 2006 | Cumulative from date of inception on January 1, 2007 |
|---|---------------------|--------------|---|
| Cash flows used in operating activities | | | |
| Net loss for the year | \$ (2,562,825) | \$ (231,115) | \$ (2,562,825) |
| Items not involving cash: | | | |
| Stock-based compensation | 636,312 | - | 636,312 |
| Amortization | 7,671 | - | 7,671 |
| Bonus share compensation | 526,239 | - | 526,239 |
| Gain on loan forgiven | (54,497) | - | (54,497) |
| | (1,447,100) | (231,115) | (1,447,100) |
| Changes in non-cash working capital | | | |
| Amounts receivable | (719,516) | - | (719,516) |
| Prepaid expenses | (48,063) | - | (48,063) |
| Accounts payable and accrued liabilities | 192,115 | 108,643 | 192,115 |
| | (2,022,564) | 108,643 | (2,022,564) |
| Cash flows used in investing activities | | | |
| Mineral property expenditures | (12,373,526) | - | (12,373,526) |
| Purchase of equipment | (76,706) | - | (76,706) |
| Deferred cost | (25,000) | - | (25,000) |
| | (12,475,232) | - | (12,475,232) |
| Cash flows provided by financing activities | | | |
| Proceeds from loans payable | 7,439 | 16,417 | 7,439 |
| Repayment of loans payable | (168,896) | - | (168,896) |
| Advance of promissory note | 9,474 | 35,619 | 9,474 |
| Issue of share capital | 26,290,520 | 70,000 | 26,290,520 |
| Cost of issue | (2,227,605) | - | (2,227,605) |
| | 23,910,932 | 122,036 | 23,910,932 |
| Net increase in cash and cash equivalents | 9,413,136 | (436) | 9,413,136 |
| Cash and cash equivalents, beginning of year | - | 436 | - |
| Cash and cash equivalents, end of year | \$ 9,413,136 | \$ - | \$ 9,413,136 |

Supplemental Cash Flow Information

| | 2007 | 2006 | Cumulative from date of inception on January 1, 2007 |
|----------------------|------------------|------|---|
| Interest paid | \$ 53,035 | \$ - | \$ 53,035 |

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

Advanced Explorations Inc.
(A Development Stage Company)

Consolidated Statement of Mineral Property

December 31, 2007 and 2006

(Expressed in Canadian Dollars)

| | 2007 | 2006 | Cumulative from date of inception on January 1, 2007 |
|---|----------------------|-------------|---|
| Roche Bay Magnetite Project, Nunavut, Canada | | | |
| (i) Acquisition costs (Note 5) | | | |
| Beginning balance | \$ - | \$ - | \$ - |
| Acquisition costs | 250,000 | - | 250,000 |
| Rights offering | 7,954,493 | - | 7,954,493 |
| Finders' fees | 180,774 | - | 180,774 |
| Government fees | 42,482 | - | 42,482 |
| Total acquisition costs during the year | 8,427,749 | - | 8,427,749 |
| Ending balance | 8,427,749 | - | 8,427,749 |
| (ii) Exploration expenditures | | | |
| Beginning balance | - | - | - |
| Salaries | 1,591,889 | - | 1,591,889 |
| Mobilization and demobilization | 951,347 | - | 951,347 |
| Air transportation | 1,180,102 | - | 1,180,102 |
| Helicopter support | 1,606,910 | - | 1,606,910 |
| Fuel | 427,056 | - | 427,056 |
| Sea lift | 729,518 | - | 729,518 |
| Transportation and vehicle costs | 146,626 | - | 146,626 |
| Freight | 38,830 | - | 38,830 |
| Insurance | 37,150 | - | 37,150 |
| Camp costs | 1,222,205 | - | 1,222,205 |
| Miscellaneous | 382,464 | - | 382,464 |
| Drilling | 3,975,525 | - | 3,975,525 |
| Geophysics | 34,878 | - | 34,878 |
| Environmental | 332,522 | - | 332,522 |
| Technical studies | 189,352 | - | 189,352 |
| Total expenditures during the year | 12,846,374 | - | 12,846,374 |
| Ending balance | 12,846,374 | - | 12,846,374 |
| Total | \$ 21,274,123 | \$ - | \$ 21,274,123 |

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

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

1. Basis of Presentation and Nature of Operations

Advanced Explorations Inc. (the "Company" or "Advanced") was previously a provider of customer relationship management software and services. Effective September 1, 2007, the TSX Venture Exchange accepted for filing the Company's Change of Business, which involves the Company's acquisition of a 50.1% interest in certain leases (the "Roche Bay Magnetite Project") pursuant to an option agreement between Advanced and Roche Bay Plc. ("Roche Bay") dated January 29, 2007, as amended.

The Company, which is in the development stage, is engaged in the acquisition, exploration and development of properties within the resource sector. The Company is in the process of exploring its resource property for mineral resources and has not determined whether the property contains economically recoverable reserves. The recovery of the amounts shown for the mineral property is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the exploration, and upon future profitable production.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of mineral property and the Company's continued existence is dependent upon the preservation of its interest in the underlying property, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write-downs of the carrying value of the mineral property.

Although the Company has taken steps to verify title to the property on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

As at December 31, 2007, the Company had cash and cash equivalents of \$9,413,136 and a working capital of \$9,139,244. Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing twelve months as they fall due. The Company's ability to continue operations and fund its exploration property expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and their basis of application is consistent with that of the previous year. Outlined below are those policies considered particularly significant:

(a) Basis of consolidation

These consolidated financial statements include the accounts of the the Company and its inactive wholly-owned subsidiary Web Sights International Inc. ("WSI"). All material inter-company balances and transactions have been eliminated. All references to the Company should be treated as references to the Company and its subsidiary.

(b) Cash and cash equivalents

Cash and cash equivalents include cash, term deposits, and similar liquid investments with original maturities of 90 days or less when purchased.

(c) Equipment

The Company records equipment at cost. Amortization is provided over the expected useful life of the equipment on a 20% declining balance basis.

(d) Mineral property

Property acquisition costs and related direct exploration costs, less recoveries are deferred until such time as the property is either placed into commercial production, sold, determined not to be economically viable, or abandoned. General exploration expenditures, which do not relate to specific resource properties, are written off in the year incurred. These deferred costs will be amortized on the unit-of-production basis over the estimated useful lives of the property following the commencement of production, or written-off if the property is sold, allowed to lapse or abandoned.

The cost of mineral property includes any cash consideration paid, and the fair market value of shares issued, if any, on the acquisition of property interests. Acquisition costs of 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 claim 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 interest 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 revenues from the property or from the sale of the property. Management's assessment of the property's estimated current fair market value may also be based upon a review of other property transactions that have occurred in the same geographic area as that of the property under review.

2. Summary of Significant Accounting Policies - continued

(e) Asset retirement obligations

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3110, Asset Retirement Obligations. Under the standard, the fair values of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets. As of December 31, 2007, there were no asset retirement obligations.

(f) Income taxes

The Company follows the asset and liability method of accounting for income taxes in accordance with the recommendations of the CICA. Future income taxes are recorded to reflect the expected consequences of differences between the carrying amounts of balance sheet items and their corresponding tax values. Future tax assets are recognized only to the extent that, in the opinion of management, it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of substantive enactment.

(g) Stock-based compensation

The Company records all stock-based compensation and other stock-based payments using the fair value method.

Under the fair value method, stock-based payments are measured at the fair value of the consideration received or the fair value of the equity instruments issued or liabilities incurred, whichever is more reliably measurable, and are charged to operations over the vesting period with a corresponding credit to contributed surplus. Fair value is calculated using the Black-Scholes pricing model with the assumptions described in Note 8.

Consideration received on the exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

Option pricing models require the input of highly subjective assumptions including the expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

(h) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the earnings (loss) for the period by the weighted average number of common shares outstanding during the period, including contingently issuable shares, which are included when the conditions necessary for issuance have been met. Diluted earnings (loss) per share is calculated in a similar manner, except that the weighted average number of common shares outstanding is increased to include potentially issuable common shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares included in the calculation is based on the treasury stock method for stock options and warrants. The effect of potential issuances of shares under stock options and warrants would be anti-dilutive, and accordingly basic and diluted loss per share are the same.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

2. Summary of Significant Accounting Policies - continued

(i) Measurement uncertainty

The preparation of financial statements in conformity with Canadian general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The most significant estimates are related to the recoverability of the mineral property, stock-based compensation and future tax assets and liabilities. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

(j) Development stage company

The Company has disclosed additional comparative information in accordance with CICA Handbook AcG-11, Enterprises in the Development Stage. Accordingly, the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows disclose cumulative balances from inception of the development stage, considered to be January 1, 2007 (the date on which all operations with respect to previous assets were ceased and operations with respect to the Company's current assets commenced).

(k) Accounting changes

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, "Accounting Changes". The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

(l) Accounting policy choice for transaction costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, "Accounting Policy Choice for Transaction Costs" (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held for trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held for trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2007. The standard requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. The Company has evaluated the impact of EIC-166 and has determined that no adjustments are currently required.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

2. Summary of Significant Accounting Policies - continued

(m) Impairment of long-lived assets

Long-lived assets held for use are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. When the carrying value is not recoverable from future cash flows on an undiscounted basis and the carrying value exceeds the assets' fair value, an impairment loss is recorded for the excess of carrying value over fair value.

(n) 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 have been charged to the mineral property. When the renunciation is made, the tax value of the renunciation is recorded as a liability and charged against share capital. Where the Company has a valuation allowance, which reduces future income tax assets, the valuation allowance is reduced and an income tax recovery is recorded in the statement of loss and comprehensive loss.

(o) Changes in accounting policy

The CICA issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement"; 1530, "Comprehensive Income"; 3251, "Equity"; 3861 "Financial Instruments - Disclosure and Presentation"; and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective January 1, 2007.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets are measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

Sections 1530 and 3251 establish standards for reporting and presenting certain gains and losses from changes in fair value outside net income. The sections include unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

2. Summary of Significant Accounting Policies - continued

(o) Changes in accounting policy - continued

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Under adoption of these new standards, the Company designated its cash and cash equivalents as held for trading, which are measured at fair value. Amounts receivable are classified as loans and receivables, which are measured at amortized cost. Bank indebtedness, accounts payable and accrued liabilities, loans payable and promissory note are classified as other financial liabilities which are measured at amortized cost.

The Company has evaluated the impact of these new standards on its consolidated financial statements and determined that no adjustments are required.

(p) Future Accounting Changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, "Capital Disclosures", Handbook Section 3862, "Financial Instruments – Disclosures", and Handbook Section 3863, "Financial Instruments – Presentation". These new standards are effective for interim and annual consolidated financial statements for the Company's reporting period beginning on January 1, 2008.

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

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

The Company is currently assessing the impact of these new accounting standards on its consolidated financial statements.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

3. Cash and Cash Equivalents

The Bank currently holds an interest bearing term deposit amounting to \$75,000 (2006 - Nil) as security for the Company's credit cards.

4. Equipment

| | | | 2007 | 2006 |
|-----------|-----------|--------------------------|----------------|----------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Equipment | \$ 76,706 | \$ 7,671 | \$ 69,035 | \$ - |

5. Mineral Property

On a periodic basis, management of the Company review exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization. Specific changes to mineral property that occurred from January 1, 2007 to December 31, 2007 are as follows:

During the year the Company acquired the right to acquire a 50.1% interest in the Roche Bay Magnetite Project located near Roche Bay, on the eastern Melville Peninsula, Nunavut Territory from Roche Bay pursuant to an option agreement ("Agreement") between Advanced and Roche Bay dated January 29, 2007, as amended.

Under the Agreement, Advanced paid Roche Bay \$250,000 and issued 8,000,000 Rights (the "Rights") at an exercise price of \$0.35 per Right. The Company will issue a further 2,000,000 Rights at an exercise price of \$0.60 per Right upon completion of 15,000 meters of drilling, and a further 2,000,000 Rights at an exercise price of \$1.00 per Right upon the completion of both (a) a total of 30,000 meters of drilling and (b) a NI 43-101 compliant pre-feasibility study based on an envisioned minimum 6 million tonne per year mining operation containing a resource estimate of at least 750,000,000 tonnes of iron ore in the aggregate among the "measured" and "indicated" categories.

Each Right will entitle the holder to purchase one common share of the Issuer within a period of 3 years after the date of issue. The issued Rights have been assigned a fair value of \$7,954,493 using the Black-Scholes pricing model. The following assumptions were used to calculate the fair value attributable to the issued Rights: dividend yield of 0%; risk free interest rate of 4.63%; expected stock volatility of 75%; and an expected life of 3 years.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

5. Mineral Property - continued

In addition, finder's fees are payable to the following arm's length parties: (1) 48,206 shares issued to 834689 Ontario Ltd. and (2) 96,413 shares issued to John Moses.

The following table reflects the continuity of Rights for the year ended December 31, 2007:

| | Number of Rights | Exercise Price |
|----------------------------|-----------------------------|---------------------------|
| Balance, January 1, 2007 | - | |
| Granted | 8,000,000 | \$0.35 |
| Exercised | (480,203) | \$0.35 |
| Balance, December 31, 2007 | 7,519,797 | \$0.35 |

A summary of the Rights outstanding as of December 31, 2007 is as follows:

| Expiry Date | Number of Rights | Exercise Price | Fair Value |
|--------------------|-----------------------------|---------------------------|-----------------------|
| June 2010 | 7,519,797 | \$0.35 | \$7,477,021 |

6. Deferred Cost

On June 12, 2007, the Company signed a Memorandum of Understanding (MOU) in which Advanced entered into a partnership and option agreement with A Better Search Inc. ("Better Search") to pursue iron ore opportunities in Quebec.

The Company has a 4 month exclusive period to review all of Better Search's holdings to identify projects to option. In addition, Better Search will collaborate with Advanced during the next 12 months to identify other iron ore projects to acquire. As part of the option and collaboration agreement, the Company paid Better Search 200,000 common shares of the Company (valued at \$300,000) and \$25,000 in cash. For each project of merit optioned from Better Search during the 4 month exclusive period, the Company will provide an additional 300,000 shares and \$150,000. No additional compensation will be provided to Better Search for claims/projects acquired under the collaboration agreement.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

7. Share Capital

(a) Authorized capital

The number of authorized common shares is unlimited

(b) Issued

| | Number of Shares | Amount |
|--|-----------------------------|--------------------------|
| Balance at December 31, 2005 | 8,677,892 | \$ 2,390,760 |
| Issuance of shares for debt (i) | 202,785 | 101,392 |
| Balance at December 31, 2006 | 8,880,677 | 2,492,152 |
| Private placement (ii) | 1,000,000 | 200,000 |
| Fair value of warrants issued (ii) | - | (36,974) |
| Finders' fee for the Roche Bay Magnetite Project (<i>Note 5</i>) | 144,619 | 180,774 |
| Private placement (iii) | 8,683,333 | 11,090,750 |
| Fair value of warrants issued (iii) | - | (1,427,089) |
| Private placement (iv) | 3,429,034 | 4,972,099 |
| Fair value of warrants issued (iv) | - | (1,229,309) |
| Private placement (v) | 2,400,000 | 6,792,000 |
| Fair value of warrants issued (v) | - | (914,400) |
| Private placement (vi) | 1,000,000 | 2,830,000 |
| Fair value of warrants issued (vi) | - | (389,500) |
| Cost of issue - non-cash (iii) (iv) (v) (vi) | - | (695,772) |
| Cost of issue - cash (iii) (iv) (v) (vi) | - | (2,227,605) |
| Debt for shares settlement (vii) | 294,763 | 368,454 |
| Fair value of bonus shares issued (viii)(ix) | 770,591 | 963,739 |
| Shares issuance per Better Search's option agreement (<i>Note 6</i>) | 200,000 | 300,000 |
| Exercise of stock options (<i>Note 8</i>) | 145,000 | 47,600 |
| Fair value of stock options exercised (<i>Note 8</i>) | - | 30,592 |
| Exercise of warrants (<i>Note 9</i>) | 448,333 | 190,000 |
| Fair value of warrants exercised (<i>Note 9</i>) | - | 40,114 |
| Exercise of rights (<i>Note 5</i>) | 480,203 | 168,071 |
| Fair value of rights exercised (<i>Note 5</i>) | - | 477,472 |
| Balance, December 31, 2007 | 27,876,553 | \$ 24,223,168 |

- (i) On April 6, 2006, the Company issued 202,785 common shares valued at \$101,392 to settle a demand loan and a portion of the promissory note.
- (ii) On January 17, 2007, the Company closed a private placement of 1,000,000 units at a price of \$0.20 per unit. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional share at \$0.25 for a period of one year from the date of distribution. The warrants have been assigned a fair value of \$36,974 using the Black-Scholes pricing model. The following assumptions were used to calculate the fair value attributable to the warrants: dividend yield of 0%; risk free interest rate of 4.08%; expected stock volatility of 75%; and expected life of 1 year.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

7. Share Capital - continued

(b) Issued - continued

- (iii) On June 6, 2007, Advanced announced the completion of a private placement. D&D Securities Company ("D&D") and Octagon Capital Corporation (the "Agents") sold a total of 1,774,000 units (the "Units") at a price of \$1.25 per Unit and 613,000 flow-through shares (the "FT Shares") at a price of \$1.50 per FT share for gross proceeds of \$3,137,000 (the "Offering"). Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for two years from the closing date (the "Closing Date") at an exercise price of \$2.00.

Concurrent with the Offering, the Company also completed a private placement of 5,963,000 Units at a price of \$1.25 per Unit and 333,333 FT Shares at a price of \$1.50 per FT Share for gross proceeds of \$7,953,750 (the "Concurrent Offering").

The Company paid a total cash commission of \$250,960 in connection with Offering to the Agents. In addition, as a commission for the sale of the Units under the Offering, the Agents were granted compensation options which will entitle the Agents to purchase 141,920 common shares of the Company at an exercise price of \$1.25 per common share. As a commission for the sale of the FT Shares under the Offering, the Agents were granted compensation options which will entitle the Agents to purchase 49,040 common shares of the Company at an exercise price of \$1.50 per common share. All compensation options granted to the Agents will have an exercise period which expires 2 years from the Closing Date.

In connection with the Concurrent Offering, the Company paid a cash commission of \$298,150 to Parolini Marketing Services Ltd. In addition, the Company paid Limited Market Dealer Inc. a cash commission of \$28,500 and compensation warrants which will entitle Limited Market Dealer Inc. to purchase 13,333 common shares of the Company, at an exercise price of \$1.50 per common share and have an exercise period which expires 2 years from the Closing Date.

For providing advisory and due diligence services to the Company in connection with the Concurrent Offering, D&D received a cash payment of \$111,500. In addition, D&D was granted compensation options which will entitle the Agents to purchase 475,000 common shares of the Company at an exercise price of \$1.25 per common share and 13,334 common shares of the Company at an exercise price of \$1.50 per common shares. All of the compensation options will have an exercise period which expires 2 years from the Closing Date.

The fair value of 3,868,500 warrants was calculated using the Black-Scholes pricing model based on the following assumptions: dividend yield of 0%; expected stock volatility of 75%; risk-free interest rate of 4.63% and an expected life of 2 years. As a result, the fair value was determined to be \$1,427,089.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

7. Share Capital - continued

(b) Issued - continued

The fair value of 616,920 compensation options exercisable at \$1.25 per option was calculated using the Black-Scholes pricing model based on the following assumptions: dividend yield of 0%; expected volatility of 75%; risk-free interest rate of 4.63% and an expected life of 2 years. As a result, the fair value was determined to be \$332,742.

The fair value of 75,707 compensation options exercisable at \$1.50 per option was calculated using the Black-Scholes pricing model based on the following assumptions: dividend yield of 0%; expected volatility of 75%; risk-free interest rate of 4.63% and an expected life of 2 years. As a result, the fair value was determined to be \$36,602.

- (iv) On October 16, 2007, Advanced announced the completion of a non-brokered private placement. A total of 3,429,034 units (the "Units") were sold at a price of \$1.45 per Unit, for gross proceeds of \$4,972,099. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for two years from the closing date (the "Closing Date") at an exercise price of \$2.00. The warrants have been assigned a fair value of \$1,229,309. The following assumptions were used to calculate the fair value attributable to the warrants: dividend yield of 0%; expected stock volatility of 75%; risk free interest rate of 4.36%; and expected life of 2 years.

The Company paid a total cash commission of \$397,768 and compensation warrants of 274,323 full warrants as Finders Fees in connection with the Offering. These entitle the Finders to purchase 273,963 common shares of the Company at an exercise price of \$2.00 per common share. All compensation warrants granted to the Finders will have an exercise period which expires 2 years from the Closing Date. The warrants have been assigned a fair value of \$196,431. The following assumptions were used to calculate the fair value attributable to the warrants: dividend yield of 0%; risk free interest rate of 4.36%; expected stock volatility of 75%; and expected life of 2 years.

- (v) On November 21, 2007, the Company announced the completion of a non-brokered private placement. A total of 2,400,000 Flow-through units (the "Units") were sold at a price of \$2.83 per Unit, for gross proceeds of \$6,792,000. Each unit comprises one common share of the Company and one half non-flow through share purchase warrant, wherein each whole share purchase warrant shall be exercisable at the price of \$3.88 per common share. All issued Shares and issuable Shares pursuant to the exercise of share purchase warrants will be subject to a 4 month hold period from the date of issuance of the units. All warrants are exercisable for a term of 2 years from the date of distribution of the units. The warrants have been assigned a fair value of \$914,400 using the Black-Scholes pricing model. The following assumptions were used to calculate the fair value attributable to the warrants: dividend yield of 0%; risk free interest rate of 3.64%; expected stock volatility of 75%; and expected life of 2 years.

In connection with the private placement, the Company has paid total commissions of \$679,200 in cash and 120,000 compensation warrants priced at \$2.83 with a 2 year term. The warrants have been assigned a fair value of \$91,440 using the Black-Scholes pricing model. The following assumptions were used to calculate the fair value attributable to the warrants: dividend yield of 0%; risk free interest rate of 3.64%; expected stock volatility of 75%; and expected life of 2 years.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

7. Share Capital - continued

(b) Issued - continued

- (vi) On November 26, 2007, the Company announced the completion of a non-brokered private placement. A total of 1,000,000 Units were sold at a price of \$2.83 per Unit, for gross proceeds of \$2,830,000. Each unit comprises one common share of the Company and one half non-flow through share purchase warrant, wherein each whole share purchase warrant shall be exercisable at the price of \$3.88 per common share. All issued Shares and issuable Shares pursuant to the exercise of share purchase warrants will be subject to a 4 month hold period from the date of issuance of the units. All warrants are exercisable for a term of 2 years from the date of distribution of the units. The warrants have been assigned a fair value of \$389,500. The following assumptions were used to calculate the fair value attributable to the warrants: dividend yield of 0%; risk free interest rate of 3.57%; expected stock volatility of 75%; and expected life of 2 years.

In connection with the private placement, the Company has paid Ensign Capital Inc., Wellington West Capital Inc. and Secutor Capital Management Corporation total commissions of \$278,444 in cash and 49,195 compensation warrants priced at \$2.83 with a 2 year term. The warrants have been assigned a fair value of \$38,557 using the Black-Scholes pricing model. The following assumptions were used to calculate the fair value attributable to the warrants: dividend yield of 0%; risk free interest rate of 3.57%; expected stock volatility of 75%; and expected life of 2 years.

- (vii) During the year, the Company issued 294,763 common shares to 2053068 Ontario Ltd. (an unrelated company) to settle outstanding debt for \$368,454 (Note 12(b)).
- (viii) During the year, in consideration of entering into certain Non-Recourse Loan Agreements with the Company, the Company issued an aggregate of 420,591 common shares as bonus shares to certain lenders at a price of \$1.25 per share. The following insider is one of the lenders receiving the following amount of bonus shares: John Gingerich, 160,000 (via Geotechnical Business Solutions Inc.) and 64,000 (via Gingerich Family Trust) (Note 11).
- (ix) On September 24, 2007, the Company issued 350,000 bonus common shares pursuant to employment agreements which the Company entered into after receiving TSX Venture Exchange approval of the option agreement between the Company and Roche Bay Plc and the completion of the concurrent offering. Each of the shares have a deemed price of \$1.25 per bonus common share. Future share bonuses shall be subject to future shareholder approval.

In total during the year ended December 31, 2007, the Company closed private placements of 4,346,333 flow-through common shares. The renunciation of Canadian exploration costs in 2007 will create a future income tax liability of approximately \$3,698,903. The Canadian exploration costs were actually renounced in February 2008, and accordingly, an adjustment will be made in the first 2008 quarter with an increase in tax liability by \$3,698,903 and a corresponding decrease in the share capital.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

8. Stock Options

The Company has in effect a Stock Option Plan (the "Plan") that provides for the potential grant of options to officers, directors, employees and consultants to purchase up to 10% of the issued and outstanding common shares at the time of grant less any shares reserved for issuance for insiders under other compensation arrangements. The terms of the awards under the Plan are determined by a Board appointed committee.

The following table reflects the continuity of stock options for the years ended December 31, 2007 and 2006:

| | Number of Stock options | Weighted average exercise price |
|-----------------------------------|------------------------------------|--|
| Balance, December 31, 2005 | 560,000 | \$0.51 |
| Granted | - | |
| Exercised | - | |
| Forfeited | (100,000) | (0.51) |
| Balance, December 31, 2006 | 460,000 | \$0.51 |
| Granted (1)(2) | 1,235,000 | 1.14 |
| Exercised | (145,000) | (0.33) |
| Forfeited | (100,000) | (0.51) |
| Balance, December 31, 2007 | 1,450,000 | \$1.10 |

- (1) In January 2007, the Company granted an aggregate of 85,000 incentive stock options to an officer of the Company at an exercise price of \$0.20 per share. The options are exercisable for a period of five years. The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 75%; risk-free interest rate of 3.97% and an expected average life of 5 years. The options vest on the date of grant. The stock option expense for these options was \$10,661.
- (2) In June 2007, the Company granted an aggregate of 1,150,000 incentive stock options to officers, employees and consultants of the Company that are exercisable at a price of \$1.25 per share. The options are exercisable for a period of five years. The fair value of the options have been estimated using the Black-Scholes option pricing model. The assumptions used for the valuation of the options were: dividend yield of 0%, expected volatility of 75%, risk-free interest rate of 4.67% and an expected life of 5 years. The value assigned to the 1,150,000 options is \$1,103,955 which will be recognized over the vesting period. The options vest pursuant to terms of the Company's stock option plan and contracts between employees and officers of the Company. For the year ended December 31, 2007, the stock option expense associated with these options was \$454,141 and \$360,200 was accounted for as an increase in the carrying value of the mineral property.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

8. Stock Options - continued

The following table reflects the actual stock options issued and outstanding as of December 31, 2007:

| Expiry Date | Exercise price | Fair Value per Option (a) | Fair Value | Number of Options Outstanding | Number of Options Exercisable |
|-------------|----------------|---------------------------|--------------|-------------------------------|-------------------------------|
| March 2010 | \$0.51 | \$ 0.33 | \$ 99,653 | 300,000 | 300,000 |
| June 2012 | \$1.25 | \$ 0.91 | 1,050,960 | 1,150,000 | 517,500 |
| | | | \$ 1,150,613 | 1,450,000 | 817,500 |

(a) Fair value is based on the Black-Scholes option pricing model. The weighted average fair value per option is \$0.79.

9. Warrants

The following table reflects the continuity of warrants for the year ended December 31, 2007:

| | Number of Warrants | Weighted average exercise price | Value of Warrants |
|--|--------------------|---------------------------------|-------------------|
| Balance, January 1, 2007 | - | \$ - | \$ - |
| Issued (Note 7(b)(ii)(iii)(iv)(v)(vi)) | 9,419,102 | 3.62 | 4,693,044 |
| Exercised | (448,333) | (0.37) | (40,114) |
| Balance, December 31, 2007 | 8,970,769 | \$ 3.38 | \$ 4,652,930 |

The following table reflects the actual warrants outstanding as of December 31, 2007:

| Expiry Date | Number of warrants | Exercise price | Fair Value |
|-------------------|--------------------|----------------|--------------|
| February 1, 2008 | 600,000 | \$ 0.25 | \$ 22,184 |
| June 4, 2009 | 3,868,500 | \$ 2.00 | 1,427,089 |
| June 4, 2009 | 62,374 | \$ 1.50 | 30,156 |
| June 4, 2009 | 581,920 | \$ 1.25 | 313,864 |
| October 16, 2009 | 1,988,480 | \$ 2.00 | 1,425,740 |
| November 21, 2009 | 1,320,000 | \$ 3.88 | 1,005,840 |
| November 26, 2009 | 549,495 | \$ 3.88 | 428,057 |
| | 8,970,769 | | \$ 4,652,930 |

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

10. Segmented Information

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements for the year also represent segment amounts.

11. Loans Payable

On May 23, 2007, the Company completed \$2,631,195 of the \$3,000,000 debt financing sought in connection with the Roche Bay transaction. The non-recourse loans involved the payment of a bonus equal to 20% of the loan principal advanced to be paid in shares of the Company at the financing rate of \$1.25 per share. The loans bear interest at 10% per annum. The loan was paid in full as of December 31, 2007.

12. Bank Indebtedness and Promissory Note

- (a) The bank indebtedness was due on demand, bore interest at prime plus 1%, and was guaranteed by an officer of the Company's subsidiary, Web Sights International Inc. During the year, the officer assumed the remaining outstanding principal balance and all accrued interest.
- (b) On May 11, 2007, the Company entered into a settlement agreement with the promissory note holder whereby the holder agreed to settle the balance of their debt and any amounts owing in connection with the debt as at April 1, 2007 (the "Share Payment Cutoff Date") by way of shares of the Company at the rate of \$1.25 per share. Interest shall accrue from the Share Payment Cutoff date at the per diem rate of \$100. The shares will be subject to a 4 month hold period pursuant to the Securities Act (Ontario) and the TSX Venture Exchange regulations. The Company issued 294,763 common shares to 2053068 Ontario Ltd. (an unrelated company) to settle the outstanding debt of \$368,454.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

13. Income Taxes

a) Provision for Income Taxes

Major items causing the Company's income tax rate to differ from the Canadian statutory rate of approximately 36.12% (2006 - 36.12%) were as follows:

| | 2007 | 2006 |
|--|--------------|------------|
| Loss before provision for income taxes | \$ 2,562,825 | \$ 231,115 |
| Expected income tax recovery based on statutory rate | \$ 925,692 | \$ 83,479 |
| Adjustments resulting from: | | |
| Non-taxable or non-deductible items | (182,187) | - |
| Capital cost allowance on capital assets | 1,795 | - |
| Valuation allowance | (745,300) | (83,479) |
| Provision for income taxes | \$ - | \$ - |

b) Future Income Tax Assets (Liabilities)

The approximate tax effect of each type of temporary difference that gives rise to the Company's future income tax assets (liabilities) is as follows:

| | 2007 | 2006 |
|--|--------------|-----------|
| Mineral properties and exploration costs | \$ (323,261) | \$ - |
| Undepreciated capital costs | 3,826 | 5,983 |
| Non-capital losses | 1,116,408 | 529,547 |
| Undeducted share issue costs | 572,495 | - |
| Future income tax assets, before valuation allowance | 1,369,468 | 535,530 |
| Valuation allowance | (1,369,468) | (535,530) |
| Net future income tax assets | \$ - | \$ - |

The timing of the utilization of the future tax assets is undeterminable. Consequently, a full valuation allowance has been provided against the future value of these assets.

c) Tax Loss Carry-Forwards

At December 31, 2007, the Company has losses available to reduce future taxable income which expire as follows:

| | |
|------|--------------|
| 2008 | \$ 238,692 |
| 2009 | 313,585 |
| 2010 | 58,650 |
| 2014 | 174,207 |
| 2015 | 165,173 |
| 2026 | 157,703 |
| 2027 | 2,658,419 |
| | \$ 3,766,429 |

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

14. Related Party Transactions

During fiscal 2007, the Company paid or accrued consulting fees of \$177,083 (2006 - Nil) to companies controlled by officers and directors.

15. Assignment and Assumption Agreement

The Company entered into a Licence Agreement with Laser Diagnostic Instruments International Inc. (LDI3) on December 21, 2005, amended on December 26, 2006, to obtain worldwide rights to use laser technology developed by LDI3 in oil and gas exploration. On July 17, 2007, the Company has entered into an Assignment and Assumption Agreement (the "Agreement") with PinPoint Xploration Inc. ("PinPoint") with respect to the License Agreement. Under this Assignment and Assumption Agreement, Advanced hereby assigns to PinPoint the License Agreement and all right, title and interest of Advanced to that agreement, with PinPoint assuming all obligations of Advanced under the License Agreement and performing all obligations of Advanced. PinPoint also agrees to release, discharge and indemnify and save Advanced harmless from and against all actions, suits, costs, losses, damages and expenses in respect of all such obligations arising from the agreement.

As partial consideration for this assignment and assumption, PinPoint agrees to allot and issue to Advanced 111,111 ordinary shares in the capital of PinPoint, which shares will represent, immediately following their issue to Advanced, 10% of the issued and outstanding ordinary shares in the capital of PinPoint. A certificate representing such shares will be delivered to Advanced. Advanced will have the right to participate in any future financings to maintain its equity interest. As of December 31, 2007, Advanced has not received any shares from PinPoint.

16. Commitments

The Company is committed to spending \$11,041,500 on Canadian exploration costs as part of the flow-through funding agreements that were completed during calendar 2007. The Company has until December 31, 2008 to complete this commitment.

17. Subsequent Events

Subsequent to December 31, 2007, the following events occurred:

- (i) The Company announced that it has received from Melville Capital Corporation ("MCC") an executed agreement in furtherance of the Memorandum of Understanding ("MOU") announced on December 6, 2007, and extended on January 30th, 2008. To allow for Board of Directors and Regulatory approval, the Company and MCC have agreed on a procedure to complete the agreement and close the private placement. Pursuant to the initial MOU, MCC has also agreed to arrange an escrow account to hold the \$12,000,000 CAD private placement funds to be deposited pending the aforementioned approvals.

The \$12,000,000 financing will be completed within fifteen (15) days of receipt of the approvals and at \$4.00 per share. MCC will also facilitate and arrange a \$53,000,000 CAD debenture for the Company convertible at \$5.25 per share at maturity in five (5) years.

Notes to Consolidated Financial Statements
December 31, 2007 and 2006

17. Subsequent Events - continued

- (ii) The Company collected \$150,000 representing payment for the exercise of 600,000 warrants at a exercise price of \$0.25. The warrants have an expiry date of February 1, 2008.
The Company also collected, \$600 representing payment for the exercise of 480 warrants at a exercise price of \$1.25. The warrants have an expiry date of June 4, 2009.
- (iii) The Company issued 1,145,000 stock options at \$1.65 each to directors, consultants and management. The stock options were granted on February 24, 2008, vested immediately and expire in February 2013.