

**MANTLE RESOURCES INC.**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**SIX MONTHS ENDED DECEMBER 31, 2007 and 2006**  
**(UNAUDITED – PREPARED BY MANAGEMENT)**

# **MANTLE RESOURCES INC.**

## **NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED 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 consolidated financial statements, they must be accompanied by a notice indicating that the consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company.

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

February 25, 2008

# MANTLE RESOURCES INC.

CONSOLIDATED INTERIM BALANCE SHEETS  
AS AT DECEMBER 31, 2007 AND JUNE 30, 2007  
(UNAUDITED – PREPARED BY MANAGEMENT)

	December 31, 2007		June 30, 2007
	(unaudited)		(audited)
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 7,854,151	\$	9,148,681
Deposits held in trust	13,000		13,000
Receivables	552,138		340,794
Prepaid expenses	445		711,362
	<b>8,419,734</b>		<b>10,213,837</b>
<b>Other Assets (Note 2)</b>	<b>25,000</b>		<b>25,000</b>
<b>Equipment and leasehold improvements</b>	<b>9,921</b>		<b>8,958</b>
<b>Resource properties (Note 2)</b>	<b>39,921,887</b>		<b>30,316,332</b>
	<b>\$ 48,376,542</b>	\$	<b>40,564,127</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 600,919	\$	1,439,367
<b>Shareholders' equity</b>			
Capital stock (Note 3)	56,305,287		47,072,442
Contributed Surplus (Note 3)	5,319,234		3,601,781
Deficit	(13,848,898)		(11,549,463)
	<b>47,775,623</b>		<b>39,124,760</b>
	<b>\$ 48,376,542</b>	\$	<b>40,564,127</b>
<b>Subsequent events (Note 6)</b>			

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

# MANTLE RESOURCES INC.

CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND DEFICIT  
FOR THE SIX MONTHS ENDED DECEMBER 31, 2007 AND 2006  
(UNAUDITED – PREPARED BY MANAGEMENT)

	Three months ended December 31,		Six months ended December 31,	
	2007	2006	2007	2006
<b>ADMINISTRATION EXPENSES</b>				
Administration	\$ 15,000	\$ 7,500	\$ 30,000	\$ 15,000
Amortization	725	698	1,326	1,370
Bank charges	858	917	2,062	1,559
Consulting	16,720	77,114	16,720	110,523
Investor Relations	41,257	76,538	202,137	76,538
Management fees	37,500	22,500	75,000	45,000
Office and miscellaneous	12,399	13,497	18,342	21,925
Professional fees	54,418	68,500	43,848	70,390
Regulatory fees	12,960	4,386	13,160	4,386
Rent	15,258	4,888	29,814	9,549
Stock-based compensation	422,645	654,017	1,819,380	654,017
Transfer agent fees	8,982	8,019	12,848	10,833
Travel and promotion	40,868	20,862	63,377	39,810
Wages and benefits	96,938	6,035	158,877	16,851
<b>Loss before other items</b>	<b>(776,528)</b>	<b>(965,471)</b>	<b>(2,486,891)</b>	<b>(1,077,751)</b>
<b>OTHER ITEMS</b>				
Interest income	80,347	43,119	187,456	90,058
Gain on sale of marketable securities	–	12,168	–	12,168
Recovery of marketable securities	–	–	–	1,146
	<b>80,347</b>	<b>55,287</b>	<b>187,456</b>	<b>103,372</b>
<b>Loss for the period</b>	<b>(696,181)</b>	<b>(910,184)</b>	<b>(2,299,435)</b>	<b>(974,379)</b>
<b>Deficit, beginning of period</b>	<b>(13,152,717)</b>	<b>(10,194,082)</b>	<b>(11,549,463)</b>	<b>(10,129,887)</b>
<b>Deficit, end of period</b>	<b>\$(13,848,898)</b>	<b>\$(11,104,266)</b>	<b>\$(13,848,898)</b>	<b>\$(11,104,266)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>	<b>\$ (0.03)</b>
<b>Weighted average number of shares outstanding</b>	<b>68,206,129</b>	<b>34,214,465</b>	<b>66,801,313</b>	<b>31,106,079</b>

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

# MANTLE RESOURCES INC.

## CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED DECEMBER 31, 2007 AND 2006 (UNAUDITED – PREPARED BY MANAGEMENT)

	Three months ended December 31,		Six months ended December 31,	
	2007	2006	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (696,181)	\$ (910,184)	\$ (2,299,435)	\$ (974,378)
Items not affecting cash:				
Amortization	725	698	1,326	1,370
Gain on sale of marketable securities	–	(12,168)	–	(12,168)
Stock-based compensation	422,645	654,017	1,819,380	654,017
Recovery of marketable securities	–	–	–	(1,146)
Changes in non-cash working capital items:				
(Increase) decrease in receivables	152,556	29,170	(211,344)	81,391
Decrease in prepaid expenses	414	–	2,870	–
Decrease in accounts payable and accrued liabilities	(1,962,239)	(279,837)	(838,448)	(218,243)
Cash used in operating activities	(2,082,080)	(518,304)	(1,525,651)	(469,157)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds on sale of marketable securities	–	79,280	–	79,280
Purchase of marketable securities	–	(94,325)	–	(135,640)
Purchase of equipment	(2,289)	(812)	(2,289)	(812)
Resource property costs	(3,211,452)	(953,721)	(8,815,790)	(2,345,058)
Cash used in investing activities	(3,213,741)	(969,578)	(8,818,079)	(2,402,230)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Issuance of capital stock, net of issuance costs	3,427,445	3,233,230	9,049,200	4,404,424
Cash provided by financing activities	3,427,445	3,233,230	9,049,200	4,404,424
<b>Change in cash and cash equivalents during the period</b>	<b>(1,868,376)</b>	<b>1,745,348</b>	<b>(1,294,530)</b>	<b>1,533,037</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>9,722,527</b>	<b>4,708,226</b>	<b>9,148,681</b>	<b>4,920,537</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 7,854,151</b>	<b>\$ 6,453,574</b>	<b>\$ 7,854,151</b>	<b>\$ 6,453,574</b>
<b>Cash and cash equivalents</b>				
Cash	\$ 1,314,151	\$ 228,574	\$ 1,314,151	\$ 228,574
Guaranteed Investment Certificate	\$ 6,540,000	\$ 6,225,000	\$ 6,540,000	\$ 6,225,000

Supplemental disclosure with respect to cash flows (Note 4)

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

# MANTLE RESOURCES INC.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2007

(Unaudited – Prepared by Management)

### 1. BASIS OF PRESENTATION

These consolidated interim financial statements have been prepared using Canadian generally accepted accounting principles (Canadian GAAP). The consolidated interim financial statements include normal recurring adjustments, which in management's opinion, are necessary for a fair presentation of the financial results of the interim period presented.

The disclosures in these statements do not conform in all aspects to the requirements of Canadian GAAP for annual financial statements. These statements follow the same accounting policies and methods of their application as the most recent annual financial statements. These statements should be read in conjunction with the Company's June 30, 2007 consolidated financial statements and notes thereto.

### 2. RESOURCE PROPERTIES

#### Summary of expenditure incurred on various properties during the period ended December 31, 2007:

	<b>Akie Property</b>	<b>DA</b>	<b>Kechika Regional</b>	<b>Mt Alcock</b>	<b>West Range</b>	<b>Total</b>
<b>Acquisition Costs:</b>						
Balance June 30, 2007	\$ 23,881,336	\$ 70,930	\$ 163,661	\$ 136,778	\$ 10,000	\$ 24,262,705
Additions	336,180	–	8,214	55,686	–	400,080
Balance December 31, 2007	24,217,516	70,930	171,875	192,464	10,000	24,662,785
<b>Deferred Exploration Costs:</b>						
Balance June 30, 2007	6,050,418	–	672	2,537	–	6,053,627
Additions:						
Geological Consulting	226,001	8,242	–	–	–	234,243
Drilling	8,591,281	–	–	–	–	8,591,281
Environmental studies	379,951	–	–	–	–	379,951
Balance December 31, 2007	15,247,651	8,242	672	2,537	–	15,259,102
<b>December 31, 2007</b>	<b>\$ 39,465,167</b>	<b>\$ 79,172</b>	<b>\$ 172,547</b>	<b>\$ 195,001</b>	<b>\$ 10,000</b>	<b>\$ 39,921,887</b>

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

#### DA Property, Northwest Territories

The Company holds an 8.2% interest, subject to a 5% gross overriding royalty ("GOR") on diamonds, a 5% net smelter returns ("NSR") royalty on other minerals, and a 10% net profits interest ("NPI"), in certain mineral claims located in the Northwest Territories. Pursuant to an amended and restated Mineral Property Option Agreement, dated August 30, 1998, the Company has the option to reduce the GOR and NSR interests to 2.25% and 2%, respectively, and eliminate entirely the NPI by completing certain share issuances and cash payments to the original property owner within 90 days of a production decision.

#### Akie Property, British Columbia

## **MANTLE RESOURCES INC.**

### NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2007

(Unaudited – Prepared by Management)

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#### **2. RESOURCE PROPERTIES (cont'd...)**

The Company owns a 100% interest in the Akie property, which resulted from Company expenditures and the acquisition of Ecstall Mining Corporation.

##### **Mt Alcock Property, British Columbia**

The Company owns a 100% interest subject to a 1.0 % NSR, in the Mt Alcock property. The Company paid \$75,000 and issued 100,000 shares on October 20, 2006 and issued 100,000 shares on July 6, 2007.

##### **West Range Property, British Columbia**

The Company owns a 100% interest in the West Range property which was earned by making a \$10,000 payment.

##### **Kechika Regional, British Columbia**

On March 28, 2007, the Company entered into an agreement pursuant to which the Company will have an option to earn an initial 60% interest in Megastar Development Corp. ("Megastar") SEDEX zinc properties located in Northeastern British Columbia. The Company will be the operator and can earn a 60% interest in Megastar's properties as follows:

- (i) Payment to Megastar of \$50,000 and the issuance of 50,000 shares of the Company upon signing a definitive agreement (paid and issued);
- (ii) The issuance of 50,000 shares of the Company nine months from signing a definitive agreement;
- (iii) Payment to Megastar of \$100,000 and the issuance of 25,000 shares of the Company on or before the first anniversary of the signing of the definitive agreement; and
- (iv) Spending \$2.25 million in exploration and development over a three-year period.

Upon earning a 60% interest, the Company can increase its interest to 80% by spending an additional \$1 million on the properties. The Company can then earn a further 10% (cumulative 90%) by completing a preliminary feasibility study.

During the year ended June 30, 2007, the Company acquired the following properties pursuant to the acquisition of Ecstall Mining Corporation.

- Kechika South Properties, Omineca Mining Division. The Company owns a 100% interest in two properties,
- Kechika North Properties, Liard Mining Division. The Company owns 100% interest in three properties of which, certain claims are subject to a 0.5% net smelter royalty.

On May 8, 2007, the Company entered into an agreement with Dwayne Edward Kress pursuant to which the Company has acquired a 100 % interest in 24 mineral claims located in the Kechika mining division of British Columbia. As consideration for the claims, the Company paid \$5,000 in cash and issued 20,000 common shares of the Company.

On May 28, 2007, the Company entered into an agreement with 747080 B.C. Ltd and David Heyman pursuant to which the Company has acquired a 100 % interest in eight mineral claims located in the Kechika mining division of British Columbia. As consideration for the claims, the Company paid \$20,000 in cash.

**MANTLE RESOURCES INC.**

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2007

(Unaudited – Prepared by Management)

**3. CAPITAL STOCK****(a) Authorized and issued**

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
Issued			
As at June 30, 2007	62,302,103	\$ 47,072,442	\$ 3,601,781
Acquisition of property (i)	100,000	55,000	–
Ecstall take-over bid (iii)	24,291	26,718	–
Exercise of warrants	118,974	108,378	–
Exercise of options	197,500	203,302	(101,927)
Private placements (ii), (iv)	6,220,000	9,321,000	–
Share issuance costs (ii), (iv)	–	(481,553)	–
Stock based compensation	–	–	1,819,380
As at December 31, 2007	68,962,868	\$ 56,305,287	\$ 5,319,234

During the period ended December 31, 2007:

- (i) 100,000 shares were issued at a value of \$0.55 per share towards the acquisition of the Mt Alcock Property.
- (ii) the Company completed a non-brokered private placement on August 13, 2007 of 3,500,000 flow-through shares at a price of \$1.50 per share and 550,000 non flow-through shares at a price of \$1.25 per share for total gross proceeds of \$5,937,500.

An aggregate of \$252,350 was paid as finders' fees and another \$49,160 was paid in legal and regulatory costs on this private placement.

- (iii) the Company issued another 24,291 shares as part of Ecstall take-over. A total of \$14,234 was incurred as costs associated with the take-over bid.
- (iv) the Company completed a non-brokered private placement on December 4, 2007 of 1,875,000 flow-through shares at a price of \$1.60 per share and 295,000 non flow-through shares at a price of \$1.30 per share for total gross proceeds of \$3,383,500.

An aggregate of \$145,000 was paid as finders' fees and another \$20,809 was paid in legal and regulatory costs on this private placement.

- (v) an aggregate of 118,974 warrants were exercised at a price ranging from \$0.85 per share to \$1.00 per share and a total of 118,974 common shares were issued for total proceeds of \$108,378.
- (vi) an aggregate of 197,500 stock options were exercised at a price ranging from \$0.20 per share to \$0.81 per share and a total of 197,500 common shares were issued for total proceeds of \$101,375. In addition, a reallocation of \$101,927 from contributed surplus to share capital was recorded on the exercise of these options.



**MANTLE RESOURCES INC.**

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2007

(Unaudited – Prepared by Management)

**3. CAPITAL STOCK (cont'd...)****(b) Stock options**

The Company has adopted a 20% fixed stock option plan whereby the Company has reserved 13,522,821 common shares under the plan. The term of any options granted under the plan is fixed by the Board of Directors and may not exceed ten years from date of grant.

The number of options granted to a consultant in a 12 month period must not exceed 2% of the issued shares of the Issuer from the date of grant. Options issued to consultants performing investor relations activities must vest in stages over 12 months with no more than 1/4 of the options vesting in any three month period.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance June 30, 2007	4,037,500	\$ 0.86
Cancelled	(250,000)	1.15
Exercised	(197,500)	0.51
Granted	3,145,000	1.16
Balance December 31, 2007	6,735,000	\$ 1.00

Stock options outstanding and exercisable at December 31, 2007 are summarized as follows:

Number of Shares	Exercise Price	Expiry Date	Exercisable
585,000	\$0.20	July 4, 2010	585,000
100,000	\$0.30	August 25, 2010	100,000
100,000	\$0.64	October 13, 2010	100,000
697,500	\$0.81	January 9, 2011	697,500
300,000	\$1.35	February 24, 2011	300,000
600,000	\$0.70	November 14, 2016	600,000
302,500	\$0.70	November 14, 2011	302,500
100,000	\$1.00	December 28, 2008	100,000
1,005,000	\$1.40	April 10, 2012	997,242
50,000	\$1.21	May 18, 2012	43,055
250,000	\$1.15	July 3, 2010	250,000
400,000	\$1.26	July 9, 2010	390,217
525,000	\$1.26	July 9, 2012	525,000
400,000	\$1.00	September 17, 2012	148,835
400,000	\$1.05	September 17, 2012	148,835
200,000	\$1.15	September 17, 2012	74,417
200,000	\$1.15	September 17, 2012	11,507
400,000	\$1.20	September 17, 2012	23,014
120,000	\$1.30	November 28, 2012	22,518
6,735,000			5,419,640

**MANTLE RESOURCES INC.**

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2007

(Unaudited – Prepared by Management)

**3. CAPITAL STOCK (cont'd...)****(b) Stock options (cont'd...)**

During the period ended December 31, 2007, under the fair value based method \$1,819,380 (2006 – \$654,017) in stock-based compensation expense was recorded in the statements of operations and deficit for stock options granted to directors, officers, employees and consultants of the Company.

The fair value of share options used to calculate compensation expense has been estimated using the Black-Scholes option pricing model with the following assumptions:

December 31,	2007	2006
Risk free interest rate	4.54%	3.93%
Expected dividend yield	0%	0%
Stock price volatility	144%	173%
Expected life of options	4.42 years	8 years

The weighted average fair value of options granted during the period ended December 31, 2007 is \$1.02 (2006 – \$0.69) per share.

**(c) Warrants**

As at December 31, 2007, the Company had outstanding share purchase warrants and agents' warrants, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
3,685,000	\$0.78	December 4, 2008
1,750,000	\$1.75	April 10, 2009
92,250	\$0.73	January 30, 2008

Warrant transactions and the number of warrants outstanding are as follows:

	Number of Shares	Weighted Average Exercise Price
Balance June 30, 2007	7,091,224	\$ 1.06
Exercised	(118,794)	0.91
Expired	(1,445,180)	0.96
Number of warrants currently exercisable	5,527,250	\$ 1.06

# MANTLE RESOURCES INC.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

DECEMBER 31, 2007

(Unaudited – Prepared by Management)

### 4. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

December 31,		2007	2006
Cash paid during the period for interest	\$	–	\$ –
Cash paid during the period for income tax	\$	–	\$ –

Significant non-cash transactions for the period ended December 31, 2007 included:

- (a) a reclassification of \$101,927 (2006 - \$5,950) in stock based compensation expense to share capital as a result of stock options exercised.
- (b) 100,000 common shares issued at a value of \$55,000 in consideration for the acquisition of resource properties.
- (c) 24,291 (0.41 of the Company's share for each Ecstall share tendered) common shares issued at a deemed value of \$1.10 pursuant to its take-over bid with Ecstall.

### 5. TRANSACTIONS WITH RELATED PARTIES

During the period ended December 31, 2007:

- (a) the Company paid or accrued \$75,000 (2006 – \$37,500) for management fees and \$30,000 (2006 – \$15,000) for administrative fees to a company controlled by a director and an officer of the Company.
- (b) the Company paid or accrued \$58,356 (2006 - \$13,970) for consulting and geological services fees, included in resource properties, to a company controlled by a director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

### 6. SUBSEQUENT EVENTS

Subsequent to the period ended December 31, 2007,

- (a) the Company cancelled and returned 919,220 common shares to the treasury of the Company. These common shares had been acquired by the Company as a result of its share exchange take over bid for common shares of Ecstall Mining Corporation.
- (b) a total of 92,250 warrants were exercised for gross proceeds of \$67,413.
- (c) 50,000 common shares were issued to Megastar at a value of \$53,000 pursuant to a definitive agreement (Note 2).
- (d) the Company granted to its officers, directors, employees and consultants an aggregate of 1,167,500 stock options, exercisable for a period of ten years, at a price of \$1.05 per share.