

**MANTLE RESOURCES INC.**

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**THREE MONTHS ENDED SEPTEMBER 30, 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.

November 29, 2007

# MANTLE RESOURCES INC.

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

	September 30, 2007	June 30, 2007
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 9,722,527	\$ 9,148,681
Deposits held in trust	13,000	13,000
Receivables	704,694	340,794
Prepaid expenses	859	711,362
	<b>10,441,080</b>	10,213,837
<b>Other Assets (Note 2)</b>	<b>25,000</b>	25,000
<b>Equipment and leasehold improvements</b>	<b>8,357</b>	8,958
<b>Resource properties (Note 2)</b>	<b>36,710,436</b>	30,316,332
	<b>\$ 47,184,873</b>	<b>\$ 40,564,127</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 2,563,158	\$ 1,439,367
<b>Shareholders' equity</b>		
Capital stock (Note 3)	52,775,916	47,072,442
Contributed Surplus (Note 3)	4,998,516	3,601,781
Deficit	(13,152,717)	(11,549,463)
	<b>44,621,715</b>	39,124,760
	<b>\$ 47,184,873</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 THREE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006  
(UNAUDITED – PREPARED BY MANAGEMENT)

	2007	2006
<b>ADMINISTRATION EXPENSES</b>		
Administration	\$ 15,000	\$ 7,500
Amortization	601	672
Consulting	–	33,409
Interest and bank charges	1,204	311
Investor relations	160,880	–
Management fees	37,500	22,500
Office and miscellaneous	5,943	8,759
Professional fees (recovery)	(10,570)	1,890
Regulatory fees	200	–
Rent	14,556	4,661
Stock-based compensation	1,396,735	–
Transfer agent fees	3,866	2,814
Travel and promotion	22,509	18,948
Wages and benefits	61,939	10,816
<b>Loss before other items</b>	<b>(1,710,363)</b>	<b>(112,280)</b>
<b>OTHER ITEMS</b>		
Interest income	107,109	46,939
Recovery of marketable securities	–	1,146
	<b>107,109</b>	<b>48,085</b>
<b>Loss for the period</b>	<b>(1,603,254)</b>	<b>(64,195)</b>
<b>Deficit, beginning of period</b>	<b>(11,549,463)</b>	<b>(10,129,887)</b>
<b>Deficit, end of period</b>	<b>\$ (13,152,717)</b>	<b>\$ (10,194,082)</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.02)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of shares outstanding</b>	<b>65,396,498</b>	<b>29,877,326</b>

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

# MANTLE RESOURCES INC.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006  
(UNAUDITED – PREPARED BY MANAGEMENT)

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (1,603,254)	\$ (64,195)
Items not affecting cash:		
Amortization	601	672
Stock-based compensation	1,396,735	–
Recovery of marketable securities	–	(1,146)
Changes in non-cash working capital items:		
(Increase) decrease in receivables	(363,900)	52,221
Decrease in prepaid expenses	2,456	–
Increase (decrease) in accounts payable and accrued liabilities	1,123,791	(3,060)
Cash used in operating activities	556,429	(15,508)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of marketable securities	–	(41,315)
Resource property costs	(5,604,338)	(1,326,681)
Cash used in investing activities	(5,604,338)	(1,367,996)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of capital stock, net of issuance costs	5,621,755	1,171,193
Cash provided by financing activities	5,621,755	1,171,193
<b>Increase (decrease) in cash and cash equivalents during the period</b>	<b>573,846</b>	<b>(212,311)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>9,148,681</b>	<b>4,920,537</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 9,722,527</b>	<b>\$ 4,708,226</b>
<b>Cash and cash equivalents</b>		
Cash	\$ 3,527	\$ 2,133,226
Guaranteed Investment Certificate	\$ 9,719,000	\$ 2,575,000

Supplemental disclosure with respect to cash flows (Note 4)

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

# MANTLE RESOURCES INC.

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 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 September 30, 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	98,337	–	8,214	55,686	–	162,237
Balance September 30, 2007	23,979,673	70,930	171,875	192,464	10,000	24,424,942
<b>Deferred Exploration Costs:</b>						
Balance June 30, 2007	6,050,418	–	672	2,537	–	6,053,627
Additions:						
Geological Consulting	63,945	–	–	–	–	63,945
Drilling	5,971,213	–	–	–	–	5,971,213
Environmental studies	196,709	–	–	–	–	196,709
Balance September 30, 2007	12,282,285	–	672	2,537	–	12,285,494
<b>September 30, 2007</b>	<b>\$ 36,261,958</b>	<b>\$ 70,930</b>	<b>\$ 172,547</b>	<b>\$ 195,001</b>	<b>\$ 10,000</b>	<b>\$ 36,710,436</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.

## **MANTLE RESOURCES INC.**

NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

(Unaudited – Prepared by Management)

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

#### **Akie Property, British Columbia**

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 10% 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.

**MANTLE RESOURCES INC.**

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 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	–
Private placements (ii)	4,050,000	5,937,500	–
Share issuance costs	–	(315,744)	–
Stock based compensation	–	–	1,396,735
As at September 30, 2007	67,395,614	\$ 52,775,916	\$ 4,998,516

During the period ended September 30, 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 of 3,500,000 flow-through shares at a price of \$1.50 per share and 550,000 non flow-through shares 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.

**(b) Stock options**

The Company maintains a 10% rolling stock option plan whereby the number of shares allotted and reserved for future issuances under the plan will be equal to 10% of the issued and outstanding shares of the Company on a "rolling" basis. 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
Granted	3,075,000	1.16
Balance September 30, 2007	7,112,500	\$ 0.99



**MANTLE RESOURCES INC.**

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

(Unaudited – Prepared by Management)

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

Stock options outstanding and exercisable at September 30, 2007 are summarized as follows:

Number of Shares	Exercise Price	Expiry Date	Exercisable
672,500	\$0.20	July 4, 2010	672,500
100,000	\$0.30	August 25, 2010	100,000
100,000	\$0.64	October 13, 2010	100,000
760,000	\$0.81	January 9, 2011	760,000
300,000	\$1.35	February 24, 2011	300,000
600,000	\$0.70	November 14, 2016	600,000
350,000	\$0.70	November 14, 2011	350,000
100,000	\$1.00	December 28, 2008	93,921
1,005,000	\$1.40	April 10, 2012	981,210
50,000	\$1.21	May 18, 2012	32,409
200,000	\$1.15	July 3, 2010	100,895
100,000	\$1.15	July 3, 2010	50,000
250,000	\$1.15	July 3, 2010	250,000
400,000	\$1.26	July 9, 2010	290,217
525,000	\$1.26	July 9, 2012	525,000
400,000	\$1.00	September 17, 2012	19,380
400,000	\$1.05	September 17, 2012	19,380
200,000	\$1.15	September 17, 2012	9,690
200,000	\$1.15	September 17, 2012	1,425
400,000	\$1.20	September 17, 2012	2,849
<b>7,112,500</b>			<b>5,258,876</b>

During the period ended September 30, 2007, under the fair value based method \$1,396,735 (2006 – \$nil) 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:

	2007	2006
Risk free interest rate	4.63%	–
Expected dividend yield	0%	–
Stock price volatility	145%	–
Expected life of options	4.31 years	–

The weighted average fair value of options granted during the period ended September 30, 2007 is \$1.05 (2006 – \$nil) per share.

**MANTLE RESOURCES INC.**

## NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

(Unaudited – Prepared by Management)

**3. CAPITAL STOCK (cont'd...)****(c) Warrants**

As at September 30, 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
885,000	\$1.00	December 23, 2007
650,000	\$0.90	December 23, 2007
28,974	\$0.85	December 23, 2007
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 and September 30, 2007	7,091,224	\$ 1.06
Number of warrants currently exercisable	7,091,224	\$ 1.06

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

September 30,	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 September 30, 2007 included:

- (a) Upon the exercise of stock options, \$nil (2006 - \$5,950) was allocated to contributed surplus.
- (b) 100,000 common shares issued at a value of \$55,000 in consideration for the acquisition of resource properties
- (c) Included in accounts payable is \$2,356,050 (2006 - \$413,417) in resource property expenditures.
- (d) 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

## **MANTLE RESOURCES INC.**

### **NOTES TO CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

SEPTEMBER 30, 2007

(Unaudited – Prepared by Management)

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#### **5. TRANSACTIONS WITH RELATED PARTIES**

During the period ended September 30, 2007:

- (a) the Company paid or accrued \$37,500 (2006 – \$22,500) for management fees and \$15,000 (2006 – \$7,500) for administrative fees to a company controlled by a director and an officer of the Company.
- (b) the Company paid or accrued \$28,804 (2006 - \$6,870) 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 September 30, 2007,

- (a) the Company announced a private placement for 1,875,000 flow through shares at a price of \$1.60 per share for gross proceeds of up to \$3,000,000. A finder's fee of 5% will be paid on a portion of the private placement.

The Company also announced an additional private placement with Lundin Mining Corp. of up to 295,000 shares at a price of \$1.30 per share for gross proceeds of up to \$383,500.

The private placements above are subject to TSX Venture Exchange approval.

- (b) a total of 20,994 warrants were exercised for gross proceeds of \$18,470.
- (c) a total of 197,500 options were exercised for gross proceeds of \$101,375.