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**U.S. SILVER CORPORATION**  
**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2008**

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**U.S. SILVER CORPORATION**  
**(Expressed in United States Dollars)**

**MARCH 31, 2008**

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**U.S. SILVER CORPORATION.**  
**CONSOLIDATED BALANCE SHEETS**  
**(All Amounts are in United States Dollars)**

**As at  
2007**

**March 31, 2008      December 31,**

**ASSETS**

**CURRENT**

|  |                |                |
|--|----------------|----------------|
| Cash and cash equivalents  | \$ 19,080,135  | \$ 28,540,280  |
| Receivables  | 2,877,105      | 1,551,909      |
| Investments, at fair value (cost \$3,466,706, 2007 - \$1,707,380) (Note 4) | 5,977,775      | 3,598,520      |
| Inventory  | 2,804,363      | 2,340,132      |
| Supplies   | 1,630,883      | 1,594,731      |
| Prepaid expenses and other assets  | <u>425,231</u> | <u>430,509</u> |
|  | 32,795,492     | 38,056,081     |

|  |                      |                      |
|--|----------------------|----------------------|
| PROPERTY, PLANT AND EQUIPMENT (Note 6) | 4,646,934            | 3,396,323            |
| MINING ASSETS (Note 7)                 | 27,466,384           | 23,616,962           |
| FUTURE TAX ASSET                       | 2,112,529            | 2,499,437            |
| RESTRICTED CASH                        | <u>115,000</u>       | <u>115,000</u>       |
|  | <u>\$ 67,136,339</u> | <u>\$ 67,683,803</u> |

**LIABILITIES**

**CURRENT**

|  |                     |                     |
|--|---------------------|---------------------|
| Accounts payable and accrued liabilities | \$ <u>4,061,974</u> | \$ <u>3,404,954</u> |
|  | 4,061,974           | 3,404,954           |
| LONG TERM RETIREMENT BENEFITS            | 3,524,315           | 4,004,417           |
| MINE RECLAMATION OBLIGATION (Note 8)     | 1,172,332           | 1,140,983           |
| FUTURE TAX LIABILITY                     | <u>2,614,648</u>    | <u>2,614,648</u>    |
|  | <u>11,373,269</u>   | <u>11,165,002</u>   |

COMMITMENTS AND CONTINGENCIES (Note 12)

**SHAREHOLDERS' EQUITY**

|   |                      |                      |
|---|----------------------|----------------------|
| CAPITAL STOCK   |                      |                      |
| Issued and Outstanding 211,640,827 (2007 - 211,510,827) | <u>59,837,043</u>    | <u>59,779,197</u>    |
| CONTRIBUTED SURPLUS                                     | <u>5,009,125</u>     | <u>4,833,346</u>     |
| ACCUMULATED OTHER COMPREHENSIVE INCOME                  | 3,024,895            | 4,667,281            |
| DEFICIT   | <u>(12,107,993)</u>  | <u>(12,761,023)</u>  |
|   | <u>(9,083,098)</u>   | <u>(8,093,742)</u>   |
|   | <u>55,763,070</u>    | <u>56,518,801</u>    |
|   | <u>\$ 67,136,339</u> | <u>\$ 67,683,803</u> |

**U.S. SILVER CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(All Amounts are in United States Dollars)

| For the<br>March 31,  | Three Months Ended  |                     |
|---|---------------------|---------------------|
|   | 2008                | 2007                |
| REVENUES  | \$ 7,336,136        | \$ 4,181,422        |
| EXPENSES  |                     |                     |
| Cost of mining  | 6,124,424           | 4,624,574           |
| General and administrative                                      | 768,398             | 557,181             |
| Exploration costs   | 468,336             | 234,429             |
| Selling and marketing   | <u>12,997</u>       | <u>48,672</u>       |
|   | <u>7,374,153</u>    | <u>5,464,856</u>    |
| LOSS BEFORE UNDERNOTED  | (38,017)            | (1,283,434)         |
| DEPRECIATION  | (3,938)             | (1,324)             |
| INTEREST INCOME   | 285,304             | 40,941              |
| FINANCING EXPENSE   | ---                 | (443)               |
| FOREIGN EXCHANGE  | <u>796,589</u>      | <u>18,574</u>       |
| INCOME (LOSS) PRIOR TO TAX PROVISION                            | 1,039,938           | (1,225,686)         |
| PROVISION FOR TAXES   | <u>386,908</u>      | <u>---</u>          |
| NET INCOME (LOSS)   | 653,030             | (1,225,686)         |
| OTHER COMPREHENSIVE INCOME                                      |                     |                     |
| Unrealized losses on derivatives designated as cash flow hedges | (1,670,810)         | ---                 |
| Unrealized gains on available for sale financial assets         | 1,560,599           | 247,671             |
| Effect of foreign exchange                                      | <u>(1,532,175)</u>  | <u>244,082</u>      |
| COMPREHENSIVE LOSS  | <u>\$ (989,356)</u> | <u>\$ (733,933)</u> |
| NET INCOME (LOSS) PER COMMON SHARE                              |                     |                     |
| Basic   | <u>\$ 0.00</u>      | <u>\$ (0.01)</u>    |
| Diluted   | <u>\$ 0.00</u>      | <u>\$ (0.01)</u>    |
| AVERAGE NUMBER OF COMMON SHARES OUTSTANDING                     |                     |                     |
| Basic   | <u>211,589,994</u>  | <u>141,895,146</u>  |
| Diluted   | <u>255,164,995</u>  | <u>141,895,146</u>  |

**U.S. SILVER CORPORATION**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(All Amounts are in United States Dollars)**

| <b>For the<br/>March 31,</b>   | <b>Three Months Ended</b> |                     |
|--|---------------------------|---------------------|
|  | <b>2008</b>               | <b>2007</b>         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                  |                           |                     |
| Income (loss) for the period   | \$ 653,030                | \$ (1,225,686)      |
| Items not affecting cash   |                           |                     |
| Depreciation and depletion   | 667,502                   | 439,466             |
| Asset retirement obligation - accretion                                      | 31,349                    | 126,319             |
| Non-cash compensation  | <u>182,456</u>            | <u>---</u>          |
|  | 1,534,337                 | (659,901)           |
| Net change in non-cash operating items                                       |                           |                     |
| Change in receivables  | (1,325,196)               | (1,709,959)         |
| Change in inventory  | (464,231)                 | (11,476)            |
| Change in supplies   | (36,152)                  | (61,911)            |
| Change in prepaid and other assets   | 5,278                     | (246,063)           |
| Accounts payable and accrued liabilities                                     | <u>657,020</u>            | <u>103,337</u>      |
| <b>CASH FLOWS PROVIDED BY (USED FOR)<br/>OPERATING ACTIVITIES</b>            | <u>371,056</u>            | <u>(2,585,973)</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                  |                           |                     |
| Long term - retirement obligation  | (480,102)                 | (150,773)           |
| Issuance of capital stock and exercise of options and warrants, net of costs | <u>51,169</u>             | <u>491,753</u>      |
| <b>CASH FLOWS PROVIDED BY (USED FOR)<br/>FINANCING ACTIVITIES</b>            | <u>(428,933)</u>          | <u>340,980</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                  |                           |                     |
| Investment in property, plant and equipment                                  | (1,504,539)               | (35,881)            |
| Investment in mining assets  | (4,262,996)               | (713,884)           |
| Investment in marketable securities  | <u>(2,489,466)</u>        | <u>(326,262)</u>    |
| <b>CASH FLOWS USED IN<br/>INVESTING ACTIVITIES</b>                           | <u>(8,257,001)</u>        | <u>(1,076,027)</u>  |
| <b>DECREASE IN CASH AND<br/>CASH EQUIVALENTS FOR THE PERIOD</b>              | (8,314,878)               | (3,321,020)         |
| <b>EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>                  | (1,145,267)               | ---                 |
| <b>CASH AND CASH EQUIVALENTS</b>   |                           |                     |
| Beginning of period  | <u>28,540,280</u>         | <u>5,474,991</u>    |
| End of period (Note 3)   | <u>\$ 19,080,135</u>      | <u>\$ 2,153,971</u> |

**U.S. SILVER CORPORATION.**  
**STATEMENT OF SHAREHOLDERS' EQUITY**  
**(All Amounts are in United States Dollars)**

|   | Quantity<br>of Common<br>Share | Amount<br>of Common<br>Shares | Contributed<br>Surplus | Accumulated<br>Other<br>Comprehensive<br>Income | Deficit                | Total<br>Shareholders'<br>Equity |
|---|--------------------------------|-------------------------------|------------------------|---|------------------------|----------------------------------|
| Balance, January 1, 2007  | 141,895,205                    | \$ 18,820,266                 | \$ 7,274,156           | \$ 414,323                                      | \$ (6,319,818)         | \$ 20,188,927                    |
| Issuance of shares for cash   | 24,470,000                     | 22,260,993                    | 2,553,484              |   |                        | 24,814,477                       |
| Issuance of shares upon the acquisition of mineral assets                 | 50,000                         | 64,030                        |                        |   |                        | 64,030                           |
| Vesting of previously granted stock options                               |                                |                               | 1,369,140              |   |                        | 1,369,140                        |
| Issuance of shares upon the exercise of options                           | 1,897,525                      | 628,497                       | (63,360)               |   |                        | 565,137                          |
| Issuance of shares upon the exercise of warrants                          | 42,898,097                     | 20,594,964                    | (6,669,010)            |   |                        | 13,925,954                       |
| Issuance of shares upon the exercise of broker warrants                   | 300,000                        | 64,869                        | (3,705)                |   |                        | 61,164                           |
| Issuance costs  |                                | (2,281,781)                   |                        |   |                        | (2,281,781)                      |
| Unrealized gains and losses on derivatives designated as cash flow hedges |                                |                               |                        | 2,429,636                                       |                        | 2,429,636                        |
| Unrealized gains and losses on available for sale financial assets        |                                |                               |                        | (220,863)                                       |                        | (220,863)                        |
| Effect of foreign exchange  |                                |                               |                        | 2,044,185                                       |                        | 2,044,185                        |
| Net loss for the period   |                                |                               |                        |   | (6,441,205)            | (6,441,205)                      |
| Balance, December 31, 2007  | <u>211,510,827</u>             | <u>\$ 59,779,197</u>          | <u>\$ 4,833,346</u>    | <u>\$ 4,667,281</u>                             | <u>\$ (12,761,023)</u> | <u>\$ 56,518,801</u>             |
| Balance, January 1, 2008  | 211,510,827                    | \$ 59,779,197                 | \$ 4,833,346           | \$ 4,667,281                                    | \$ (12,761,023)        | \$ 56,518,801                    |
| Issuance of shares for cash upon the exercise of options                  | 130,000                        | 57,846                        | (6,677)                |   |                        | 51,169                           |
| Vesting of previously granted stock options                               |                                |                               | 182,456                |   |                        | 182,456                          |
| Unrealized gains and losses on derivatives designated as cash flow hedges |                                |                               |                        | (1,670,810)                                     |                        | (1,670,810)                      |
| Unrealized gains and losses on available for sale financial assets        |                                |                               |                        | 1,560,599                                       |                        | 1,560,599                        |
| Effect of foreign exchange  |                                |                               |                        | (1,532,175)                                     |                        | (1,532,175)                      |
| Net income for the period   |                                |                               |                        |   | 653,030                | 653,030                          |
| Balance, March 31, 2008   | <u>211,640,827</u>             | <u>\$ 59,837,043</u>          | <u>\$ 5,009,125</u>    | <u>\$ 3,024,895</u>                             | <u>\$ (12,107,993)</u> | <u>\$ 55,763,070</u>             |

**U.S. SILVER CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2008**  
**(All Amounts are in United States Dollars)**

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## **1. Organization and Basis of Presentation**

### *Description of the Business*

U.S. Silver Corporation (formerly Chrysalis Capital III Corporation) (the "Company") is incorporated under the Canada Business Corporations Act and is engaged in the exploration and production of mining properties.

### *Basis of Consolidation*

Effective December 28, 2006, the Company completed a transaction with U.S. Silver Corporation ("US Silver") of Delaware, USA, which subsequently changed its name to United States Silver, Inc. This transaction was accounted for as a reverse takeover as the control of the Company was acquired by the former shareholders of US Silver. After this transaction, the Company's name was changed to U.S. Silver Corporation from Chrysalis Capital III Corporation on February 28, 2007. Therefore, these consolidated financial statements include the accounts of the Company and its subsidiaries for the period from April 7, 2006, date of incorporation of US Silver. Although legally, U.S. Silver Corporation (formerly Chrysalis Capital III Corporation) is regarded as the parent or continuing company, US Silver, whose shareholders now hold more than 50% of the voting shares of the Company, is treated as the acquirer under Canadian generally accepted accounting principles. Consequently, U.S. Silver Corporation (formerly Chrysalis Capital III Corporation) is deemed a continuation of US Silver and control of the assets and business of U.S. Silver Corporation (formerly Chrysalis Capital III Corporation) is deemed to have been acquired in consideration for the issuance of the shares.

All significant inter-company accounts and transactions have been eliminated on consolidation.

### *Currency Presentation*

All amounts in these financial statements are in United States dollars unless indicated with a "CA" to represent a Canadian dollar denominated amount.

## **2. Summary of Significant Accounting Policies**

Management of the Company has prepared these interim financial statements in accordance with generally accepted accounting principles in Canada. These interim financial statements, which have not been reviewed or audited and should be read in conjunction with the audited financial statements for the period ended December 31, 2007. The methods and policies set forth in the audited financial statements are followed in these interim financial statements. **There have been no changes to the Company's accounting policies since December 31, 2007.**

In the opinion of management, all adjustments considered necessary for fair presentation have been included in these interim financial statements, however, operating results for the period presented are not indicative of the results that may be expected for the current full fiscal year.

### *Restricted Cash*

Restricted cash includes two certificates of deposits in the aggregate amount of \$115,000 as at March 31, 2008 and December 31, 2007 which are pledged to the Idaho Department of Water in connection with a mine tailings reclamation bond.

### *Investments*

The Company has no securities classified as trading securities and has no asset-backed commercial paper.

### *Concentration of Credit, Foreign Currency and Volatility of Metal Prices*

The Company's operations are within North America where it holds substantial cash balances in both US dollars and Canadian dollar denominations with major financial institutions in North America, and generally its balance exceeds that of the government insured level. Therefore, the Company is exposed to foreign currency risks as it reports in US dollars. As at March 31, 2008, the Company held approximately CA\$11.5 million (2007 - CA\$21.1 million).

**U.S. SILVER CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2008**  
**(All Amounts are in United States Dollars)**

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**2. Summary of Significant Accounting Policies - continued**

*Future Accounting Changes*

In February 2008, the CICA issued Section 3064, Goodwill and intangible assets, replacing Section 3062, Goodwill and other intangible assets and Section 3450, Research and development costs. The new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning January 1, 2008. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

The new CICA Handbook Section 3031, Inventories, relates to the accounting for inventories and revises and enhances the requirements for assigning costs to inventories. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, and will be effective for the Company as of this date.

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

**3. Supplemental Cash Flow Information**

|  | March 31     |              |
|--|--------------|--------------|
|  | 2008         | 2007         |
| Cash                                     | \$ 1,406,975 | \$ 1,077,845 |
| Cash equivalent                          | 17,673,160   | 1,076,126    |
| Original fair value of options exercised | 6,677        | ---          |
| Interest received                        | 276,859      | 37,984       |
| Interest Paid                            | ---          | 443          |
| Income taxes paid                        | ---          | ---          |
| Future tax asset                         | (386,908)    | ---          |
| Income tax provision                     | 386,908      | ---          |

**4. Investments**

The Company's investments are classified as follows:

|                    | March 31, 2008      | December 31, 2007   |
|--------------------|---------------------|---------------------|
| Available for sale | \$ 5,218,950        | \$ 1,168,884        |
| Held to maturity   | 758,825             | 2,429,636           |
| Trading securities | ---                 | ---                 |
|                    | <b>\$ 5,977,775</b> | <b>\$ 3,598,520</b> |

**U.S. SILVER CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2008**  
**(All Amounts are in United States Dollars)**

**5. Property, Plant and Equipment**

|                                    | March 31, 2008   |                                |                      | December 31, 2006 |                                |                      |
|------------------------------------|------------------|--------------------------------|----------------------|-------------------|--------------------------------|----------------------|
|                                    | Costs<br>\$      | Accumulated<br>Depreciation \$ | Net Book<br>Value \$ | Costs<br>\$       | Accumulated<br>Depreciation \$ | Net Book<br>Value \$ |
| Building and structural components | 1,150,210        | 123,100                        | 1,027,110            | 1,000,469         | 97,142                         | 903,327              |
| Computer equipment                 | 256,848          | 47,450                         | 209,386              | 90,021            | 39,552                         | 50,469               |
| Machinery & Equipment              | 5,142,874        | 1,797,125                      | 3,345,749            | 3,954,903         | 1,582,370                      | 2,372,533            |
| Leasehold improvements             | 7,138            | 991                            | 6,147                | 7,138             | 425                            | 6,713                |
| Office furniture                   | 49,359           | 9,906                          | 39,453               | 49,359            | 7,312                          | 42,047               |
| Vehicles                           | 38,304           | 19,227                         | 19,077               | 38,304            | 17,070                         | 21,234               |
|                                    | <u>6,644,733</u> | <u>1,997,799</u>               | <u>4,646,934</u>     | <u>5,140,194</u>  | <u>1,743,871</u>               | <u>3,396,323</u>     |

Depreciation expense for the period ending March 31, 2008 was \$253,928 (2007 - \$257,937).

**6. Mining Asset**

The following is a summary of the Company's mining properties:

|  | March 31, 2008       | December 31, 2007    |
|--|----------------------|----------------------|
| Operational mining property                  | \$ 30,107,286        | \$ 25,844,290        |
| Less: accumulated depreciation and depletion | (2,640,902)          | (2,227,328)          |
| Net mining properties                        | <u>\$ 27,466,384</u> | <u>\$ 23,616,962</u> |

Depreciation and depletion expense for the period ending March 31, 2008 was \$413,574 (2007 - \$181,529).

**7. Reclamation and Remediation Costs**

The following is a description of the changes to the Company's asset retirement obligations for the period ending December 31:

|   | March 31, 2008      | December 31, 2007   |
|---|---------------------|---------------------|
| Opening balance   | \$ 1,140,983        | \$ 6,743,394        |
| Accretion   | (31,349)            | 489,822             |
| Adjustment based on post acquisition review<br>(Note 3) | -                   | (6,092,233)         |
| Net mining properties                                   | <u>\$ 1,172,332</u> | <u>\$ 1,140,983</u> |

The Company obtained an updated report to estimate the costs of the reclamation and remediation. Accordingly, the obligation recorded on the balance sheet has been adjusted to reflect the findings of this report.

**8. Related Party Transactions**

During the period ended March 31, 2007, the Company paid invoices on behalf of Golden Eagle Mining for a total of \$1,552. The total due to the Company by Golden Eagle Mining is now \$176,607, which is included in prepaid expenses and other assets and includes accrued interest. Golden Eagle Mining and the Company's are related by an officer and director in common.

During the period ended March 31, 2008, \$3,886 in interest accrued on the balance owed to the Company by Golden Eagle Mining. The current balance due is \$198,171 (2007 - \$194,286). This amount has been recorded in prepaid expenses and other assets.

**U.S. SILVER CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2008**  
**(All Amounts are in United States Dollars)**

**9. Capital Stock**

The Company is authorized to issue an unlimited number of common shares without par value. Each common share entitles the holder to one vote.

During the period ending December 31, 2007, the Corporation had the following capital transactions:

1. issued 50,000 common shares with an ascribed valued of \$64,030 for the acquisition of exploration licenses (Note 16);
2. issued 1,897,525 common shares upon the exercise of previously granted stock options;
3. issued 42,898,097 common shares upon the exercise of previously issued warrants, which includes 3,873,410 common shares issued as bonus shares paid as an incentive to exercise;
4. issued 300,000 common shares upon the exercise of previously issued broker warrants; and
5. issued 24,470,000 units for gross proceeds of CA\$24,470,000 (approximately \$24,814,477), where each unit was comprised of one common share and one warrant. The warrant entitles the holder to purchase one additional common share at a price of CA\$1.25 prior to December 6, 2009.

During the period ending March 31, 2008, the Corporation issued 130,000 common shares upon the exercise of previously issued stock options.

Subsequent to the quarter, the Corporation issued 3,300,000 common shares upon the exercise of previously issued warrants.

**10. Options and Warrants**

The stock options activity is summarized below:

|                    | 2008       |                                 | 2007       |                                 |
|--------------------|------------|---------------------------------|------------|---------------------------------|
|                    | Number     | Weighted Average Exercise Price | Number     | Weighted Average Exercise Price |
| Opening Balance    | 13,733,975 | \$ 0.54                         | 11,651,000 | \$ 0.38                         |
| Granted            | 680,000    | 0.79                            |            | 0.38                            |
| Exercised          | (130,000)  | 0.40                            | Nil        | N/A                             |
| Cancelled          | (45,000)   | 0.40                            | Nil        | N/A                             |
| Balance, March 31, | 14,238,975 | \$ 0.55                         | 11,651,000 | \$ 0.38                         |

The Corporation uses the Black Scholes option pricing model to value the options granted at the time of grant, and the assumptions used within the model are as follows:

|                         | Jan. – Mar. 2008  |
|-------------------------|-------------------|
| Number of Options       | 680,046           |
| Exercise price          | CA\$0.79          |
| Expected life           | 5 years           |
| Risk free interest rate | 3.5%              |
| Volatility              | 50%               |
| Dividend yield          | 0.0%              |
| Fair Value              | \$0.3226 – 0.3972 |

**U.S. SILVER CORPORATION**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2008**  
**(All Amounts are in United States Dollars)**

**10. Options and Warrants - continued**

The following table summarizes the weighted average exercise price and the weighted average remaining contractual life of the options outstanding and exercisable as at March 31, 2008.

| Exercise Price CA\$ | Options Outstanding | Expiry Date | Outstanding Weighted Average Remaining Life (Years) | Weighted Average Price CA\$ | Exercisable Quantity | Weighted Average Price CA\$ |
|---------------------|---------------------|-------------|---|-----------------------------|----------------------|-----------------------------|
| \$ 0.40             | 9,218,975           | Dec. 2011   | 3.7   | \$ 0.40                     | 9,218,975            | \$ 0.40                     |
| 0.56                | 1,115,000           | Jan. 2012   | 3.7   | 0.56                        | 1,115,000            | 0.56                        |
| 0.73                | 660,000             | Aug. 2012   | 4.4   | 0.73                        | 420,000              | 0.73                        |
| 0.75                | 300,000             | Mar. 2012   | 3.9   | 0.75                        | 300,000              | 0.75                        |
| 0.79                | 680,000             | Mar. 2013   | 4.9   | 0.79                        | 120,415              | 0.79                        |
| 0.81                | 960,000             | Nov. 2012   | 4.8   | 0.81                        | 330,000              | 0.81                        |
| 1.05                | 300,000             | Jun. 2012   | 4.2   | 1.05                        | 300,000              | 1.05                        |
| 1.19                | 1,000,000           | Apr. 2012   | 4.1   | 1.19                        | 1,000,000            | 1.19                        |
|                     | <u>14,233,975</u>   |             |   |                             | <u>12,804,390</u>    |                             |

The warrants that are issued and outstanding are as follows:

| Number of Warrants | Exercise Price (CA\$) | Warrant Type    | Issuance Date  | Expiry Date       | Fair Value          |
|--------------------|-----------------------|-----------------|----------------|-------------------|---------------------|
| 300,000            | \$ 0.20               | Broker          | June, 2006     | June 27, 2008     | \$ 3,705            |
| 2,325,000          | 0.40                  | Investor        | May, 2006      | May 11, 2008      | 310,457             |
| 1,261,856          | 0.40                  | Investor        | June, 2006     | December 28, 2008 | 168,496             |
| 10,332,463         | 0.29                  | Broker Warrants | June, 2006     | December 28, 2008 | 533,878             |
| 574,818            | 0.40                  | Broker Warrants | June, 2006     | December 28, 2008 | 76,755              |
| 1,717,540          | 0.40                  | Broker Warrants | December, 2006 | December 28, 2008 | 229,343             |
| 12,235,000         | 1.25                  | Investor        | December 2007  | December 5, 2009  | 2,096,334           |
| 1,712,900          | 1.00                  | Broker          | December 2007  | December 5, 2009  | 333,518             |
| 856,450            | 1.25                  | Broker          | December 2007  | December 5, 2009  | 123,637             |
| <u>31,316,027</u>  |                       |                 |                |                   | <u>\$ 3,876,123</u> |

**11. Segmented Information and Major Customer**

The Company had sales to two customers that exceeded 10% of revenues in the period ended March 31, 2008. Those sales were approximately 77.2% (\$5.6 million), and 22.8% (\$1.7 million) of revenues respectively to each customer. The Company had sales to two customers that exceeded 10% of revenues in the period ended December 31, 2007. Those sales were approximately 91.4% (\$3.8 million) and 8.6% (\$0.3 million) of revenues.

**12. Comparative Figures**

Certain comparative figures have been reclassified to conform to current period's financial statement presentation.