

# **Lara Exploration Ltd.**

**(An Exploration Stage Company)**

**Interim Consolidated Financial Statements**  
**Three Months Ended March 31, 2008**  
(Unaudited – Prepared in accordance with Canadian GAAP)  
(Expressed in Canadian Dollars, unless otherwise stated)

## NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited interim consolidated financial statements of Lara Exploration Ltd. (the “Company”) for the three months ended March 31, 2008 have been prepared by management and approved by the Board of Directors of the Company. In accordance with National Instrument 51-102, management advises that these interim consolidated financial statements have not been reviewed by the Company’s external auditors.

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Interim Consolidated Balance Sheets

(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

	March 31, 2008	December 31, 2007
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 5,022,787	\$ 4,734,297
Receivables	32,620	88,723
Prepaid expenses and deposits	43,565	28,048
	5,098,972	4,851,068
<b>Furniture and equipment</b> (Note 6)	76,271	78,188
<b>Long-term investments</b> (Note 7)	91,186	100,956
<b>Mineral properties</b> (Note 8)	148,633	128,633
	\$ 5,415,062	\$ 5,158,845
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 98,634	\$ 271,979
Exploration advances (Note 5)	1,039	129,309
	99,673	401,288
<b>Shareholders' equity</b>		
<b>Share capital</b> (Note 10)	8,852,146	7,790,896
<b>Contributed surplus</b> (Note 10)	7,176,462	7,164,642
<b>Accumulated other comprehensive income</b>	38,076	42,076
<b>Deficit</b>	(10,751,295)	(10,240,057)
	5,315,389	4,757,557
	\$ 5,415,062	\$ 5,158,845

Nature of operations (Note 1)

Subsequent events (Note 12)

Approved by the Board of Directors:

Signed: "Michael Winn" \_\_\_\_\_ Director

Signed: "Miles Thompson" \_\_\_\_\_ Director

See accompanying notes to the consolidated financial statements.

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Interim Consolidated Statements of Operations and Comprehensive Loss  
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)  
Three Months Ended March 31

	2008	2007
<b>Exploration expenditures</b> (Note 9)	\$ 372,407	\$ 243,009
<b>General and administrative expenses</b>		
Amortization	380	498
Consultants	6,143	7,790
Management fees	24,122	28,000
Office, rent and administrative services	41,926	36,724
Professional fees	23,853	34,049
Shareholder information and investor relations	39,107	11,892
Stock-based compensation	11,820	-
Transfer agent and filing fees	13,071	7,192
Travel and related costs	12,223	17,109
	172,645	143,254
<b>Loss before other items</b>	(545,052)	(386,263)
<b>Other income (expenses)</b>		
Change in fair value of derivative financial instruments (Note 7)	(5,770)	-
Foreign exchange gain (loss)	(5,051)	(2,668)
Interest income	44,635	38,033
	33,814	35,365
<b>Loss for the period</b>	\$ (511,238)	\$ (350,898)
<b>Basic and diluted loss per share</b>	\$ (0.03)	\$ (0.02)
<b>Weighted average number of common shares outstanding</b>	18,856,116	15,487,542
<b>Other comprehensive income (loss)</b>		
Loss for the period	\$ (511,238)	\$ (350,898)
Change in fair value of financial instruments (Note 7)	(4,000)	-
<b>Comprehensive loss</b>	\$ (515,238)	\$ (350,898)

See accompanying notes to the consolidated financial statements.

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Interim Consolidated Statements of Deficit and Accumulated Other Comprehensive Income  
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)

	March 31, 2008	December 31, 2007
<b>Deficit, beginning of period</b>	\$ (10,240,057)	\$ (8,434,865)
Net loss for the period	(511,238)	(1,805,192)
<b>Deficit, end of period</b>	<b>\$ (10,751,295)</b>	<b>\$ (10,240,057)</b>
<b>Accumulated other comprehensive income, beginning of period</b>	<b>\$ 42,076</b>	<b>\$ -</b>
Change in fair value of financial instruments (Note 7)	(4,000)	42,076
<b>Accumulated other comprehensive income, end of period</b>	<b>\$ 38,076</b>	<b>\$ 42,076</b>

See accompanying notes to the consolidated financial statements.

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Interim Consolidated Statements of Cash Flows  
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)  
Three Months Ended March 31

	2008	2007
<b>Cash flows from (used in) operating activities</b>		
Loss for the period	\$ (511,238)	\$ (350,898)
Items not affecting cash		
Amortization	2,446	1,890
Stock-based compensation	11,820	-
Change in fair value of derivative financial instruments	5,770	-
Changes in non-cash working capital items		
Receivables	56,103	(45,015)
Prepaid expenses and deposits	(15,517)	(14,179)
Accounts payable and accrued liabilities	(173,345)	27,893
Exploration advances	(128,270)	-
	(752,231)	(380,309)
<b>Cash flows from (used in) investing activities</b>		
Mineral property acquisition costs	(20,000)	(48,914)
Mineral property option payments received	-	80,834
Purchase of furniture and equipment	(529)	(4,176)
Redemption of short-term investments	-	126,071
	(20,529)	153,815
<b>Cash flows from (used in) financing activities</b>		
Repayment of advances from related party	-	-
Issuance of shares for cash	1,061,250	127,499
	1,061,250	127,499
<b>Increase (decrease) in cash and cash equivalents</b>	288,490	(98,995)
<b>Cash and cash equivalents – beginning of period</b>	4,734,297	420,966
<b>Cash and cash equivalents – end of period</b>	\$ 5,022,787	\$ 321,971
<b>Supplemental cash flow information</b>		
Interest received	\$ 44,384	\$ 2,733
Income tax paid	\$ -	\$ -

See accompanying notes to the consolidated financial statements.

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements  
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)  
Three Months Ended March 31, 2008

---

## 1. NATURE OF OPERATIONS

Lara Exploration Ltd. (the “Company”) was incorporated under the British Columbia *Business Corporations Act* on March 31, 2003.

The Company’s principal business activities are the acquisition, exploration and development of mineral exploration properties in Brazil and Peru. The Company’s continuing operations and ability to meet its mineral property commitments are dependant upon the support of future joint venture partners and the ability of the Company to raise additional financing.

The Company is currently exploring its mineral properties and has not yet determined whether its mineral properties contain reserves that are economically recoverable. The recoverability of amounts capitalized for mineral properties is dependent upon the discovery of sufficient economically recoverable ore reserves, confirmation of the Company’s interest in the underlying mineral properties, the ability of the Company to arrange appropriate financing to complete the development of the mineral properties and upon future profitable production or proceeds from the sale of the mineral properties.

## 2. BASIS OF PRESENTATION

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim periods presented. Operating results for the three months ended March 31, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008. These interim consolidated financial statements follow the same accounting policies as the annually financial statements of the Company, except as noted below. Accordingly, these financial statements should be read in conjunction with the audited annual financial statements, and notes thereto, for the year ended December 31, 2007.

## 3. CHANGES IN ACCOUNTING POLICIES

The Company has adopted the following CICA handbook guidelines for the Company’s first quarter commencing January 1, 2008:

### ***Going-concern***

The CICA amended Handbook Section 1400, “General Standards of Financial Statement Presentation”, which requires management to assess an entity’s ability to continue as a going concern. When management is aware of material uncertainties related to events or conditions that may cast doubt on an entity’s ability to continue as a going concern, those uncertainties must be disclosed. In assessing the appropriateness of the going concern assumption, the standard requires management to consider all available information about the future, which is at least, but not limited to, twelve months from the balance sheet date. The adoption did not have a material impact on the consolidated financial statements for any of the periods presented.

### ***Capital disclosures***

The CICA issued Handbook Section 1535, “Capital Disclosures”, which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity’s objectives, policies and procedures for managing capital.

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements  
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)  
Three Months Ended March 31, 2008

---

### 3. CHANGES IN ACCOUNTING POLICIES (Continued)

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. In the management of capital, the Company includes the components of shareholders' equity as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, option its mineral properties for cash and/or expenditures or dispose of assets. In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets that are updated as necessary.

The Company's investment policy is to hold cash in interest bearing bank accounts, which pay comparable interest rates to highly liquid short-term interest bearing investments with maturities of one year or less and which can be liquidated at any time without penalties. The Company is not subject to externally imposed capital requirements. The Company expects its current capital resources will be sufficient to carry its exploration programs and operating costs through its current operating period.

#### *Financial instruments*

The CICA issued two new standards, Section 3862, "Financial Instruments - Disclosures", and Section 3863, "Financial Instruments - Presentation". These sections replace the existing Section 3861, "Financial Instruments - Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity's financial position and performances, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset.

As at March 31, 2008, the Company's financial instruments are comprised of cash and cash equivalents, accounts receivable, long-term investments, accounts payable and accrued liabilities. The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying value due to their short-term maturity.

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

#### Currency Risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada, Brazil and Peru, although currently there is limited activity in Peru, and a portion of the Company's expenses are incurred in Brazilian Reals. A significant change in the currency exchange rates between the Canadian dollar relative to the Brazilian Real could have an effect on the Company's results of operations, financial position or cash flows. The Company has not hedged its exposure to currency fluctuations.

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements  
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)  
Three Months Ended March 31, 2008

### 3. CHANGES IN ACCOUNTING POLICIES (Continued)

At March 31, 2008, the Company is exposed to currency risk through the following assets and liabilities denominated in Brazilian Reals.

	Brazilian Reals
Cash and cash equivalents	517,927
Receivables	43,149
Accounts payable and accrued liabilities	(70,370)
Net exposure	490,706
Canadian dollar equivalent	\$ 288,077

Based on the above net exposure as at March 31, 2008, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the Brazilian Real would result in an increase/decrease of approximately \$29,000 in the Company's earnings(loss).

#### Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its cash and cash equivalents. The Company limits exposure to credit risk by maintaining its cash and cash equivalents with large financial institutions. The Company does not have cash and cash equivalents that are invested in asset based commercial paper ("ABCP").

#### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures there is sufficient capital in order to meet short term business requirements, after taking into account cash flows from operations and the Company's holdings of cash and cash equivalents. The Company believes that these sources will be sufficient to cover the likely short and long-term requirements.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company's cash is currently held in short-term interest-bearing accounts; management considers the interest rate risk to be limited.

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements  
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)  
Three Months Ended March 31, 2008

## 3. CHANGES IN ACCOUNTING POLICIES (Continued)

### Recent Accounting Pronouncements

#### *International Financial Reporting Standards ("IFRS")*

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

## 4. COMPARATIVE FIGURES

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

## 5. EXPLORATION ADVANCES

Under the terms of the mineral property option agreement between the Company and CCT Capital Inc. ("CCT") on the Company's Campos Verdes mineral property, CCT is required to advance funds to the Company, as the operator of the exploration programs, for agreed-upon exploration programs. To date the Company has received \$425,715 of exploration advances from CCT, of which \$1,039 has not yet been expended on the Campos Verdes property.

## 6. FURNITURE AND EQUIPMENT

	March 31, 2008		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 73,630	\$ 14,788	\$ 58,842
Field equipment	19,919	2,490	17,429
	<u>\$ 93,549</u>	<u>\$ 17,278</u>	<u>\$ 76,271</u>

	December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 73,101	\$ 12,840	\$ 60,261
Field equipment	19,919	1,992	17,927
	<u>\$ 93,020</u>	<u>\$ 14,832</u>	<u>\$ 78,188</u>

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements  
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)  
Three Months Ended March 31, 2008

## 7. LONG-TERM INVESTMENTS

On August 8, 2007, the Company purchased 200,000 units of a private placement offering by CCT at a price of \$0.165 per unit. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase one additional common share of CCT at a price of \$0.33 per share until August 7, 2009. The Company allocated the cost between the common shares and share purchase warrants based on the estimated fair value at the time of acquisition.

The Company has determined that the share purchase warrants are derivative financial instruments and the common shares have been designated as available-for-sale.

	As at March 31, 2008		
	Cost	Fair Value	Accumulated Unrealized Gain
CCT – 200,000 common shares	\$ 21,924	\$ 60,000	\$ 38,076
CCT – 200,000 share purchase warrants	11,076	31,186	20,110
	\$ 33,000	\$ 91,186	\$ 58,186

	As at December 31, 2007		
	Cost	Fair Value	Unrealized Gain
CCT – 200,000 common shares	\$ 21,924	\$ 64,000	\$ 42,076
CCT – 200,000 share purchase warrants	11,076	36,956	25,880
	\$ 33,000	\$ 100,956	\$ 67,956

## 8. MINERAL PROPERTIES

	Brazil		Peru		Total
Balance, December 31, 2006	\$	245,398	\$	1	\$ 245,399
Acquisition costs		65,408		-	65,408
Option payments received		(182,174)		-	(182,174)
Balance, December 31, 2007		128,632		1	128,633
Acquisition costs		20,000		-	20,000
Option payments received		-		-	-
Balance, March 31, 2008	\$	148,632	\$	1	\$ 148,633

In January 2008, the Company made a staged lease payment of US\$20,000 (US\$48,000 paid to date) in respect of the São Lourenço project. Under the terms of the agreement the Company will pay US\$73,500 in staged lease payments over three years. The Company has up to January 29, 2010 to exercise its option to acquire the mineral rights by making a one-time payment of US\$1,000,000.

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements  
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)  
Three Months Ended March 31, 2008

## 9. EXPLORATION EXPENDITURES

Three Months Ended March 31, 2008									
	Campos Verdes	Colorado d'Oeste	Sao Lourenco	T'Gold	Other	Total Brazil	Peru	Total	
Assays	\$ 5,367	\$ -	\$ 1,042	\$ 14,443	\$ -	\$ 20,852	\$ 8,540	\$ 29,392	
Field costs	31,858	1,281	12,744	14,513	6,526	66,922	-	66,922	
Salaries and consultants	31,471	33,199	19,876	42,543	30,031	157,120	14,047	171,167	
Office and administrative	4,924	40,114	2,675	335	46,989	95,037	3,325	98,362	
Property maintenance costs	20,903	26,981	49	39	21,721	69,693	-	69,693	
Telecommunications	261	-	217	185	-	663	-	663	
Travel and related costs	709	1,416	4,098	11,590	2,860	20,673	64	20,737	
Vehicle	-	-	-	-	-	-	405	405	
Drilling	43,336	-	-	-	-	43,336	-	43,336	
	138,829	102,991	40,701	83,648	108,127	474,296	26,381	500,677	
Recoveries	(128,270)	-	-	-	-	(128,270)	-	(128,270)	
	\$ 10,559	\$ 102,991	\$ 40,701	\$ 83,648	\$ 108,127	\$ 346,026	\$ 26,381	\$ 372,407	

  

Three Months Ended March 31, 2007					
	Campos Verdes	Other	Total Brazil	Peru	Total
Assays	\$ -	\$ 18,084	\$ 18,084	\$ -	\$ 18,084
Field costs	2,688	12,700	15,388	-	15,388
Salaries and consultants	5,911	97,961	103,872	-	103,872
Office and administrative	5,325	49,056	54,381	-	54,381
Property maintenance costs	8,155	14,985	23,140	2,222	25,362
Telecommunications	-	5,094	5,094	-	5,094
Travel and related costs	3,027	17,801	20,828	-	20,828
	\$ 25,106	\$ 215,681	\$ 240,787	\$ 2,222	\$ 243,009

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements  
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)  
Three Months Ended March 31, 2008

## 10. SHARE CAPITAL

### Issued and outstanding

	Common Shares		
	Number of Shares	Amount	Contributed Surplus
Balance, December 31, 2006	15,379,001	5,916,738	6,961,672
Issued on private placement	1,500,000	1,275,000	-
Issued as finder's fee	97,500	(39,916)	39,916
Issued on exercise of share purchase warrants	810,000	607,500	-
Issued on exercise of stock options	45,000	18,000	-
Reclassified on exercise of stock options	-	13,574	(13,574)
Stock-based compensation	-	-	176,628
Balance, December 31, 2007	17,831,501	\$ 7,790,896	\$ 7,164,642
Issued on exercise of share purchase warrants	1,415,000	1,061,250	-
Stock-based compensation	-	-	11,820
Balance, March 31, 2008	19,246,501	\$ 8,852,146	\$ 7,176,462

### Share purchase warrants

The continuity of share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2006	3,400,000	\$ 0.75
Issued	1,597,500	\$ 1.20
Exercised	(810,000)	\$ 0.75
Balance, December 31, 2007	4,187,500	\$ 0.92
Exercised	(1,415,000)	\$ 0.75
Expired	(1,160,000)	\$ 0.75
Balance, March 31, 2008	1,612,500	\$ 1.20

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements  
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)  
Three Months Ended March 31, 2008

## 10. SHARE CAPITAL (Continued)

Share purchase warrants outstanding are as follows:

Expiry Date	Exercise Price	March 31, 2008 Number of Warrants	December 31, 2007 Number of Warrants
February 15, 2008	\$ 0.75	-	2,575,000
November 17, 2008	\$ 1.30	15,000	15,000
September 28, 2009	\$ 1.20	1,597,500	1,597,500
		1,612,500	4,187,500

### Stock options

The Company adopted a stock option plan pursuant to the policies of the TSX Venture Exchange. The maximum number of shares that may be reserved for issuance under the plan is limited to 10% of the issued common shares of the Company at any time. The vesting terms are determined by the Company's Board of Directors at the time of the grant. The changes in stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2006	1,310,000	\$ 1.10
Granted	375,000	1.23
Exercised	(45,000)	0.40
Cancelled	(50,000)	1.35
Balance, December 31, 2007	1,590,000	\$ 1.15
Balance, March 31, 2008	1,590,000	\$ 1.15

The following table summarizes the stock options outstanding and exercisable at March 31, 2008, with a weighted average life of 3.35 years:

Issue Date	Number Outstanding	Exercise Price	Number Exercisable	Expiry Date
January 11, 2006	250,000	\$ 0.51	250,000	January 11, 2011
March 16, 2006	665,000	1.35	665,000	March 16, 2011
July 10, 2006	250,000	1.10	250,000	July 10, 2011
November 9, 2006	25,000	1.03	25,000	November 9, 2011
December 18, 2006	25,000	1.45	25,000	December 18, 2011
May 14, 2007	75,000	1.32	25,000	May 14, 2012
October 3, 2007	150,000	1.22	75,000	October 3, 2012
October 16, 2007	150,000	1.19	75,000	October 16, 2012
	1,590,000	\$ 1.15	1,390,000	

### Escrow shares

At March 31, 2008, a total of 600,001 of the Company's issued common shares were held in escrow. The remaining escrowed shares will be released on April 30, 2008.

# LARA EXPLORATION LTD.

(An Exploration Stage Company)

Notes to the Interim Consolidated Financial Statements  
(Unaudited – Expressed in Canadian Dollars, unless otherwise stated)  
Three Months Ended March 31, 2008

---

## 11. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment, being exploration and development of mineral properties. Except mineral property interests, equipment and exploration expenditures, substantially all of the Company's assets and expenditures are located and incurred in Canada. The mineral property interests are located in Brazil and Peru (see Note 8), the equipment is located in Brazil (see Note 6) and substantially all of the exploration expenditures are incurred in Brazil (see Note 9).

## 12. SUBSEQUENT EVENTS

In April 2008, the Company signed a Letter of Intent with Sprott Resource Corp. ("SRC") to sell its future interest in the Mantaro Phosphate Project ("Mantaro") for approximately US\$3 million in common shares of SRC. The Company will retain its right to a 0.5% royalty on any production from Mantaro, which SRC may purchase at its election for the equivalent in cash of 0.5% of the net present value of the project upon completion of a bankable feasibility study. The proposed transaction is subject to the execution and delivery of a definitive agreement.

In May 2008, the Company signed a Letter of Intent with SRC to form a Strategic Alliance (the "Alliance") whereby SRC will initially seed the Alliance with up to \$3,000,000 of which \$500,000 will be committed in the first year to target phosphates, potash and other fertilizer feedstock minerals. The Company will own a 50% interest in the Alliance, which is not subject to dilution in the first year, and may maintain its 50% interest thereafter by equal funding with SRC.

In May 2008, the Company signed a Letter of Intent with Votorantim Metals Zinco S.A. ("Votorantim") whereby Votorantim may earn up to a 70% interest in the Company's Canabrava VMS Project by funding \$2.5 million of exploration expenditures over a three year period and delivering a feasibility study within a further two years. Votorantim may raise its interest to 75% by funding the Company's equity cost of the mine development on terms substantially the same as those of debt financing.