



CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2007

(Expressed in Canadian Dollars)

(Unaudited)

*These financial statements have not been reviewed by the Company's auditors*

# AMARC RESOURCES LTD.

## Consolidated Balance Sheets

(Expressed in Canadian Dollars)

	September 30, 2007 (Unaudited)	March 31, 2007
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,183,575	\$ 2,916,194
Amounts receivable and prepaids	206,809	112,441
Balances receivable from related parties (note 6)	510,173	5,714,191
	<u>6,900,557</u>	<u>8,742,826</u>
Equipment (note 4)	22,915	25,462
Mineral property interests (note 5)	—	—
	<u>\$ 6,923,472</u>	<u>\$ 8,768,288</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 383,065	\$ 78,012
<b>Shareholders' equity</b>		
Share capital	27,540,054	27,287,248
Contributed surplus	2,234,943	2,295,248
Deficit	(23,234,590)	(20,892,220)
	<u>6,540,407</u>	<u>8,690,276</u>
Nature and continuance of operations (note 1)		
Commitment (note 7)		
	<u>\$ 6,923,472</u>	<u>\$ 8,768,288</u>

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

Approved by the Board of Directors

*/s/ Ronald W. Thiessen*

Ronald W. Thiessen  
Director

*/s/ Jeffrey R. Mason*

Jeffrey R. Mason  
Director

# AMARC RESOURCES LTD.

## Consolidated Statements of Operations

(Unaudited - Expressed in Canadian Dollars)

	Three months ended September 30		Six months ended September 30	
	2007	2006	2007	2006
<b>Expenses</b>				
Amortization	\$ 1,273	\$ 1,989	\$ 2,546	\$ 3,979
Conference and travel	2,543	42,526	4,086	42,832
Exploration (schedule)	1,667,197	301,176	2,134,696	393,629
Legal, accounting, and audit	3,496	6,127	6,860	9,694
Management and consulting	6,683	25,195	30,659	49,297
Office and administration	43,911	34,567	97,798	60,271
Property investigation	836	9,919	1,364	11,805
Salaries and benefits	74,620	63,051	122,516	112,552
Shareholder communication	18,688	22,394	31,881	30,843
Trust and filing	7,999	4,741	9,099	5,539
	1,827,246	511,685	2,441,505	720,441
<b>Other items</b>				
Foreign exchange loss (gain)	82,511	(9,997)	171,466	(2,891)
Loss on sale of equipment	–	–	–	1,678
Gain on sale of marketable securities	–	–	(68,992)	–
Write down of mineral property interest (note 5(a))	–	–	–	55,929
Interest income and other	(92,552)	(34,941)	(201,609)	(78,430)
	(10,041)	(44,938)	(99,135)	(23,714)
<b>Loss for the period</b>	\$ 1,817,205	\$ 466,747	\$ 2,342,370	\$ 696,727
<b>Deficit, beginning of period</b>	\$ 21,417,385	\$ 19,745,762	\$ 20,892,220	\$ 19,515,782
<b>Deficit, end of period</b>	\$ 23,234,590	\$ 20,212,509	\$ 23,234,590	\$ 20,212,509
<b>Basic and diluted loss per share</b>	\$ 0.03	\$ 0.01	\$ 0.04	\$ 0.01
<b>Weighted average number of common shares outstanding</b>	63,204,364	52,459,473	63,077,615	52,459,473

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

## AMARC RESOURCES LTD.

### Consolidated Statements of Shareholders' Equity and Deficit

(Expressed in Canadian Dollars)

	<b>Six months ended</b>		<b>Year ended</b>	
	<b>September 30, 2007</b>		<b>March 31, 2007</b>	
	<i>(unaudited)</i>			
<b>Share capital</b>	<u>Number of shares</u>		<u>Number of shares</u>	
Balance at beginning of the period	62,949,473	\$ 27,287,248	52,459,473	\$ 23,997,068
Private placement at \$0.50 per share, net of issue costs	–	–	10,490,000	5,097,607
Fair value of warrants issued	–	–	–	(1,807,427)
Exercise of share purchase warrants at \$0.55 per share	350,000	192,501	–	–
Fair value of warrants allocated to shares issued on exercise	–	60,305	–	–
Balance at end of the period	63,299,473	\$ 27,540,054	62,949,473	\$ 27,287,248
<b>Contributed surplus</b>				
Balance at beginning of the period		2,295,248		487,821
Fair value of warrants issued		–		1,807,427
Fair value of warrants allocated to shares issued on exercise		(60,305)		–
Balance at end of the period		\$ 2,234,943		\$ 2,295,248
<b>Deficit</b>				
Balance at beginning of the period		(20,892,220)		(19,515,782)
Loss for the period		(2,342,370)		(1,376,438)
Balance at end of the period		\$ (23,234,590)		\$ (20,892,220)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		\$ 6,540,407		\$ 8,690,276

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

# AMARC RESOURCES LTD.

## Consolidated Statements of Cash Flows

(Unaudited - Expressed in Canadian Dollars)

Cash provided by (used in)	Three months ended September 30		Six months ended September 30	
	2007	2006	2007	2006
<b>Operating activities</b>				
Loss for the period	\$ (1,817,205)	\$ (466,747)	\$ (2,342,370)	\$ (696,727)
Items not involving cash				
Amortization	1,273	1,989	2,546	3,979
Loss on sale of equipment	—	—	—	1,678
Gain on sale of marketable securities	—	—	(68,992)	—
Write down of mineral property interest	—	—	—	55,929
Changes in non-cash working capital items				
Amounts receivable and prepaids	(83,335)	(55,708)	(94,369)	(32,562)
Balances receivable from related parties	(324,238)	(11,544)	(542,489)	120,052
Accounts payable and accrued liabilities	291,957	39,606	305,057	38,801
Cash used in operating activities	(1,931,548)	(492,404)	(2,740,617)	(508,850)
<b>Investing activities</b>				
Proceeds from sale of equipment	—	—	—	3,445
Loan to a related party	—	—	5,500,000	—
Proceeds from sale of marketable securities	—	—	315,497	—
Cash provided by investing activities	—	—	5,815,497	3,445
<b>Financing activities</b>				
Issuance of share capital, net of costs	192,501	—	192,501	—
Cash provided by financing activities	192,501	—	192,501	—
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(1,739,047)</b>	<b>(492,404)</b>	<b>3,267,381</b>	<b>(505,405)</b>
Cash and cash equivalents, beginning of period	7,922,622	4,524,932	2,916,194	4,537,933
<b>Cash and cash equivalents, end of period</b>	<b>\$ 6,183,575</b>	<b>\$ 4,032,528</b>	<b>\$ 6,183,575</b>	<b>\$ 4,032,528</b>
<b>Components of cash and cash equivalents are as follows:</b>				
Cash	\$ 287,240	\$ 259,474	\$ 287,240	\$ 259,474
Bankers acceptances	5,896,335	3,773,054	5,896,335	3,773,054
	<b>\$ 6,183,575</b>	<b>\$ 4,032,528</b>	<b>\$ 6,183,575</b>	<b>\$ 4,032,528</b>
<b>Supplementary cash flow information:</b>				
Income taxes paid	\$ —	\$ —	\$ —	\$ —
Interest paid	\$ —	\$ —	\$ —	\$ —
Interest received	\$ 92,552	\$ 34,941	\$ 201,609	\$ 78,430
Non cash investing activities:				
Receipt of common shares of Rockwell Diamonds Inc. representing payment of loan interest (note 6(b))	\$ —	\$ —	\$ 246,506	\$ —

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

## AMARC RESOURCES LTD.

### Consolidated Schedules of Exploration Expenses

(Unaudited - Expressed in Canadian Dollars)

All Properties	Three months ended September 30		Six months ended September 30	
	2007	2006	2007	2006
<b>Exploration Cost</b>				
Assays and analysis	\$ 85,244	\$ 22,953	\$ 101,271	\$ 32,967
Engineering	4,893	–	4,893	–
Environmental	–	–	–	197
Equipment rental	25,990	15,733	66,319	18,827
Freight	13,003	557	14,780	557
Geological	820,618	178,148	1,168,068	236,611
Graphics	2,875	472	7,808	2,006
Helicopter	377,914	29,341	377,914	29,341
Property fees and assessments	23,726	–	25,546	200
Property option payments	10,000	–	10,000	–
Site activities	284,609	34,594	336,777	51,106
Travel and accommodation	18,325	19,378	21,320	21,817
Incurred during period	1,667,197	301,176	2,134,696	393,629
Cumulative expenditures, beginning of the period	13,817,074	10,429,203	13,349,575	10,336,750
<b>Cumulative expenditures, end of the period</b>	<b>\$ 15,484,271</b>	<b>\$ 10,730,379</b>	<b>\$ 15,484,271</b>	<b>\$ 10,730,379</b>

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

# **AMARC RESOURCES LTD.**

Notes to the Consolidated Financial Statements

For the three and six months ended September 30, 2007

(Unaudited – Expressed in Canadian Dollars)

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## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Amarc Resources Ltd. (the “Company”) is incorporated under the laws of the province of British Columbia, and its principal business activity is the acquisition and exploration of mineral properties. Its principal mineral property interests are located in British Columbia.

Operating results for the six months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the full year ending March 31, 2008.

These consolidated financial statements are prepared on the basis that the Company will continue as a going concern. Management recognizes that the Company will need to generate additional financial resources in order to meet its planned business objectives. However, there can be no assurances that the Company will continue to obtain additional financial resources and/or achieve profitability or positive cash flows. If the company is unable to obtain adequate additional financing, the Company will be required to curtail operations and exploration activities. Furthermore, failure to continue as a going concern would require that the Company’s assets and liabilities be restated on a liquidation basis which could differ significantly from the going concern basis.

## **2. BASIS OF PRESENTATION AND PRINCIPLES OF CONSOLIDATION**

These interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and are presented in Canadian dollars. They do not include all the disclosures as required for annual financial statements under generally accepted accounting principles. However, these interim consolidated financial statements follow the same accounting policies and methods of application as the Company’s most recent annual financial statements. These interim consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended March 31, 2007, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Also included are the accounts of the Precious Exploration Limited Partnership, which is subject to the Company’s control and primary beneficial ownership.

All material inter-company balances and transactions have been eliminated.

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the three and six months ended September 30, 2007

(Unaudited – Expressed in Canadian Dollars)

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## 3. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants (“CICA”) relating to financial instruments. As required by the transitional provisions of these new standards, these new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

(a) *Section 3855 – Financial Instruments – Recognition and Measurement*

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company’s balance sheet and measured either at fair value or, in certain circumstances at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations or accumulated other comprehensive income depending on the classification the related instruments.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the asset or liability. As such, any of the Company’s outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to April 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

All financial instruments are classified into one of the following categories: held for trading, held-to-maturity, available-for-sale, loans and receivables and other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

- Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost.
- Available-for-sale financial assets are measured at fair value. Changes in fair value are included in other comprehensive income (loss) until the asset is removed from the balance sheet.
- Held for trading financial instruments are measured at fair value. All changes in fair value are included in net earnings (loss) in the period in which they arise.
- All derivative financial instruments are measured at fair value, even when they are part of a hedging relationship. Changes in fair value are included in net earnings (loss) in the period in which they arise, except for hedge transactions which qualify for hedge accounting treatment in which case gains and losses are recognized in other comprehensive income.



# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the three and six months ended September 30, 2007

(Unaudited – Expressed in Canadian Dollars)

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(b) *Section 3865 – Hedges*

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any financial instruments which qualify for hedge accounting.

(c) *Section 1530 – Comprehensive Income*

Comprehensive income is the change in the Company's shareholder equity that results from transactions and other events from other than the Company's shareholders and includes items that would not normally be included in net earnings (loss), such as unrealized gains or losses on available-for-sale investments. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements. Accumulated other comprehensive income is presented as a new category in shareholders' equity. As at September 30, 2007, the Company had no accumulated other comprehensive income and for the three and six months ended September 30, 2007, comprehensive income (loss) equals net loss.

The application of these new standards has had no impact on the Company's financial statements as at and for the six months ended September 30, 2007, and as such, a statement of comprehensive income has not been included in these financial statements.

## 4. EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
<b>September 30, 2007</b>			
Site equipment	\$ 77,551	\$ (54,636)	\$ 22,915
Total	\$ 77,551	\$ (54,636)	\$ 22,915
<b>March 31, 2007</b>			
Site equipment	\$ 77,551	\$ (52,089)	\$ 25,462
Total	\$ 77,551	\$ (52,089)	\$ 25,462

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the three and six months ended September 30, 2007

(Unaudited – Expressed in Canadian Dollars)

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## 5. MINERAL PROPERTY INTERESTS

### *Tulox Property*

On May 7<sup>th</sup>, 2007, the Company entered into an agreement with Sitec Ventures Corp. (“Sitec”) for the sale of the Tulox property (the "Property") for consideration of ten million common shares of Sitec, an inactive NEX-listed public company. The agreement is subject to certain conditions along with regulatory approval. Under the agreement, the Company will receive a 3% net smelter royalty, following the commencement of commercial production on the Property. In addition, the Company receives a "Back in Right" whereby, on completion of \$5,000,000 of exploration expenditures on the Property by Sitec, the Company will have a 90 day period during which it can acquire a 60% interest in the Property by agreeing to fund a further \$10,000,000 of exploration expenditures on the Property. The agreement is currently expected to close before the end of the calendar year.

### *Peak Property*

On September 27, 2007, the Company entered into a letter agreement with a private arms length company for an exclusive option whereby the Company may acquire, over up to a three year period, the right to earn an undivided 100% interest in the Peak property, subject to a 2% net smelter royalty, which the Company may acquire for \$2,000,000. The agreement is subject to certain conditions, including the signing of a formal agreement on or before December 31, 2007 and the acceptance of such formal agreement by the TSX Venture Exchange (the “Effective Date”). Consideration for acquiring the 100% undivided interest in the Peak property is to consist of staged payments totaling \$85,000 and the incurring of expenditures totaling \$175,000 on the property from the date of signing the letter agreement until the third anniversary of the Effective Date.

### *Pond Property*

On September 27, 2007, the Company entered into a letter agreement with a private arms length company for an exclusive option whereby the Company may acquire, over up to a four year period, the right to earn an undivided 100% interest in the Pond property, subject to a 2% net smelter royalty, which the Company may acquire for \$2,000,000. The agreement is subject to certain conditions, including the signing of a formal agreement on or before December 31, 2007 and the acceptance of such formal agreement by the TSX Venture Exchange (the “Effective Date”). Consideration for acquiring the 100% undivided interest in the Pond property is to consist of staged payments totaling \$215,000 and the incurring of expenditures totaling \$225,000 on the property from the date of signing the letter agreement until the fourth anniversary of the Effective Date.

# AMARC RESOURCES LTD.

Notes to the Consolidated Financial Statements

For the three and six months ended September 30, 2007

(Unaudited – Expressed in Canadian Dollars)

## 6. RELATED PARTY BALANCES AND TRANSACTIONS

<b>Balances receivable</b>	September 30, 2007	March 31, 2007
Hunter Dickinson Inc. (a)	\$ 510,173	\$ 21,314
Rockwell Diamonds Inc. (b)	–	5,692,877
<b>Total</b>	<b>\$ 510,173</b>	<b>\$ 5,714,191</b>

<b>Transactions</b>	Three months ended September 30		Six months ended September 30	
	2007	2006	2007	2006
Services rendered and expenses reimbursed:				
Hunter Dickinson Inc. (a)	\$ 655,203	\$ 226,694	\$ 944,832	\$ 369,032
Rockwell Diamonds Inc. (b)	–	–	53,629	–
Farallon Mineral Mexicana (c)	–	–	–	3,445

- (a) Hunter Dickinson Inc. ("HDI") is a private company owned equally by nine public companies, one of which is the Company. HDI has certain directors in common with the Company and provides geological, corporate development, administrative and management services to, and incurs third party costs on behalf of, the Company and its subsidiaries on a full cost recovery basis pursuant to an agreement dated December 31, 1996. Balances receivable from HDI have arisen in the normal course of exploration work on the Company's mineral properties and from the provision of ongoing administrative and technical services.
- (b) Rockwell Diamonds Inc., formerly named Rockwell Ventures Inc. ("Rockwell"), is a public company with certain directors in common with the Company. On January 26, 2007, the Company advanced \$5,500,000 to Rockwell pursuant to a 90-day promissory note. Interest on the promissory note is calculated at a rate of 20% per annum, compounded quarterly. Interest is payable in common shares of Rockwell, based upon the ten day average closing price, less a 10% discount. For the year ended March 31, 2007, interest income of \$192,877 was accrued on the promissory note. On April 18, 2007, Rockwell repaid the principal amount of the loan, together with 497,993 common shares of Rockwell at a deemed price of \$0.495, representing payment of interest on the 90-day promissory note. For the six months period ended September 30, 2007, interest income of \$53,629 was recorded on the promissory note.

On June 21, 2007, the Company sold its 497,993 common shares of Rockwell for proceeds of \$315,497 and recorded a corresponding gain of \$68,992 on the sale of the securities.

- (c) Farallon Minera Mexicana ("FMM") is a subsidiary of Farallon Resource Ltd., a publicly traded company which has certain directors in common with the Company. During the six month period ended September 30, 2006, the Company sold two used vehicles with a book value of \$nil to FMM at market value, for proceeds of 35,000 Peso (\$3,445).

# **AMARC RESOURCES LTD.**

Notes to the Consolidated Financial Statements

For the three and six months ended September 30, 2007

(Unaudited – Expressed in Canadian Dollars)

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## **7. COMMITMENT**

During the year ended March 31, 2007, the Company completed a private placement of 10,490,000 units at a price of \$0.50 per unit, which included the issuance of 4,490,000 flow-through units. Expenses to be incurred from the proceeds of the flow-through-units were renounced to investors on December 31, 2006. In accordance with the flow-through provisions of the Canadian Income Tax Act, the Company is obligated to spend the proceeds from the flow-through-units, of approximately \$2.3 million, by December 31, 2007.

**AMARC RESOURCES LTD.**  
**SIX MONTHS ENDED SEPTEMBER 30, 2007**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**AMARC RESOURCES LTD.  
SIX MONTHS ENDED SEPTEMBER 30, 2007**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**1.1 Date**

This Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited consolidated financial statements of Amarc Resources Ltd. ("Amarc", or the "Company") for the six months ended September 30, 2007 and the audited consolidated financial statements for the year ended March 31, 2007, which are publicly available on SEDAR at [www.sedar.com](http://www.sedar.com).

This MD&A is prepared as of November 27, 2007. All dollar figures stated herein are expressed in Canadian dollars, unless otherwise specified.

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploitation activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

**1.2 Overview**

The Company has assembled a capable and experienced mineral exploration team to focus its efforts toward making a major new mineral deposit discovery. This team is actively evaluating properties in British Columbia and jurisdictions around the world in order to acquire a significant exploration or development project.

*Peak Property*

On September 27, 2007, the Company entered into a letter agreement with an arm's length party for an exclusive option whereby the Company may acquire, over up to a three year period, the right to earn an undivided 100% interest in the **Peak** property, subject to a 2% net smelter royalty, which the Company may acquire from the arm's length party for \$2,000,000. The agreement is subject to certain conditions, including the signing of a formal agreement on or before December 31, 2007 and the acceptance of such formal agreement by the TSX Venture Exchange (the "Effective Date"). Consideration for acquiring the 100% undivided interest in the Peak property is to consist of staged payments totaling \$85,000 and the incurring of expenditures totaling \$175,000 on the property from the date of signing the letter agreement until the third anniversary of the Effective Date.

The Peak property is underlain by rocks of the Cache Creek Complex, which comprises minor serpentinites of the Late Pennsylvanian to Late Triassic Trembleur Ultramafite Unit, and also greenstones and greenschist metamorphic rocks of the Rubyrock Igneous Complex. The Cache Creek Complex is intruded by Middle Jurassic to Early Cretaceous granites of the Endako Batholith – Francois Lake Suite. These latter rocks are prospective for porphyry base metal deposits. The property is located approximately 90 kilometres northwest of Fort St. James, and is accessible by road.

**AMARC RESOURCES LTD.**  
**SIX MONTHS ENDED SEPTEMBER 30, 2007**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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*Pond Property*

On September 27, 2007, the Company entered into a letter agreement with an arm's length party for an exclusive option whereby the Company may acquire, over up to a four year period, the right to earn an undivided 100% interest in the **Pond** property, subject to a 2% net smelter royalty, which the Company may acquire for \$2,000,000. The agreement is subject to certain conditions, including the signing of a formal agreement on or before December 31, 2007 and the acceptance of such formal agreement by the TSX Venture Exchange (the "Effective Date"). Consideration for acquiring the 100% undivided interest in the Pond property is to consist of staged payments totaling \$215,000 and the incurring of expenditures totaling \$225,000 on the property from the date of signing the letter agreement until the fourth anniversary of the Effective Date.

The Pond property is underlain by rocks of the Cache Creek Complex, which comprises minor serpentinites of the Late Pennsylvanian to Late Triassic Trembleur Ultramafite Unit, and also greenstones and greenschist metamorphic rocks of the Rubyrock Igneous Complex. These units lie in close proximity to Middle Jurassic to Early Cretaceous granites of the Endako Batholith – Francois Lake Suite that are prospective for porphyry-style base metal deposits. The property is located approximately 90 kilometres northwest of Fort St. James, and is accessible by road.

*Sitlika Properties*

In December 2006, Amarc announced that it had acquired, by Option Agreement and staking, six large exploration properties located in central British Columbia, approximately 110 kilometres northeast of Smithers. These properties cover an area of approximately 1,100 square kilometres and include the **Bodine, Megamine, Megamine South, Polymet, Polymet East and Polymet South** claims. The properties are crossed by the CNR-BC Rail line at Takla Landing, are traversed by a mainline industrial road and a network of forestry roads. The provincial grid power is located approximately 55 kilometres from the property.

*Bodine Property Agreement*

On November 14, 2006, the Company reached an option agreement with an arm's length party to acquire a 100% undivided interest in the Bodine property. Amarc can acquire its interest in the Bodine property by making staged cash payments totaling \$225,000, of which \$25,000 was paid in December 2006, and expending \$2,000,000 on the property over the next four years. The property is subject to a 3% net smelter royalty, 2% of which may be purchased at the Company's sole discretion for \$2,000,000 with the remaining 1% subject to a right of first refusal in favor of the Company. Annual advance royalty payments of \$50,000 will be required from the fifth year of the agreement to the fifteenth year of the agreement.

The Sitlika Properties are underlain by a 100 kilometre long belt of gossanous metasedimentary and metavolcanic rocks of the Sitlika assemblage. The area was the subject of a focused geological mapping initiative by the BC Ministry of Energy and Mines (Scharizza and Payie, 1997). The results indicate that the Sitlika rocks have the potential to host volcanogenic massive sulphide deposits.

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A stream sediment sampling program in the Bodine area returned outstanding results, including regionally significant copper values ranging from 1,650 ppm to 3,500 ppm and zinc concentrations from 1,750 ppm to 4,000 ppm from samples in streams that drain areas underlain by altered felsic volcanic rocks. Preliminary follow-up prospecting has uncovered a footwall-type stringer copper-zinc mineralized zone, similar to that typically associated with the formation of copper and zinc rich volcanic hosted massive sulphide deposits, within an iron oxide horizon which extends for up to 20 kilometres. In addition, the occurrence of brecciated and layered sulphides as well as felsic quartz-eye porphyritic fragmental volcanic rocks have also been noted. Results of initial channel sampling include: four samples that range from 2.84% to 7.40% copper over widths of 0.10 metre; and three sampled intervals that returned 1.79% copper over 2.90 metres, 1.37% copper over 2.35 metres and 2.38% copper over 1.00 metre. The combination of these geological features and positive analytical results indicate the potential for a new volcanogenic massive sulphide district.

The Sitlika rocks in the area being worked are equivalent in age to the rocks hosting the Kutcho volcanogenic massive sulphide deposits in northern BC. Kutcho is currently at the feasibility stage. The largest and most advanced deposit on the Kutcho property is the Main deposit with measured and indicated resources of 15.6 million tonnes grading 1.65% copper, 2.15% zinc, 26 grams silver and 0.3 gram gold per tonne, which is potentially amenable to open pit mining (Western Keltic Mines Inc. website, July 2007).

The Company carried out a significant program on the Sitlika Properties during the 2007 field season, which included geologic mapping, silt sampling, soil sampling, magnetometer surveys and induced polarization surveys designed to delineate targets. The cost of the program to date is approximately \$1.6 million.

*Nechako Gold Property (formerly "Bob" and "JMD" Properties)*

In January 2004, the Company entered into an agreement to acquire a 100% interest in the **Nechako** mineral property. The 1,300 hectare Nechako property, located 80 kilometres west of Quesnel, was acquired by issuing a total of 200,000 shares of the Company to two arm's length parties. Of these 200,000 shares, 50,000 were not due to be issued until the Company reached a third party joint venture agreement or completed a total of \$250,000 in exploration expenditures on the property.

In November 2004, the Company signed an option agreement whereby Endurance Gold Corporation ("Endurance Gold"), an arm's length private company, could acquire a 60% interest in the property by issuing to the Company 250,000 shares in Endurance Gold, and by incurring \$250,000 in exploration work on the property over the next three years. The agreement was conditional upon Endurance Gold becoming a publicly-listed company, a condition that Endurance Gold fulfilled on July 27, 2005 when it listed on the TSX Venture Exchange. On August 18, 2005, the Company received its first payment of 50,000 common shares of Endurance Gold at a deemed price of \$0.23 per share. This \$11,500 was credited against the acquisition cost of the property.

Under the agreement, at the end of the option period, the Company and Endurance Gold could enter into a joint venture to develop the property, with the Company owning 40% and Endurance



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Gold owning 60%. The two arm's length parties from whom the property was acquired waived their right to the 50,000 shares of the Company referred to above.

Since January 2005, Endurance Gold registered an additional 3,275 hectares of mineral claims within the area of common interest surrounding the property. These form part of the property and are subject to the terms of the agreement with Endurance Gold.

Endurance Gold performed geological, geochemical and geophysical surveys on the property as well as carried out a 422-metre drilling program during November and December 2005. As a result of the expenditures incurred during these programs, Endurance Gold completed the \$250,000 exploration expenditure requirement of the option agreement. The Company received an additional payment of 200,000 common shares of Endurance Gold in December 2005; therefore, Endurance Gold completed the requirements for vesting a 60% interest in the property.

The Company reviewed Endurance Gold's exploration results and elected not to participate in the additional expenditures required to complete the drilling in December 2005. As a result, the Company's interest in the property was reduced to 32.61%. No further work has been performed on the property by the joint venture since December 2005. During the year ended March 31, 2007, the Company wrote-off the remaining costs of \$42,500 related to the property.

*Tulox Property*

The **Tulox** property, located in the Cariboo region and comprising 252 square kilometres, was acquired during the period July 2005 to March 2007.

On May 7, 2007, the Company entered into an agreement to sell the Tulox property, subject to certain conditions, for a consideration of 10,000,000 common shares of Sitec Ventures Corp. The Company will also receive a 3% net smelter royalty return following the commencement of commercial production on the property. The Company also received a "Back in Right" whereby, on completion of \$5,000,000 of exploration expenditures on the property, the Company will have 90 days during which it can acquire a 60% interest in the property by agreeing to complete a further \$10,000,000 of exploration expenditures on the property. The agreement is currently expected to close at the end of November 2007.

The Tulox property is underlain by Mesozoic volcanic and sedimentary rocks that have been intruded by Mesozoic intrusive rocks. These rocks have been overlain by Cenozoic volcanic and pyroclastic rocks. The Tulox property is anomalous in gold and gold indicator elements.

*Pinchi Gold Properties*

During the period December 27, 2006 to April 20, 2007, the Company registered for acquisition a total of 528 square kilometres in four properties located northwest of Fort St. James in central B.C. These properties comprise the **Calex, Grand, Grandnorth** and **Petite claims**.

The properties are underlain by Paleozoic limestones, sedimentary rocks and volcanic rocks that have been intruded by Mesozoic intrusive rocks. These geologic conditions are prospective for the formation of bulk tonnage gold deposits.

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The Company has performed airborne and ground based geophysical surveys and grid based geochemical surveys during the 2007 field season in order to define targets for follow-up. The cost of the program to date is approximately \$350,000.

*Other Properties*

The Company also has a 5% net profits interest ("NPI") in the 46 mineral claims comprising the **Ana** Property in the Yukon Territory, Canada, and a 2.5% NPI in a mineral lease comprising the **Mann Lake** Property in Saskatchewan. Amarc retains a 2.5% net smelter royalty on production ("NSR") from the 1,300 hectare **Chona** property located in B.C., which can be purchased by the arms length owner for \$2,500,000. Amarc also retains a 1.5% NSR from the 1,760 hectare **AA** property located in B.C., 0.5% of which can be purchased by the arm's length owner for \$1,000,000. At the present time, the Company has no plans to undertake any programs on these properties.

**Market Trends**

Copper prices have been increasing since late 2003, averaging US\$3.03/lb in 2006. As a result of increasing supply, prices dropped slightly in early 2007, but have increased again since mid February. The average price over the first ten months of 2007 is approximately US\$3.24/lb.

Overall, gold prices have been increasing for more than three years. Although there was some volatility late in 2006, the average for the year – US\$604/oz – was higher than the average price – US\$445/oz – in 2005. This volatility continued in early 2007, but prices have mainly been increasing since mid January. The average price over the first ten months of 2007 is US\$675/oz.

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**1.3 Selected Annual Information**

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and are expressed in Canadian dollars.

	<b>As at March 31</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
Current assets	\$ 8,742,826	\$ 4,872,158	\$ 7,888,349
Mineral property interests	–	98,429	155,929
Equipment	25,462	36,951	47,105
<b>Total assets</b>	<b>8,768,288</b>	<b>5,007,538</b>	<b>8,091,383</b>
Current liabilities	78,012	38,431	871,243
Shareholders' equity	8,690,276	4,969,107	7,220,140
<b>Total shareholders' equity &amp; liabilities</b>	<b>8,768,288</b>	<b>5,007,538</b>	<b>8,091,383</b>
<b>Working capital</b>	<b>\$ 8,664,814</b>	<b>\$ 4,833,727</b>	<b>\$ 7,017,106</b>

	<b>Year ended March 31</b>		
	<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Expenses</b>			
Amortization	\$ 6,366	\$ 10,154	\$ 13,083
Conference and travel	60,402	37,471	5,591
Exploration	1,033,060	3,012,825	7,553,950
Legal, accounting and audit	33,465	64,160	63,521
Management and consulting	54,714	92,987	45,658
Office and administration	150,163	137,155	106,349
Property investigation	10,396	4,316	–
Salaries and benefits	229,024	382,254	356,841
Shareholder communication	51,857	72,531	104,308
Trust and filing	18,719	17,946	23,350
Foreign exchange loss (gain)	(38,098)	2,645	8,204
Interest on flow-through shares	–	–	92,502
Interest income and other	(333,737)	(129,852)	(242,862)
Loss on sale of equipment	1,678	–	–
Write down of accounts receivable	–	45,088	–
Write down of marketable securities	–	190,392	6,667
Write down of mineral property interest	98,429	10,000	76,000
<b>Subtotal</b>	<b>1,376,438</b>	<b>3,950,072</b>	<b>8,213,162</b>
Stock-based compensation expense (recovery)	–	(16,282)	496,031
Gain on sale of marketable securities	–	(92,887)	(81,554)
<b>Net loss for the year</b>	<b>\$ (1,376,438)</b>	<b>\$ (3,840,903)</b>	<b>\$ (8,627,639)</b>
Basic and diluted loss per share	\$ (0.03)	\$ (0.08)	\$ (0.19)
Weighted average number of common shares outstanding	54,557,473	49,880,651	45,168,411

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**1.4 Summary of Quarterly Results**

Expressed in thousands of Canadian dollars, except per-share amounts. Small differences are due to rounding.

	Sept 30 2007	June 30 2007	Mar 31 2007	Dec 31 2006	Sept 30 2006	June 30 2006	Mar 31 2006	Dec 31 2005
Current assets	6,901	8,232	8,743	5,956	\$ 4,279	\$ 4,704	\$ 4,872	\$ 5,053
Other assets	22	24	25	69	70	73	135	137
<b>Total assets</b>	<b>6,923</b>	<b>8,256</b>	<b>8,768</b>	<b>6,025</b>	<b>4,349</b>	<b>4,777</b>	<b>5,008</b>	<b>5,191</b>
Current liabilities	383	91	78	2,180	77	38	38	38
Shareholders' equity	6,540	8,165	8,690	3,845	4,272	4,739	4,969	5,153
<b>Total liabilities &amp; shareholders' equity</b>	<b>6,923</b>	<b>8,256</b>	<b>8,768</b>	<b>6,025</b>	<b>4,349</b>	<b>4,777</b>	<b>5,008</b>	<b>5,191</b>
Working capital	6,517	8,141	8,665	3,776	4,202	4,667	4,834	5,015
<b>Expenses</b>								
Amortization	1	1	–	2	2	2	3	3
Conference and travel	3	2	–	17	43	–	3	34
Exploration	1,667	467	271	369	301	92	31	498
Legal, accounting and audit	3	3	22	2	6	4	6	9
Management and consulting	7	24	2	3	25	24	58	7
Office and administration	44	54	44	46	35	26	31	30
Property investigation	1	1	2	(4)	10	2	2	2
Salaries and benefits	75	48	60	56	63	50	52	89
Shareholder communication	19	13	10	12	22	8	9	14
Trust and filing	8	1	10	3	5	1	6	3
Subtotal	1,827	614	421	506	512	209	201	689
Foreign exchange loss (gain)	83	89	12	(48)	(10)	7	50	(1)
Interest income	(93)	(109)	(224)	(31)	(34)	(40)	(30)	(34)
Other	–	–	–	–	(1)	(3)	(4)	–
Subtotal	1,817	594	209	427	467	173	217	654
Loss on sale of fixed assets	–	–	–	–	–	1	–	–
Gain on sale of marketable securities	–	(69)	–	–	–	–	(93)	–
Mark-to-market adjustment on warrants	–	–	–	–	–	–	16	9
Write-down of accounts receivable	–	–	–	–	–	–	45	–
Write-down of marketable securities	–	–	–	–	–	–	–	10
Write-down of mineral property interest	–	–	43	–	–	56	–	10
<b>Net loss for the period</b>	<b>\$ 1,817</b>	<b>\$ 525</b>	<b>\$ 252</b>	<b>\$ 427</b>	<b>\$ 467</b>	<b>\$ 230</b>	<b>\$ 185</b>	<b>\$ 683</b>
Basic and diluted net loss per share	\$ 0.03	\$ 0.01	\$ 0.00	\$ 0.01	\$ 0.01	\$ 0.00	\$ 0.00	\$ 0.01
Weighted average number of common shares outstanding (thousands)	63,204	62,949	60,968	52,459	52,459	52,459	52,459	49,053

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### **1.5 Results of Operations**

The Company had a net loss of \$2,342,370 for the six month period ended September 30, 2007, compared to net loss of \$696,727 for the same period in fiscal 2007. The increase in loss was due primarily to increased exploration expenditures compared to the previous year.

Exploration expenses for the six month period ended September 30, 2007 increased to \$2,134,696, compared to \$393,629 for the same period in the previous year, due to increased exploration programs being carried out in British Columbia, most of which were focused on the Bodine property. The major exploration expenditures during the period were geological (2008 – \$1,168,068; 2007 – \$236,611), helicopter (2008 – \$377,914; 2007 – \$29,341) site activities (2008 – \$336,777; 2007 – \$51,106), and assays and analysis (2008 – \$101,271; 2007 – \$32,967).

Administrative costs for the current period also increased with the greater exploration activities. The major administrative costs during the period were salaries and benefits (2008 – \$122,516; 2007 – \$112,552), office and administration (2008 – \$97,798; 2007 – \$60,271), management and consulting (2008 – \$30,659; 2007 – \$49,297), and shareholder communication (2008 – \$31,881; 2007 – \$30,843).

Interest and other income increased to \$201,609 for the six month period ended September 30, 2007 compared to \$78,430 for the same period last year, due to interest earned on the \$5,500,000 loan to Rockwell Diamonds Inc. for 18 days during the current year, compared to \$nil during the same period last year. The increased interest income was also due to higher cash balances on hand, following the December 2006 private placement sale of approximately \$5,250,000 of common shares of the Company, along with an increase in interest rate earned on the Company's cash balances.

There were no losses on the sale of equipment or write-down of mineral property interest during the current period, compared with a loss of \$1,678 on the sale of fixed assets and a write down of mineral property interest of \$55,929 recorded in the same period last year.

A foreign exchange loss of \$171,466 was recorded during the six month period ended September 30, 2007, compared with a gain of \$2,891 in the same period of the prior year. The loss was due primarily to an appreciation of approximately \$0.16 in the Canadian dollar during the current six month period, on average US dollar denominated cash and cash equivalents of approximately \$920,000.

A gain of \$68,992 on the sale of marketable securities was recorded during the current period, compared with \$nil during the same period of the prior year. The gain resulted from the sale of 497,993 common shares of Rockwell Diamonds Inc., which the Company had received as payment for the interest portion of the \$5,500,000 loan to Rockwell Diamonds Inc., repaid on April 18, 2007.

### **1.6 Liquidity**

Historically, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements.

On January 17, 2007, the Company completed a private placement of 10,490,000 units, consisting of 4,490,000 flow-through units and 6,000,000 non-flow-through units at a price of \$0.50 per unit. Each

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flow-through unit consists of one flow-through common share and a warrant and each non-flow-through unit consists of one non-flow-through common share and a warrant. Each warrant entitles the holder to purchase one non-flow-through common share until January 17, 2009, at a price of \$0.55 per share. In accordance with certain provisions of the Income Tax Act (Canada), the Company is obligated to spend the flow-through unit proceeds by December 31, 2007. During the six month period ended September 30, 2007, 350,000 warrants were exercised for proceeds of \$192,501.

At September 30, 2007, the Company had working capital of approximately \$6.5 million which is sufficient to fund its known commitments.

The Company has no long term debt, capital lease obligations, operating leases or any other long term obligations.

*Operating activities*

Cash used in operating activities was \$2,740,617 in the first six months of fiscal 2008, compared to \$508,850 for the same period last year. Cash used in operating activities was attributable primarily to exploration programs carried out on its British Columbia mineral properties. The Company anticipates continuing to use its cash in its operating activities to carry out its exploration programs.

*Investing activities*

Cash flows from investing activities were \$5,815,497 in the first six months of fiscal 2008, compared to \$3,445 in the same period last year. Cash flows from investing activities consisted of \$5,500,000 from the repayment of a loan to a related party and \$315,497 in proceeds from the sale of securities. Cash flows from investing activities in the prior period were attributable to the sale of fixed assets.

*Requirement of Financing*

Development of any of the Company's mineral properties beyond feasibility will require additional equity and possibly debt financing. As Amarc is an exploration stage company, it does not have revenues from operations and, except for interest income from its cash and cash equivalents, the Company relies on equity funding for its continuing financial liquidity.

**1.7 Capital Resources**

The Company has no lines of credit or other sources of financing which have been arranged but are as yet unused.

The Company has no "Purchase Obligations" defined as any agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.

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**1.8 Off-Balance Sheet Arrangements**

None.

**1.9 Transactions with Related Parties**

Pursuant to the agreement dated December 31, 1996, Hunter Dickinson Inc. ("HDI") of Vancouver, British Columbia, a private company with certain directors in common with the Company, carries out geological, exploration, corporate development, administration, and management services for, and incurs costs with third-party vendors on behalf of, the Company on a full cost-recovery basis.

Costs for services rendered and costs incurred on behalf of the Company by HDI were \$944,832 for the six month period ended September 30, 2007, as compared to \$369,032 for the same period last year. The variances were due to increases in the Company's exploration activities.

Rockwell Diamonds Inc., formerly named Rockwell Ventures Inc. ("Rockwell"), is a public company with certain directors in common with the Company. On January 26, 2007, the Company advanced \$5,500,000 to Rockwell pursuant to a 90-day promissory note. Interest on the promissory note is calculated at a rate of 20% per annum, compounded quarterly. Interest is payable in common shares of Rockwell, based upon the ten day average closing price, less a 10% discount. For the year ended March 31, 2007, interest income of \$192,877 was accrued on the promissory note. On April 18, 2007, Rockwell repaid the principal amount of the loan, together with 497,993 common shares of Rockwell at a deemed price of \$.495, representing the payment of interest on the 90-day promissory note. For the six month period ended September 30, 2007, interest income of \$53,629 was recorded on the promissory note.

On June 21, 2007, the Company sold its 497,993 common shares of Rockwell for proceeds of \$315,497 and recorded a corresponding gain of \$68,992 on the sale of the securities.

During the first half of fiscal 2007, the Company sold two used vehicles to Farallon Minera Mexicana ("FMM"), a subsidiary of Farallon Resources Ltd., a publicly traded company with certain directors in common with the Company, at market value for proceeds of 35,000 Peso (\$3,445), and a loss of \$1,678 was recorded. No transactions occurred with FMM for the same period in the current year.

**1.10 Fourth Quarter**

Not applicable.

**1.11 Proposed Transactions**

None.

**1.12 Critical Accounting Estimates**

Not required. The Company is a venture issuer.

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**1.13 Changes in Accounting Policies including Initial Adoption**

The CICA issued Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, “Financial Instruments – Disclosure and Presentation”, Section 3865, “Hedges”, and Section 1530, “Comprehensive Income”, all applicable to the Company for annual or interim accounting periods beginning on April 1, 2007.

Section 3855 requires all financial assets, financial liabilities and non-financial derivatives to be recognized on the balance sheet and measured based on specified categories. Section 3861 identifies and details information to be disclosed in the financial statements.

Section 3865 sets out when hedge accounting can be applied and builds on existing Canadian GAAP guidance by specifying how hedge accounting is applied and disclosed.

Section 1530 introduces new standards for the presentation and disclosure of the components of comprehensive income. Comprehensive income is defined as the change in net assets of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources.

The CICA also issued Section 1506, Accounting Changes, which revises the current standards on changes in accounting policy, estimates or errors as follows: voluntary changes in accounting policy are allowed only when they result in financial statements that provide reliable and more relevant information; changes in accounting policy are to be applied retrospectively unless doing so is impracticable; changes in estimates are to be recorded prospectively; and prior period adjustments are to be corrected retrospectively. In addition, this standard calls for enhanced disclosure about the effects of changes in accounting policies, estimates and errors on the financial statements.

The application of these new standards has had no impact on the Company's financial statements as at and for the six month period ended September 30, 2007.

**1.14 Financial Instruments and Other Instruments**

The carrying amounts of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. It is not practicable to determine the fair value of amounts receivable from related parties, due to the related party nature of such amounts and the absence of a secondary market for such instruments.

**1.15 Other MD&A Requirements**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**1.15.1 Additional Disclosure for Venture Issuers without Significant Revenue**

(a) capitalized or expensed exploration and development costs;

The required disclosure is presented in the notes to the audited consolidated financial statements for the year ended March 31, 2007.



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(b) expensed research and development costs;

Not applicable.

(c) deferred development costs;

Not applicable.

(d) general and administration expenses; and

The required disclosure is presented in the consolidated statements of operations.

(e) any material costs, whether capitalized, deferred or expensed, not referred to in (a) through (d);

None.

**1.15.2 Disclosure of Outstanding Share Data**

The following table details the share capital structure as at November 27, 2007, the date of this MD&A. These figures may be subject to minor accounting adjustments prior to presentation in future consolidated financial statements.

	Expiry date	Exercise price	Number
Common shares			63,299,473
Warrants	January 17, 2009	\$0.55	10,140,000

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**1.15.3 Internal Controls over Financial Reporting and Disclosure Controls**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

There have been no changes in the Company's internal control over financial reporting during the six month period ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

The Company has disclosure controls and procedures in place to provide reasonable assurance that any information required to be disclosed by the Company under securities legislation is recorded, processed, summarized and reported within the applicable time periods and to ensure that required information is gathered and communicated to the Company's management so that decisions can be made about timely disclosure of that information.

There have been no significant changes in the Company's disclosure controls during the six month period ended September 30, 2007 that could significantly affect disclosure controls subsequent to the date the Company carried out its evaluation.