KWG RESOURCES INC.

(An exploration stage company)

Interim Consolidated Financial Statements

Three-month period ended March 31, 2008

NOTICE TO READERS OF THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS:

The unaudited interim consolidated financial statements of KWG Resources Inc. for the three-month period ended March 31, 2008 have not been reviewed by the Company's external auditors.

(s) *Léonard Teoli*

LÉONARD TEOLI, Director

(s) *Martin Nicoletti*

MARTIN NICOLETTI, Chief Financier Officer

Montréal, Québec
May 29, 2008

KWG Resources Inc.
(An exploration stage company)
Consolidated Balance Sheets
(unaudited)

	March 31, 2008 $ (unaudited)	December 31, 2007 $ (audited)
Assets		
Current assets		
Cash and cash equivalents (note 4)	4,623,156	5,472,150
Accounts receivable	63,529	60,535
Temporary investments (note 5)	66,384	76,232
Prepaid expenses	302,429	7,306
	5,055,498	5,616,223
Mining assets (note 6)	17,198,433	16,897,432
	22,253,931	22,513,655
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	55,114	164,722
Shareholders' Equity		
Share capital (note 7)	27,298,779	27,212,107
Warrants and compensation options (note 8)	1,573,356	1,723,358
Contributed surplus (note 10)	2,350,617	1,996,508
Deficit	(8,977,723)	(8,546,676)
Accumulated other comprehensive income (note 11)	(46,212)	(36,364)
	22,198,817	22,348,933
	22,253,931	22,513,655

Approved by the Board of Directors

(s) *Michel Côté* _______________ Director

(s) *Douglas M. Flett* _______________ Director

KWG Resources Inc.

(An exploration stage company)

Consolidated Statements of Operations and Deficit and Comprehensive Income

(unaudited)

	Three-month period ended March 31	
	2008 $ (unaudited)	2007 $ (unaudited)
Income		
Interest income	44,619	115
Expenses		
Administrative	136,438	109,880
Stock compensation costs (note 9)	221,539	15,126
Write-off of mining assets	116,065	-
Write-off of receivables	1,624	-
	475,666	125,006
Loss for the period	(431,047)	(124,891)
Deficit – Beginning of period	(8,546,676)	(6,650,083)
Share and warrant issue expenses	-	(72,751)
Deficit – End of period	(8,977,723)	(6,847,725)
Loss per share (basic and diluted)	(0.01)	(0.01)
Weighted average number outstanding shares (basic and diluted)	263,129,154	165,085,268

Consolidated Statements of Comprehensive Income (loss) for the three-month period ended March 31, 2008 and 2007

	2008 $ (unaudited)	2007 $ (unaudited)
Net loss for the period	(431,047)	(124,891)
Other components of Comprehensive Income:		
- Net variation on the latent loss on the financial assets available-for-sale	(9,848)	(72,790)
Comprehensive Income (loss)	(440,895)	(197,681)

Going concern assumptions (note 1)

KWG Resources Inc.

(An exploration stage company)

Consolidated Statements of Cash Flows

(unaudited)

	2008 $	2007 $
Cash flows from		
Operating activities		
Loss for the period	(431,047)	(124,891)
Adjustments for		
Stock compensation costs (note 9)	221,539	15,126
Write-off of mining assets	116,065	-
Write-off of receivables	1,624	-
	(91,819)	(109,765)
Change in non-cash working capital items	(409,349)	111,767
	(501,168)	2,002
Financing activities		
Share capital issued	-	459,200
Warrants and compensation options issued	69,240	100,800
Share and warrant issue expenses	-	(35,798)
	69,240	524,202
Investing activities		
Additions to mining assets	(417,066)	(668,968)
Net change in cash and cash equivalents during the period	(848,994)	(142,764)
Cash and cash equivalents – Beginning of period	5,472,150	621,437
Cash and cash equivalents – End of period	4,623,156	478,673
Change in non-cash working capital items comprises:		
Accounts receivable	(4,618)	(61,265)
Prepaid	(295,123)	(19,773)
Accounts payable and accrued liabilities	(109,608)	192,805
	(409,349)	111,767

1 Nature of operations

KWG Resources Inc. (the "Company"), an exploration stage company, is involved in the exploration for diamonds and base and precious metals. It has interests in properties located in Canada at the exploration stage.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration properties. The recoverability of deferred exploration expenses is dependent upon: the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals; and attaining profitable production.

For the three month ended March 31, 2008, the Company incurred a loss of $431,047. Cash and cash equivalents as at March 31, 2008 amount to $4,623,156 of which $1,994,791 can be used for working capital purposes (note 4). In addition to ongoing working capital requirements such as general and administration costs, the Company must secure sufficient funding for its existing commitments for exploration and development programs.

These consolidated financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenues and expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

2 Significant accounting policies

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Debuts Diamonds Inc., an inactive company, incorporated in Ontario, Canada on October 18, 2007.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Significant areas where management judgment is applied are assets valuations, future income taxes and compensation options. Actual results could differ from those estimates and such differences could be material.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank balances and short-term liquid investments with original maturities of three months or less.

Temporary investments

The temporary investments that are available for sale are recorded at the fair value, with unrealized change in fair values recorded to other comprehensive income (loss).

Mining assets

Exploration properties include rights in mining properties and deferred exploration expenses.

Exploration costs are deferred until the economic viability of the project has been established, at which time costs are added to mining properties. Costs are written off when properties are abandoned or when cost recovery is uncertain. Management has defined uncertainty as either there being no financial resources available from the Company or its joint venture partners for development of a mining property over a three-year period or results from exploration work not warranting further investment.

Proceeds from the sale of exploration properties are applied in reduction of related carrying costs and any excess is recorded as a gain in the Consolidated Statements of Operations and Deficit. In the case of a partial sale, if carrying costs exceed the proceeds, only the losses are recorded.

Flow-through shares

The Company may finance a portion of its exploration and development activities through the issuance of flow-through common shares. Under the terms of the flow-through share agreements, the resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The Company provides for the future effect on income taxes related to flow through shares as a charge to deficit and future income tax liability when the renunciation forms are filed with the tax authorities.

Stock option plan

The Company applies the fair value method to account for options granted to its employees, officers, directors and consultants. Any consideration paid on exercise of stock options is credited to share capital. The stock compensation cost is stated as per the periods of option acquisition. The contributed surplus resulting from the stock compensation is transferred to share capital when the options are exercised.

Foreign currency translation

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at year-end exchange rates. Other assets and liabilities as well as items from the Consolidated Statements of Operations and Deficit are translated at the rates of exchange on each transaction date. Gains and losses on translation are included in the Consolidated Statements of Operations and Deficit.

Income taxes

The Company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between the accounting values and tax values of assets and liabilities using substantively enacted or enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The Company establishes a valuation allowance against future income tax assets if, based upon available information, it is more likely than not that some or all of the income tax assets will not be realized.

Share and warrant issue expenses

Share and warrant issue expenses are recorded as an increase in deficit in the year in which they are incurred, with the exception of expenses related to financings not closed at the end of the year, which are deferred.

Loss per share

Loss per share is calculated using the weighted average number of shares outstanding during the year. Diluted loss per share is calculated using the treasury stock method for the calculation of the dilutive effect of stock options and other dilutive securities.

The diluted loss per share is equal to the basic loss per share due to the anti dilutive effect of stock options and other dilutive securities.

On January 1, 2007 the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement" and Section 3865 "Hedges". These new sections , provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

Under Section 3855, all financial instruments are classified into one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured in the balance sheet at fair value except for loans and receivables, held-to maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: (1) held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; (2) available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired; and (3) all derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal-sale normal-purchase exemption and changes in their fair value are recorded in income unless cash flow hedge accounting is used, in which case changes in fair value are recorded in other comprehensive income.

As a result of the adoption of these new standards, the Company has classified its cash as held-for-trading. Receivables are classified as loans and receivables. Temporary investments are classified as available for sale. Accounts payable and accrued liabilities are classified as other financial liabilities, all of which are measured at amortized cost.

a) Temporary investments

Following the adoption of new standards, temporary investments are classified under "Available-for-sale financial assets". They are measured at fair market value and the gain/loss resulting from the evaluation at the end of each period is recorded as Other Comprehensive Income (Loss). As at January 1, 2007, the carrying value and fair value of portfolio investments were $132,596 and $178,946, respectively. The initial valuation resulted in a net unrealized gain of $46,350. This net unrealized gain is presented as an adjustment to Accumulated Other Comprehensive Income (loss) ("AOCI").

This Section is applied retroactively without restating comparative figures and resulted in the reduction of temporary investments in the amount of $46,350 as at January 1, 2007.

b) Comprehensive Income and Shareholders' Equity

Under Section 1530 of the Handbook, Comprehensive Income is comprised of net earnings (loss) and Other Comprehensive Income (Loss) ("OCI"), which represents changes in Shareholders' equity during a period arising from transactions and other events with non-owner sources. OCI generally would include unrealized gains and losses on financial assets classified as available-for-sale. The Company's Consolidated Financial Statements include Consolidated Statements of Other Comprehensive Income (Loss) while the cumulative amount and AOCI are presented as a separate item of Shareholders' Equity.

Effective January 1, 2007, the Company adopted the new Handbook accounting requirements for Section 3251 "Equity" which describes the standards for presenting equity and changes in equity. Due to the adoption of Section 3251 and Section 1530 described above, the Company's Consolidated Financial Statements now include information on Comprehensive Income and its other components.

3 Change in accounting policies

On January 1, 2008 the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 3862.

1. Sections 3862, "Financial instruments – Disclosures", and 3863, "Financial instruments Presentation", replace Handbook Section 3861, "Financial instruments – Disclosure and Presentation", revising and enhancing its disclosure requirements, and carrying forward unchanged presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Disclosure and presentation requirements pertaining to these sections are contained in note 13.

2. Section 1535, "Capital disclosures", establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital, the quantitative data what the entity regards as capital, whether the entity has complied with any capital requirements, and if it has not complied, the consequences of such non-compliance. The new requirements are effective for interim periods beginning on or after October 1, 2007.

3. Section 1400, "General standards of Financial Statements Presentation", was amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The new requirements are effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008.

4 Cash and cash equivalents

As at March 31, 2008, cash and cash equivalents include an amount of $2,628,365 (2007 – $3,363,015) reserved for new exploration activities to be conducted in Canada before December 31, 2008.

5 Temporary investments

The portfolio investments consist of common shares of publicly held companies that are available for sale and are recorded at fair value.

	March 31, 2008 $ (unaudited)	**December 31, 2007 $ (audited)**
Spider Resources Inc. ("Spider")		
250,000 common shares, quoted market value of $27,500 (2007 − 250,000 common shares, quoted market value of $30,000)	15,000	15,000
St. Genevieve Resources Ltd ("St. Genevieve") (2007 − 2,711,600 common shares, quoted market value of $46,232)	-	97,596
Ascendant Copper Corporation ("Ascendant")		
353,488 common shares, quoted market value of $38,884	97,596	-
Cost	112,596	112,596
Unrealized loss	(46,212)	(36,364)
Fair value of temporary investments available-for-sale	66,384	76,232

(a) On March 27, 2008, Ascendant Copper Corporation completed the acquisition of all of St.Genevieve's issued and outstanding shares. As a result, St.Genevieve is now a wholly-owned subsidiary of Ascendant. In connection with the acquisition, St.Genevieve shareholders received one Ascendant share for each 6.5394054 St.Genevieve shares. In addition, each St.Genevieve warrant holder will receive one Ascendant replacement warrant for each 5.5422556 St.Genevieve warrant.

6 Mining assets

Exploration properties

			Deferred exploration expenses		Total	
	March 31, 2008 $ (unaudited)	December 31, 2007 $ (audited)	March 31, 2008 $ (unaudited)	December 31, 2007 $ (audited)	March 31, 2008 $ (unaudited)	December 31, 2007 $ (audited)
Canada – Ontario						
Spider No. 1 / MacFadyen and Kyle (a)(b)(c)	1,302,625	1,284,615	9,772,459	9,578,038	11,075,084	10,862,653
Spider No. 3 / McFaulds Lake (a)(d)	156,281	156,281	4,030,914	4,030,914	4,187,195	4,187,195
Wawa (a)(e)	319,829	319,829	452,469	452,469	772,298	772,298
Greenstone (f)	18,000	18,000	-	-	18,000	18,000
Freewest (a)(g)	54,903	30,463	347,366	163,200	402,269	193,663
Diagnos (a)(h)	31,690	31,690	77,611	66,736	109,301	98,426
Geraldton (i)	-	115,765	-	300	-	116,065
Pele Mountain (k)	539,700	539,700	51,573	51,573	591,273	591,273
Uniform Surround (l)	38,120	52,966	1,000	1,000	39,120	53,966
Other	644	644	3,249	3,249	3,893	3,893
	2,461,792	2,549,953	14,736,641	14,347,479	17,198,433	16,897,432

(a) On May 15, 2006, the Company and Spider Resources Inc. (“Spider”) agreed to amend and revise their joint venture agreement. The companies agreed to treat each project in their joint venture as a separate joint venture, to enable each company to either increase or decrease its interest in a project based upon their respective strategic objectives. The Company and Spider agreed to have their respective interest established at 50% in all the current projects of the joint venture.

Each party agreed to have its interest diluted by not contributing further to the other party’s exploration program until its interest has reached $33^{1/3}$%. At that level, a party’s interest in a project may be maintained by contribution to subsequent programs, or suffer further dilution. When an interest has been reduced to less than 10%, it will be automatically converted to a 0.5% Net Smelter Royalty (“NSR”) in base metals and a 1% NSR in precious metals and diamonds.

The following table outlines the estimated cumulative interest by projects for the Company and Spider as at March 31, 2008.

	KWG	SPIDER	Total
MacFadyen kimberlites project	59.29%	40.71%	100%
McFaulds Lake VMS project	42.89%	57.11%	100%
Kyle kimberlites project	50.00%	50.00%	100%
Wawa project	48.27%	51.73%	100%
Freewest option project	50.64%	49.36%	100%
Diagnos project	50.60%	49.40%	100%
Total	**50.40%**	**49.60%**	**100%**

The following table outlines the estimated cumulative interest by projects for the Company and Spider as at December 31, 2007.

	KWG	**SPIDER**	**Total**
MacFadyen kimberlites project	58.35%	41.65%	100%
McFaulds Lake VMS project	43.08%	56.92%	100%
Kyle kimberlites project	50.00%	50.00%	100%
Wawa project	48.29%	51.71%	100%
Freewest option project	50.74%	49.26%	100%
Diagnos project	50.61%	49.39%	100%
Total	**50.19%**	**49.81%**	**100%**

(b) Ashton Mining Canada Ltd. holds a 25% clawback entitlement to any kimberlite property found or developed by KWG/Spider within the geographic limits of the Spider No. 1 project area, with the exception of Kyle Lake No. 1 where Ashton Mining relinquished its rights, which can be executed by paying KWG/Spider an amount equal to 300% of all exploration expenditures on said property.

(c) The Kyle project was optioned to the new operator, Renforth Resources Inc. (formerly Wycliffe Resources Inc) ("Renforth"), who may earn a 55% interest by transferring a group of adjacent claims and incurring a total of $6 million of exploration expenditures, over a period of three years. The Company's interest will then be reduced to 22.5% and may be further reduced to 15% by Spider incurring exploration expenditures equal to its prior capital in the joint venture.

(d) Following work performed in 2002 and the discovery of massive sulphide mineralization, KWG/Spider and De Beers Canada Exploration Inc. ("De Beers") entered into a royalty agreement whereby De Beers transferred the acquired participating interest in the Spider No. 3 project in consideration of a 1.5% (NSR) royalty on all mineral products that may be produced from the property. KWG/Spider have the option to buy back one third (0.5%) of the royalty at any time before April 30, 2008 for a purchase price of $1,500,000.

On March 7, 2007, Spider and UC Resources Limited ("UC") signed a letter of intent regarding a four-year exploration program on the McFaulds Lake volcanic hosted massive sulphide project. UC shall be the operator of the property during the term of the option and shall have the option to earn up to a 55% undivided interest in the property. UC can earn a 55% interest by incurring a total of $4.5 million of exploration expenditures over a period of four years. Terms of a three-way joint venture agreement are being negotiated between the parties.

(e) The project consists of 45 square kilometers of exploration land located 35 kilometers north of the town of Wawa, Ontario.

(f) In October 2005, KWG/Spider acquired a 90% interest in three claim blocks in the James Bay Lowlands.

(g) In December 2005, KWG/Spider entered into an agreement with Freewest Resources Canada Inc. for the acquisition of a 25% interest in 76 mining property claims contiguous to McFauld's Lake in Ontario. The contribution of the Company included a commitment to carry out exploration work in the amount of $1,500,000 before October 13, 2009 (including an amount of $100,000 before February 28, 2006 which was incurred).

(h) In March 2006, the Company staked and/or acquired these properties located in the vicinity of the Kyle properties in the James Bay Lowlands area of Northern Ontario.

(i) In April 2006, the Company acquired seventeen (17) newly staked mineral claims in the Geraldton Long Lake area of Northern Ontario. The Company issued 1,500,000 treasury shares at a price of $0.07 per share totaling $105,000 for the transfer of the mineral rights. The transaction was recorded at the fair value of the common shares given up at the date of the transaction. The fair value of the common share was determined based on the quoted value of the shares. The mineral rights are subject to a 2.2% net product royalty, of which 1% may be purchased at any time for $750,000. The Company paid finder's fees of 150,000 treasury shares at a price of $0.07 per share for a total of $10,500. The Company decided to abandon the property based on new exploration results and wrote it off ($116,065).

(j) In December 2004, the Company disposed of its interest in Haiti in consideration for work commitments from the purchaser and a 1.5% NSR on all mineral products from the Haitian properties. The purchaser has the right to buy back the NSR by paying to the Company US$750,000 in two installments of (i) US$250,000 and (ii) US$500,000 respectively. In April, 2006, the Company agreed to reduce the price of repurchase of the royalty to US$650,000 and received a first payment of $114,630 (US$100,000). This amount is a gain for the Company since all Haitian properties had been written off in accordance with the Company's accounting principle.

(k) In July 2006, the Company acquired from Pele Mountain Resources Inc. forty seven (47) Attawapiskat River claims located in the Porcupine Mining Division in the Province of Ontario in consideration for 10,127,860 treasury shares. The transaction was recorded at the fair value of the common shares given up at the date of the transaction. The fair value of the common share was determined based on the quoted value of the shares. Some claims are situated in an area of interest (within two kilometres) of the MacFadyen claims. The mineral rights transferred are subject to a 1.0% net product royalty, of which 0.5% may be purchased at any time for $5,000,000. The Company paid finder's fees of 200,000 treasury shares at a price of $0.05 per share for a total of $10,000.

(l) In February 2007, the Company acquired a 28.12% participating interest and a 2% NSR on a group of 61 claims adjoining the east side of the MacFadyen JV property. These minerals claims surround the De Beers claim that hosts the Uniform Pipe (note 7(xii)).

Cost and deferred exploration expenses	**March 31, 2008 $ (unaudited)**	**December 31, 2007 $ (audited)**
Balance – Beginning of period	16,897,432	15,611,907
Acquisition, staking and permits	27,604	72,891
Write-off of mining assets	(115,765)	-
Exploration expenses		
Drilling	325,170	820,802
Geophysics	10,875	73,494
Sampling	-	101,872
Consulting	24,697	35,310
Field preparation	2,311	29,939
Management	26,409	29,459
Line cutting and road	-	55,050
Camp expenses	-	56,108
Permits	-	10,600
Write-off of mining assets	(300)	-
	301,001	1,285,525
Balance – End of period	17,198,433	16,897,432

7 Share capital

Authorized

An unlimited number of common shares

Issued

Changes in the Company's share capital were as follows:

	Three month period ended March 31, 2008 (unaudited)		Year ended December 31, 2007 (audited)	
	Number of shares	Amount $	Number of shares	Amount $
Balance – Beginning of period	262,863,821	27,212,107	165,085,268	21,141,367
Issued for Canadian exploration expenses (i)(iv)(x)(xi)(xiii)(xiv) (xv)	-	-	49,074,650	4,004,958
Less: Value of warrants		-		(543,951)
Issued for working capital requirements (ii)(iii)(v)(vii)(viii)(xvi)	-	-	39,711,923	2,538,500
Less: Value of warrants		-		(640,448)
Issued for acquisition of mining asset (note 6(i)(k))(xii)	-	-	842,100	50,525
Less: Value of warrants		-		(10,947)
Issued for commission (x)(xi)(xii)	-	-	799,210	40,453
Less: Value of warrants		-		(640)
Issued for consulting fees (ix)	-	-	490,250	26,500
Less: Value of warrants		-		(5,499)
Issued for debt settlement (vi)	-	-	2,400,000	120,000
Issued following exercise of options	-	-	60,420	7,489
Issued following exercise of warrants and compensation options	796,000	86,672	4,400,000	483,800
Balance – End of period	263,659,821	27,298,779	262,863,821	27,212,107

The Corporation's objectives when managing capital are:

To safeguard the Corporation's ability to continue as a going concern in order to provide returns to shareholders; and

To finance the exploration and development of mineral properties and increase the value of its properties.

(i) In December 2007, the Company completed a private placement of 14,124,650 units at a price of $0.12 each for an aggregate amount of $1,694,958. Each unit comprised one flow-through common share and half-one purchase warrant. Each purchase warrant entitles the holder thereof to subscribe for one common share of the Company at a price of $0.18 for a period of 24 months from closing.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes model based on the following assumptions: dividend yield of 0%, volatility of 88.53%, risk-free interest rate of 4.13% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $201,276 after a pro rata allocation of the fair value of the units' components.

The Company paid brokerage fees to an agent comprised of 1,412,465 compensation options which expire on December 28, 2009. The compensation options entitle the holder to subscribe for an equal number of units. Each unit comprises one common share and one purchase warrant. Each purchase warrant entitles the holder to subscribe for one common share of the Company at a price of $0.185 for a period of 24 months from closing

The fair value of the agent's compensation options was estimated using a binomial pricing model based on the following assumptions: dividend yield of 0%, volatility of 88.53%, risk-free interest rate of 4.13% and an expected life of two years. As a result, the fair value of the compensation options was estimated at $90,398.

(ii) In December 2007, the Company completed a private placement of 4,135,000 units at a price of $0.10 each for an aggregate amount of $413,500. Each unit comprised one common share and one purchase warrant. Each purchase warrant entitles the holder thereof to subscribe for one common share of the Company at a price of $0.15 for a period of 24 months from closing.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes model based on the following assumptions: dividend yield of 0%, volatility of 88.53%, risk-free interest rate of 4.13 % and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $99,240 after a pro rata allocation of the fair value of the units' components.

The Company paid brokerage fees to an agent comprised of 413,500 compensation options which expire on December 20, 2009. The compensation options entitle the holder to subscribe for an equal number of units. Each unit comprises one common share and one purchase warrant. Each purchase warrant entitles the holder to subscribe for one common share of the Company at a price of $0.15 for a period of 24 months from closing

The fair value of the agent's compensation options was estimated using a binomial pricing model based on the following assumptions dividend; yield of 0%, volatility of 88.53%, risk-free interest rate of 4.13% and an expected life of two years. As a result, the fair value of the compensation options was estimated at $28,532.

(iii) In October 2007, the Company completed a private placement of 10,000,000 units at a price of $0.05 each for an aggregate amount of $500,000. Each unit comprised one common share and one purchase warrant. Each purchase warrant entitles the holder thereof to subscribe for one common share of the Company at a price of $0.10 for a period of 24 months from closing.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes model based on the following assumptions: dividend yield of 0%, volatility of 112.06%, risk-free interest rate of 4.45 % and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $126,400 after a pro rata allocation of the fair value of the units' components.

(iv) In October 2007, the Company completed a private placement of 18,750,000 units at a price of $0.08 each for an aggregate amount of $1,500,000. Each unit comprised one flow-through common share and one-half purchase warrant. Each purchase warrant entitles the holder thereof to subscribe for one common share of the Company at a price of $0.12 for a period of 24 months from closing.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes model based on the following assumptions: dividend yield of 0%, volatility of 99.21%, risk-free interest rate of 4.45% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $196,875 after a pro rata allocation of the fair value of the units' components.

(v) In October 2007, the Company completed a private placement of 23,076,923 units at a price of $0.065 each for an aggregate amount of $1,500,000. Each unit comprised one common share and one purchase warrant. Each purchase warrant entitles the holder thereof to subscribe for one common share of the Company at a price of $0.10 for a period of 24 months from closing.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes model based on the following assumptions: dividend yield of 0%, volatility of 99.21%, risk-free interest rate of 4.45% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $392,308 after a pro rata allocation of the fair value of the units' components.

The Company paid brokerage fees to an agent comprised of 4,182,692 compensation options which expire on October 31, 2009. The compensation options entitle the holder to subscribe for an equal number of units. Each unit comprises one common share and one purchase warrant. Each purchase warrant entitles the holder to subscribe for one common share of the Company at a price of $0.10 for a period of 24 months from closing

The fair value of the agent's compensation options was estimated using a binomial pricing model based on the following assumptions dividend; yield of 0%, volatility of 99.21%, risk-free interest rate of 4.45% and an expected life of two years. As a result, the fair value of the compensation options was estimated at $172,673.

(vi) In August 2007, the Company issued an aggregate of 2,400,000 common shares from treasury at a price of $0.05 each, the fair value of common shares, in full and final settlement of a $120,000 lawsuit by former employees of a former subsidiary of the Company.

(vii) In July 2007, the Company completed a private placement of 1,000,000 units at a price of $0.05 each for an aggregate amount of $50,000. Each unit comprised one common share and one purchase warrant. Each purchase warrant entitles the holder thereof to subscribe for one common share of the Company at a price of $0.10 for a period of 24 months from closing.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes model based on the following assumptions: dividend yield of 0%, volatility of 78.74%, risk-free interest rate of 4.83% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $9,000 after a pro rata allocation of the fair value of the units' components.

(viii) In June 2007, the Company completed private placements of 1,500,000 units at a price of $0.05 each for an aggregate amount of $75,000. Each unit comprised one common share and one purchase warrant. Each purchase warrant entitles the holder to subscribe for one common share of the Company at a price of $0.10 for a period of 24 months from closing.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes model based on the following assumptions: dividend yield of 0%, volatility of 80.09%, risk-free interest rate of 4.51% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $13,500 after a pro rata allocation of the fair value of the units' components.

(ix) In 2007, the Company issued 490,250 units in payment of services rendered for an aggregate amount of $26,500. Each unit comprised one common share and one purchase warrant. Each purchase warrant entitles the holder to subscribe for one common share of the Company at a price of $0.10 for a period of 24 months from closing.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes model based on the following assumptions: dividend yield of 0%, average volatility of 87.71%, average risk-free interest rate of 4.70% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $5,499 after a pro rata allocation of the fair value of the units' components.

(x) In April 2007, the Company completed private placements of 5,000,000 units at a price of $0.05 each for an aggregate amount of $250,000. Each unit comprised one flow-through common share and one purchase warrant. Each purchase warrant entitles the holder to subscribe for one non flow-through common share of the Company at a price of $0.10 for a period of 24 months from closing.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes model based on the following assumptions: dividend yield of 0%, volatility of 77.90%, risk-free interest rate of 4.18% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $45,000 after a pro rata allocation of the fair value of the units'components.

The Company paid brokerage fees to an agent comprised an amount in cash of $12,500 and 250,000 common shares and 500,000 compensation options which expire on April 26, 2009. The compensation options entitle the holder to subscribe for an equal number of units. Each unit comprises one common share and one purchase warrant. Each purchase warrant entitles the holder to subscribe for one common share of the Company at a price of $0.05 for a period of 24 months from closing.

The fair value of the agent's compensation options was estimated using a binomial pricing model based on the following assumptions dividend; yield of 0%, volatility of 77.90%, risk-free interest rate of 4.18% and an expected life of two years. As a result, the fair value of the compensation options was estimated at $13,000.

(xi) In March 2007, the Company completed private placements of 11,200,000 units at a price of $0.05 each for an aggregate amount of $560,000. Each unit comprised one flow-through common share and one purchase warrant. Each purchase warrant entitles the holder to subscribe for one non flow-through common share of the Company at a price of $0.10 for a period of 24 months from closing. The Company paid brokerage fees to an agent comprised of an amount in cash of $28,000 and 500,000 common shares and 1,000,000 compensation options which expire on March 22, 2009. The compensation options entitle the holder to subscribe for an equal number of common shares at a price of $0.10 per share for a period of 24 months from closing.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes model based on the following assumptions: dividend yield of 0%, volatility of 82.00%, risk-free interest rate of 4.04% and an expected life of two years.

As a result, the fair value of the purchase warrants was estimated at $100,800 after a pro rata allocation of the fair value of the units' components. The fair value of the compensation options was estimated at $32,000.

The fair value of the agent's compensation options was estimated using a binomial pricing model based on the following assumptions dividend; yield of 0%, volatility of 82.00%, risk-free interest rate of 4.04% and an expected life of two years.

(xii) In February 2007, the Company acquired a 28.12% participating interest and a 2% NSR on a group of 61 claims adjoining the east side of the MacFadyen property. These minerals claims surround the De Beers claim that hosts the Uniform Pipe. The Company issued 842,100 units at an average price of $0.06 each for an aggregate amount of $50,525 and paid a finder's fee of 49,210 units at an average price of $0.06 each for an aggregate amount of $2,953. The transaction has been recorded at the fair value of the units given up at the date of the transaction. Each unit comprised one common share and one purchase warrant; each warrant entitles the holder to subscribe for one common share of the Company at a price of $0.10 for a period of 24 months from closing.

The fair value of the purchase warrants included in the units was estimated using the Black-Scholes model based on the following assumptions: dividend yield of 0%, volatility of 78.74%, risk-free interest rate of 4.23% and an expected life of two years. As a result, the fair value of the purchase warrants was estimated at $10,947 and $640 after a pro rata allocation of the fair value of the units'components.

8 Warrants and compensation options

Changes in the Company's outstanding common share purchase warrants and compensation options were as follows:

	Three month period ended March 31, 2008			Year ended December 31, 2007		
	Warrants	**Compensation options**	**Amount $**	**Warrants**	**Compensation options**	**Amount $**
Issued						
Balance – Beginning of period	91,830,808	7,987,157	1,723,358	25,042,500	478,500	255,579
Issued as part of private placement of units (note 7) (i)(ii)(iii)(iv)(v)(vii) (viii)(x)(xi)(xiii)(xiv)(xvi)	-	-	-	72,349,248	-	1,184,399
Issued as part of private placement of units (note 7) (xiii)(xiv)(xv)(xvi)	-	-	-	-	-	-
Issued for acquisition of mining assets (note 7) (xii)	-	-	-	842,100	-	10,947
Agent's remuneration (note 7)(i)(ii)	-	-	-	49,210	-	640
(v)(x)(xi)				-	7,508,657	336,603
Issued for consulting fees (ix)	-		-	490,250	-	5,499
Exercised	(500,000)	(296,000)	(17,432)	(4,400,000)		(43,800)
Expired	(12,300,000)	(478,500)	(132,570)	(2,542,500)	-	(26,509)
Balance – End of period	79,030,808	7,212,657	1,573,356	91,830,808	7,987,157	1,723,358

Outstanding common share purchase warrants and compensation options entitle their holders to subscribe for an equivalent number of common shares.

A summary of the Company's outstanding warrants and compensation options as at March 31, 2008 is presented below:

Number of warrants	Compensation options	Exercise price $	Expiry date
5,500,000	-	0.10	December 2008
891,310	-	0.10	February 2009
11,000,000	1,000,000	0.10	March 2009
5,172,250	500,000	0.10/0.05	April 2009
1,500,000	-	0.10	June 2009
1,106,000	-	0.10	July 2009
106,000	-	0.10	August 2009
6,706,000	-	0.10	September 2009
26,476,923	3,886,692	0.10	October 2009
9,375,000	-	0.12	October 2009
4,135,000	413,500	0.15	December 2009
7,062,325	1,412,465	0.18/0.185	December 2009
79,030,808	7,212,657		

9 Stock option plan

The Company maintains a stock option plan (the "Plan") whereby the Board of Directors may from time to time grant to employees, officers, directors and consultants of the Company or any subsidiary thereof options to acquire common shares in such numbers, for such terms and at such exercise prices as may be determined by the Board, provided that the exercise price may not be lower than the market price of the common shares at the time of the grant of the options.

As at March 31, 2008, the Plan provides (i) that the maximum number of common shares that may be reserved for issuance under the Plan shall be equal to 26,280,000 common shares (as at December 31, 2007 – 24,400,000); (ii) that the maximum number of common shares which may be reserved for issuance to any one optionee pursuant to a share option may not exceed 5% of the common shares outstanding at the time of the grant; and (iii) that the maximum number of common shares that may be reserved for issuance to insiders of the Company is limited to 10% of the common shares outstanding at the time of the grant.

Options vest over an 18-month period: 25% at the date of the grant and 12.5% in each of the following six quarters. Options granted must be exercised over a period no longer than five years after the date of grant, and they are not transferable.

A summary of changes in the Company's stock options outstanding is presented below:

Options at a fixed price

	Three month period ended March 31, 3008 (unaudited)		Year ended December 31, 2007 (audited)	
	Number of shares	**Average exercise price $**	**Number of shares**	**Average exercise price $**
Balance – Beginning of period	23,881,080	0.11	14,198,000	0.11
Granted	2,391,600	0.10	11,310,000	0.11
Exercised (note 7)	-	-	(60,420)	0.10
Cancelled or expired	(236,100)	0.15	(1,566,500)	0.15
Balance – End of period	26,036,850	0.11	23,881,080	0.11

The following table summarizes information about options outstanding and exercisable as at March 31, 2008:

		Outstanding options	Exercisable options
Exercise price $	**Number of options**	**Average contractual life (in years)**	
0.10	17,260,180	3.83	13,067,730
0.12	6,740,500	3.80	3,140,500
0.15	2,035,900	1.61	1,723,400
	26,036,580		17,931,630

Total stock compensation costs for the period ended March 31, 2008 amounted to $221,539 (March 31, 2007 (unaudited) - $15,126).

The fair value of the options granted in 2008 and 2007 was estimated using the Black-Scholes option pricing model based on the following assumptions:

	Three month period ended March 31, 3008 (unaudited)	Year ended December 31, 2007 (audited)
Average dividend per share	Nil	Nil
Estimated volatility	82%	82%
Risk-free interest rate	4.28%	4.54%
Expected life of the options granted	5 years	5 years
Weighted average of estimated fair value of each option granted	$0.068	$0.062

10 Contributed surplus

	Three month period ended March 31, 3008 (unaudited)	Year ended December 31, 2007 (audited)
Balance – Beginning of period	1,996,508	1,505,028
Stock compensation costs (note 9)	221,539	466,432
Expiry of warrants (note 8)	132,570	26,509
Exercise of options (note 9)	-	(1,461)
Balance – End of period	2,368,049	1,996,508

11 Accumulated other comprehensive income (loss)

	Three month period ended March 31, 3008 (unaudited)	Year ended December 31, 2007 (audited)
	$	$
Accumulated latent loss on temporary investment Beginning of period	(36,364)	-
Modification following the adoption of Section 3855 "Financial instruments" (note 3 (a))	-	46,350
Latent loss on temporary investments available for sale	(9,848)	(82,714)
Accumulated latent loss on temporary investment End of period	(46,212)	(36,364)

12 Related party transactions

(a) Related party transactions occurred in the normal course of business and were recorded at the exchange value, reflecting the consideration determined and agreed to by the parties. The Company is related to Diagem Inc. (''Diagem'') and to St.Genevieve Resources Ltd. (''St.Genevieve'') as a result of the two companies sharing the services of two directors for Diagem and two officers and one director for St.Genevieve.

(i) In 2008, the Company and Diagem shared offices and management and personnel services. The expenses are currently charged by one of the under tenant. The Company charged to Diagem as at March 31, 2007 (unaudited) - $11,661 for its share of these expenses, of which an amount remain receivable at March 31, 2007 (unaudited) - $8,298. Charges were made at cost which represents the exchange value of the transactions.

(ii) In 2008, the Company and St. Geneviève shared offices and management and personnel services. The expenses are currently charged by one of the under tenant. The Company charged to St. Geneviève as at March 31, 2007 (unaudited) - $21,855 for its share of these expenses, of which an amount remain receivable at March 31, 2007 (unaudited) - $19,275). Charges were made at cost which represents the exchange value of the transactions.

(iii) In 2008, officers and companies controlled by officers were paid consulting fees totaling $22,672 (March 31, 2007 (unaudited) – $25,955) of which $8,409 remained payable at March 31, 2008 (March 31, 2007 (unaudited) - $14,634) and directors of the Company and a company controlled by a director of the Company were paid $15,000 (March 31, 2007 (unaudited) - $15,000) for professional consulting services.

13 Financial instruments

Fair value

The carrying amounts of cash and cash equivalents, accounts receivable and payables and accruals are a reasonable estimate of their fair values because of the short term to maturity of these instruments. For temporary investments refer to note 5.

Interest rate risk

The Company is not exposed to significant interest or credit risk arising from these financial instruments. Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are non-interest bearing.

14 Commitment

In early 2008, the Company and two co signatories (the “Original Lessees”) subleased the premises for the last year of the original lease. The Original Lessees remain jointly responsible until the expiry of the original lease in February 2009.

15 Subsequent events

On April 28, 2008, the Company completed the sale of the five diamond group claims, McFadyen Kimberlites, Pele claims, Uniform Surround claims, Kyle Joint venture claims and Wawa joint venture claims to its wholly owned subsidiary Debut Diamond Inc. (‘’DDI’’) for a nominal value of 7$ million. DDI issued to the Company 35 million common shares at $0.20 and 35 million warrants each entitles the holder to purchase one DDI common share at $0.30 until April 1, 2009.

16 Comparative figures

Certain comparative figures have been reclassified to conform to the current year presentation.