

CHAPLEAU RESOURCES LTD.
(An Exploration Stage Company)

Consolidated Financial Statements

For the years ended
November 15, 2007 and 2006

Contents

Auditors' Report	2
Consolidated Financial Statements	
Consolidated Balance Sheets	3
Consolidated Statements of Operations	4
Consolidated Statements of Cash Flows	5
Consolidated Statements of Changes in Shareholders' Equity	6
Consolidated Statements of Comprehensive Income	7
Summary of Significant Accounting Policies	8 - 15
Notes to Consolidated Financial Statements	16 - 32



BDO Dunwoody LLP
Chartered Accountants

600 Cathedral Place
925 West Georgia Street
Vancouver, BC, Canada V6C 3L2
Telephone: (604) 688-5421
Telefax: (604) 688-5132
E-mail: vancouver@bdo.ca
www.bdo.ca

Auditors' Report

To the Shareholders of
Chapleau Resources Ltd.

We have audited the consolidated balance sheets of Chapleau Resources Ltd. (an exploration stage company) as at November 15, 2007 and 2006 and the consolidated statements of operations, cash flows, changes in shareholders' equity and comprehensive loss for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 15, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Dunwoody LLP"

Chartered Accountants

Vancouver, British Columbia
February 26, 2008

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Consolidated Balance Sheets

As at November 15	2007	2006
Assets		
Current assets		
Cash	\$ 962,966	\$ 874,726
Receivables	32,084	27,642
Prepaid expenses	67,622	31,831
	1,062,672	934,199
Reclamation bond (Note 2)	25,000	25,000
Investments (Note 1)	13,208,325	2,102,201
Mineral properties and deferred exploration costs (Note 3)	8,203,689	6,502,455
Deposit on exploration contract	-	130,412
Equipment (Note 4)	120,681	60,306
	\$22,620,367	\$9,754,573
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 335,556	\$ 415,904
Deposits on subscriptions	-	342,450
	335,556	758,354
Shareholders' equity		
Capital stock (Note 5)	34,665,867	32,837,422
Contributed surplus	6,307,202	5,957,588
Deficit accumulated in the exploration stage	(30,465,060)	(29,798,791)
Accumulated other comprehensive income		
- unrealized gains on available-for-sale-securities	11,776,802	-
	22,284,811	8,996,219
	\$22,620,367	\$9,754,573

Approved by the Board:

“Eric Wiltzen”
Eric Wiltzen, Director

“Jim Stypula”
Jim Stypula, Director

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Consolidated Statements of Operations

Years ended November 15	2007	2006
Administration expenses		
Accounting and auditing	\$ 144,752	\$ 126,356
Amortization	33,122	13,319
Consulting (Note 9)	144,005	137,822
Foreign exchange loss	66,671	26,899
Insurance	59,456	31,702
Legal	165,893	180,700
Management fees (Note 9)	133,750	135,000
Office and miscellaneous (Note 8)	201,468	163,359
Rent	31,642	33,177
Transfer agent and filing fees	34,320	43,855
Vehicle and travel	53,796	60,896
Wages and employee benefits (Note 8)	526,723	430,399
	1,595,598	1,383,484
Exploration		
Exploration	10,973	21,844
Mineral properties and deferred exploration costs written off (Note 3)	3,626,236	2,510,763
	3,637,209	2,532,607
Loss from operations	(5,232,807)	(3,916,091)
Other income		
Interest income	28,278	2,421
Realized gain on sale of investment (Note 1)	4,538,260	1,919,671
Insurance settlement proceeds	-	114,011
	4,566,538	2,036,103
Net loss for the year	\$ (666,269)	\$ (1,879,988)
Basic and diluted loss per share	\$ (0.01)	\$ (0.03)
Weighted average shares outstanding	82,984,799	76,388,228

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Consolidated Statements of Cash Flows

Years ended November 15	2007	2006
Cash provided by (used in)		
Operating		
Net loss for the year	\$ (666,269)	\$ (1,879,988)
Adjustments to reconcile net loss to cash used in operating activities		
Amortization	33,122	13,319
Stock-based compensation (Note 8)	349,614	316,348
Realized gain on sale of investment	(4,538,260)	(1,919,671)
Mineral properties and deferred exploration costs written off	3,626,236	2,510,763
Change in non-cash operating working capital:		
Receivables	(4,442)	(17,668)
Deposit	130,412	(137,992)
Prepaid expenses	(35,791)	39,933
Accounts payable and accrued liabilities	(80,348)	290,541
	(1,185,726)	(784,415)
Financing		
Capital stock issued	1,360,000	1,943,832
Deposits on subscriptions	(342,450)	342,450
	1,017,550	2,286,282
Investing		
Purchase of equipment	(93,497)	(60,176)
Proceeds from sale of investment	5,238,938	2,169,781
Purchase of investment	(30,000)	-
Mineral properties and deferred exploration costs	(4,859,025)	(3,188,619)
	256,416	(1,079,014)
Increase in cash	88,240	422,853
Cash, beginning of year	874,726	451,873
Cash, end of year	\$ 962,966	\$ 874,726
Supplementary Cash Flow Information		
Non-cash investing and financing activities:		
Stock-based compensation (Note 8)	\$ 349,614	\$ 316,348
Issuance of common shares for mineral property payments (Note 3)	\$ 468,445	\$ 377,250
Interest paid	\$ 2,584	\$ 11,485
Taxes paid	\$ 5,002	\$ 20,697

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Consolidated Statements of Changes in Shareholders' Equity For years ended November 15, 2007 and 2006

	Common stock		Contributed Surplus	Accumulated Other Comprehensive Income	Accumulated Deficit	Total
	Shares	Amount				
	#	\$	\$	\$	\$	\$
Balance - November 15, 2005	75,533,900	30,516,340	5,641,240	-	(27,918,803)	8,238,777
Exercise of warrants (Note 5)	3,496,664	1,748,332	-	-	-	1,748,332
Exercise of warrants (Note 5)	50,000	15,500	-	-	-	15,500
Exercise of stock options	600,000	180,000	-	-	-	180,000
Issuance in exchange for properties (Note 3)	940,000	352,500	-	-	-	352,500
Issuance for property finders' fees (Note 3)	75,000	24,750	-	-	-	24,750
Stock based compensation (Note 8)	-	-	316,348	-	-	316,348
Net loss for the year	-	-	-	-	(1,879,988)	(1,879,988)
Balance - November 15, 2006	80,695,564	32,837,422	5,957,588	-	(29,798,791)	8,996,219
Effect of adoption of financial instrument standards ^{*1}	-	-	-	13,612,101	-	13,612,101
Unrealized gains on available-for-sale investments	-	-	-	2,702,961	-	2,702,961
Reclassification of realized gains on sale of investments	-	-	-	(4,538,260)	-	(4,538,260)
Private placement (Note 5)	1,538,461	1,000,000	-	-	-	1,000,000
Exercise of warrants (Note 5)	1,500,000	360,000	-	-	-	360,000
Issuance in exchange for properties (Note 3)	1,005,556	436,945	-	-	-	436,945
Issuance of property finders' fees (Note 3)	75,000	31,500	-	-	-	31,500
Stock based compensation (Note 8)	-	-	349,614	-	-	349,614
Net loss for the year	-	-	-	-	(666,269)	(666,269)
Balance - November 15, 2007	84,814,581	34,665,867	6,307,202	11,776,802	(30,465,060)	22,284,811

*1 – See Summary of Significant Accounting Policies, “Change in Accounting Policy” (d).

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Consolidated Statements of Comprehensive Loss

Years ended November 15	2007	2006
Net loss for the year	\$ (666,269)	\$ (1,879,988)
Unrealized gain on investments	2,702,961	-
Reclassification of realized gain on investments	(4,538,260)	-
Total comprehensive loss	\$ (2,501,568)	\$ (1,879,988)

The accompanying summary of significant accounting policies and notes are an integral part of these consolidated financial statements

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Summary of Significant Accounting Policies

Years ended November 15, 2007 and 2006

Nature of business and ability to continue as a going concern

Chapleau Resources Ltd. is engaged in the mining industry at the exploration stage. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown as mineral properties and deferred exploration costs and the Company's continued viability are dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties, future profitable production, or proceeds from disposition of its mineral properties.

These consolidated financial statements have been prepared using accounting principles generally accepted in Canada applicable to a "going concern",

For the year ended November 15, 2007, the Company had a net loss of \$666,269 and an accumulated deficit of \$30,465,060. In addition, due to the nature of the mining business, the acquisition, exploration and development of mineral properties require significant expenditures prior to the commencement of production. To date, the Company has financed its activities through the sale of equity instruments and sale of investments. The Company expects to use similar financing techniques in the future and is actively pursuing such additional sources of financing.

Although there is no assurance we will be successful in these actions, management believes they will be able to secure the necessary financing to enable the Company to continue as a going concern. Accordingly, these financial statements do not reflect adjustments to the carrying value of assets and liabilities, and the reported revenues and expenses and balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

Basis of Consolidation

These financial statements are prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and its wholly-owned subsidiaries Chapleau Resources (USA) Ltd., Minera Chapleau Argentina SA, Chapleau Exploracao Mineral Ltda. and Chapleau Resources Peru SAC. All inter-company balances and transactions are eliminated on consolidation.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Summary of Significant Accounting Policies

Years ended November 15, 2007 and 2006

Change in Accounting Policy - Financial Instruments

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments - Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods are not restated. The Company has adopted these new standards effective November 16, 2006.

(a) Financial instruments - recognition and measurement,

All financial instruments are classified into one of the following five categories: held-for-trading, held to maturity, loans and receivables, available for sale financial assets, or 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. Amortization of premiums or discounts and transaction costs are amortized into net earnings (loss), using the effective interest method.
- Available for sale financial assets are measured at fair value, with unrealized gains and losses recorded in other comprehensive income until the asset is realized, at which time they will be recorded in net earnings.
- Held for trading financial instruments is measured at fair value. All gains and losses resulting from changes in their fair value are included in the statement of operations in the period in which they arise.

In accordance with this new standard, the Company has classified its financial instruments as follows:

- Receivables are classified as loans and receivables. They are recorded at cost, which on initial recognition represents their fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.
- Accounts payable and accrued liabilities, convertible debentures and derivatives are classified as other liabilities. They are initially measured at fair value. Subsequent valuations are recorded at amortized cost using the effective interest method.
- Investments are classified as available-for-sale. They are recorded at fair value and adjusted on each balance sheet date with unrecognized gains or losses being recognized as other comprehensive income until recognized.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Summary of Significant Accounting Policies

Years ended November 15, 2007 and 2006

Change in Accounting Policy - Financial Instruments (continued)

(c) Comprehensive income (loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

(c) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

(d) Impact upon adoption of Sections 1530, 3855 and 3865

The primary impact on the consolidated financial statements resulting from the adoption of sections 1530 and 3855 is as follows:

- i) The Company's investments are classified as "available-for-sale" and are measured at fair value. Changes in fair value are recognized in other comprehensive income until their disposition, at which time they are transferred to net income. Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange and for which no sales restrictions apply are recorded at values based on the current bid prices.

The Company's investments in equity securities that do not have a quoted market price in an active market are not readily determinable and are measured at cost.

Consistent with the requirements of the new accounting standards, the Company has not restated any prior period amounts as a result of adopting the accounting changes. The adoption of this standard resulted in an increase of the opening accumulated other comprehensive income at November 16, 2006 of \$13,612,101

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Summary of Significant Accounting Policies

Years ended November 15, 2007 and 2006

Change in Accounting Policy - Financial Instruments (continued)

- representing a fair value adjustment to the value of the investments securities, which has been recorded in the current year consolidated financial statements.
- ii) The carrying amount of cash, receivables, reclamation bond, accounts payable and accrued liabilities and deposits on subscriptions approximate their fair value due to their short term nature.
 - iii) The Company has evaluated the impact of section 3865 on its consolidated financial statements and determined that no adjustments are currently required.

Investments

The Company's marketable securities are classified as "available-for-sale" and are measured at fair value. Changes in fair value are recognized in other comprehensive income until their disposition, at which time they are transferred to net income. Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange and for which no sales restrictions apply are recorded at values based on the current bid prices.

The Company's investments in equity securities that do not have a quoted market price in an active market are measured at cost.

Mineral properties and deferred exploration costs

Costs relating to the acquisition and exploration of mineral properties, including option payments, are deferred until the properties are placed into commercial production, at which time they are amortized over the estimated useful life of the property on a unit-of-production basis using proven and probable reserves, or until the properties are sold, held-for-sale, abandoned or management determines that the mineral property is not economically viable, at which time the unrecoverable deferred costs are written off. In the absence of established mineral reserves, the Company does not have a basis for preparing a projection of the estimated future net cash flow from the properties. Events or circumstances that would signal a possible impairment include undue delays in exploration, unfavourable changes in the property or project economics, an inability to access the site, and environmental restriction on development. An impairment loss is measured as the amount by which the carrying value exceeds its fair value.

BC mining exploration tax credits reduce exploration expenditures and amounts accrued are a best estimate of the amounts recoverable. Such amounts could change when subject to Canada Revenue Agency audit. At November 15, 2006, the Company had written off these tax credits relating to the unrecoverable mineral properties and deferred exploration costs.

Where the Company has entered into option agreements to acquire interests in mineral properties that provide for periodic payments or periodic share issuances, amounts unpaid and unissued are not recorded as liabilities since they are payable and issuable entirely at the

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Company's option. Option payments are recorded as mineral property costs when the payments are made or received and the share issuances are recorded as mineral property costs using the fair market

Summary of Significant Accounting Policies

Years ended November 15, 2007 and 2006

Mineral properties and deferred exploration costs (continued)

value of the Company's common shares at the date the counterparty's performance is complete or the issuance date, whichever is more determinable.

Revenue incidental to exploration and development activities, including proceeds on sale of properties and amounts received from third parties to earn an interest in the Company's mineral properties are applied as a reduction of the mineral property and deferred exploration costs.

Equipment

Equipment is stated at cost. Amortization is provided using the following rates on a diminishing balance basis. One-half the rate is taken in the year of acquisition:

Computer equipment	55%, 45% and 30%
Automotive equipment	30%
Equipment and furnishings	20%

Stock-based compensation

The Company has a stock-based compensation plan, which is described in Note 8. The Company accounts for its grants under this plan in accordance with the fair value based method of accounting for stock-based compensation. The fair value of stock-based payments that vest over a service period, are periodically re-measured until counterparty performance is completed, and any change therein is recognized over the service period. The cost of stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. Compensation costs are charged to the Consolidated Statements of Operations and Deficit or capitalized to deferred exploration costs, depending on the nature of the award. The Company uses the Black-Scholes option pricing model to determine fair value of options granted.

Translation of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the end of the year. Income and expense items and non-monetary assets are translated at rates prevailing when the transaction occurred. Realized and unrealized foreign exchange gains and losses are included in the determination of net earnings.

Income taxes

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

The Company follows the asset and liability method of accounting for income taxes whereby future tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future tax assets and liabilities are measured using enacted or substantially enacted rates expected to apply when the asset is realized or the liability settled.

Summary of Significant Accounting Policies

Years ended November 15, 2007 and 2006

Asset Retirement Obligations

The Company accounts for any asset retirement obligations in accordance with the CICA Handbook Section 3110, "Asset Retirement Obligations", which establishes standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at November 15, 2007 and 2006, the Company has not incurred significant asset retirement obligations related to its mineral exploration properties.

Loss per share

Basic loss per share is computed by dividing net loss by the weighted average shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period.

Common equivalent shares (consisting of shares issuable on exercise of stock options and warrants) totaling 23,823,461 (2006 – 22,900,000) were not included in the computation of diluted earnings per share because the effect was anti-dilutive.

Comparative amounts

Certain comparative amounts presented in the financial statements have been restated to conform to the current year's presentation

Segmented Information

The Company has determined that it has one business segment, the exploration and development of mineral properties. Information by geographical area is disclosed in Note 3.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Summary of Significant Accounting Policies

Years ended November 15, 2007 and 2006

Financial Instruments

The Company carries several financial instruments. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments.

The Company is exposed to foreign currency risk on fluctuations related to cash, receivables and accounts payable and accrued liabilities that are denominated in Argentine Pesos (ARS), Brazilian Reals (R), Peruvian New Sols (S) and US Dollars (US).

At the year end, balances denominated in ARS, R and S amounted to:

	2007		2006	
Cash and receivables	\$	260,952	\$	221,396
Accounts payable and accrued liabilities	\$	242,551	\$	149,288

At the year end, balances denominated in US amounted to:

	2007		2006	
Cash and receivables	\$	34,565	\$	3,719
Accounts payable and accrued liabilities	\$	22,328	\$	183,438

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenses during the period. Actual results could differ from those estimates. Significant estimates include the estimated useful lives of long-lived assets, the recoverability of mineral properties and deferred exploration costs, fair value of long-term investments, assessment of asset retirement obligations, valuation allowance on future income taxes, and estimates used in calculating stock-based compensation expense.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Summary of Significant Accounting Policies

Years ended November 15, 2007 and 2006

Future accounting changes:

(a) Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These standards are effective for interim and annual consolidated financial statements for the Company's reporting period beginning on October 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its 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 Company is currently assessing the impact of these new accounting standards on its financial statements.

(b) Accounting changes

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

(c) International Financial Reporting Standards

The Canadian Institute of Chartered Accountants ("CICA") plans to converge Canadian Generally Accepted Accounting Principles with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has yet to be determined.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

1. Available-for-sale investments

	2007		2006	
	Market	Cost	Market	Cost
Far West Mining Ltd. (a)	\$13,128,325	\$1,350,342	\$15,664,302	\$2,052,201
Aztec Metals Corp. (b)	80,000	80,000	50,000	50,000
	\$13,208,325	\$1,430,342	\$15,714,302	\$2,102,201

- (a) At November 15, 2007, the Company owned 2,679,250 (2006 – 4,068,650) shares of Far West Mining Ltd. The Company's investment represents a 5% (2006 - 8%) ownership of Far West's issued and outstanding shares. The Company shares a common director with Far West, a company listed on the Toronto Stock Exchange.

As a result of the Company's adoption of the Canadian Institute of Chartered Accountants Handbook Section 3855 "Financial Instruments - Recognition and Measurement" and Section 1530 "Comprehensive Income", effective November 16, 2006 the Company has recorded the investment at fair value. Fair value is determined by multiplying the market price of the common shares owned on the balance sheet date by the number of shares held (see Summary of Significant Accounting Policies).

The quoted market prices of the shares of Far West Mining Ltd. at November 15, 2007 and 2006 were \$4.90 and \$3.85, respectively.

During the year ended November 15, 2007, the Company sold 1,389,400 (2006 - 509,300) Far West shares for net proceeds of \$5,238,938 (2006 - \$2,169,781) which resulted in a recognition of a gain on sale of \$4,538,260 (2006 - \$1,919,671) in the Consolidated Statements of Operations.

Subsequent to November 15, 2007, an additional 52,700 Far West shares were sold at a price between \$3.60 and \$4.15 per share for total proceeds of \$199,508.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

1. Available for sale investments (continued)

(b) At November 15, 2007, the Company held 850,000 (2006 - 600,000) common shares of Aztec Metals Corp. In 2002, the Company wrote off the carrying value (\$200,000) relating to 100,000 shares it holds. On August 8, 2005, the Company purchased 500,000 units of Aztec Metals Corp. (formerly Minera Aztec Silver Corp.), a private corporation, for \$50,000. Each unit consisted of one common share and one-half of one warrant. On May 9, 2007, all warrants were exercised to purchase 250,000 common shares at \$0.12, for a total cost of \$30,000.

The fair value for this investment is not readily determinable, therefore the investment continues to be carried at cost.

2. Reclamation Bond

As required under the Mines Act of British Columbia, the Company has posted a \$25,000 Reclamation Bond in favour of the Ministry of Energy and Mines. These restricted funds are invested in a term deposit at an interest rate of 3.1% per annum, maturing on September 22, 2008.

3. Mineral properties and deferred exploration costs

Properties

	Balance November 15, 2006	Option payments during the year	Expenditures during the year	Written-off during the year	Balance November 15, 2007
Patty, NV	\$ 3,203,164	\$ -	\$ 97	\$ -	\$ 3,203,261
La Pampa, Argentina	1,611,499	-	21,951	(1,633,450)	-
San Javier, Bolivia	-	-	11,341	(11,341)	-
Madryn Rift, Argentina	-	-	10,262	(10,262)	-
Courageous Lake, NWT	132,557	-	-	(132,557)	-
Mato Velho, Brazil	495,300	355,045	1,162,755	-	2,013,100
Cajueiro and Nova Canaa, Brazil	597,517	-	1,241,109	(1,838,626)	-
Los Suenos, Brazil	60,422	66,000	151,849	-	278,271
Coringa, Brazil	401,996	428,697	1,437,793	-	2,268,486
La Yegua, Peru	-	24,445	203,225	-	227,670
Cabeça Sul, Brazil	-	-	212,901	-	212,901
	\$ 6,502,455	\$ 874,187	\$ 4,453,283	\$(3,626,236)	\$ 8,203,689

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

3. Mineral properties and deferred exploration costs (continued)

	Balance November 15, 2005	Option payments during the year	Expenditures during the year	Written-off during the year	Balance November 15, 2006
Zinger, BC	\$ 429,274	\$ -	\$ 200	\$ (429,474)	\$ -
Cruz, BC	552,549	-	-	(552,549)	-
Horsefly, BC	-	-	1,320	(1,320)	-
Patty, NV	3,128,987	-	74,177	-	3,203,164
La Pampa Copper, Argentina	764,312	-	847,187	-	1,611,499
San Javier, Bolivia	394,168	117,000	391,064	(902,232)	-
Madryn Rift, Argentina	260,206	15,500	431,629	(707,335)	-
Courageous Lake, NWT	-	-	132,557	-	132,557
Mato Vehlo, Brazil	-	133,398	361,902	-	495,300
Cajueiro and Nova Canaa, Brazil	-	89,520	507,997	-	597,517
Los Suenos, Brazil	-	27,729	32,693	-	60,422
Coringa, Brazil	-	361,179	40,817	-	401,996
	5,529,496	744,326	2,821,543	(2,592,910)	6,502,455
Less BC mining exploration tax credits (82,147)				82,147	-
	\$ 5,447,349	\$ 744,326	\$ 2,821,543	\$(2,510,763)	\$ 6,502,455

Option payments

During the year ended November 15, 2007, the Company made option payments as follows:

On December 11, 2006, the Company made a cash payment of US\$50,000 (CAD \$57,459) towards an option payment due on or before May 19, 2007 on the Mato Velho property.

On March 30, 2007, the Company made a US\$20,000 (CAD\$24,445) option payment on the La Yegua property. The payment consisted of the issuance of 55,556 shares valued at \$24,445 based on the trading price of the Company's common shares on the date of issuance of \$0.44 per share.

On May 7, 2007, the Company made a cash payment of US\$80,000 (CAD \$88,816) towards an option payment due on or before May 19, 2007 on the Mato Velho property.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

3. Mineral properties and deferred exploration costs (continued)

On May 30, 2007, the Company made a \$66,000 option payment on the Los Suenos property. The payment consisted of the issuance of 150,000 shares valued at \$66,000 based on the trading price of the Company's common shares on the date of issuance of \$0.44 per share.

On August 9, 2007, the Company made a \$189,000 option payment on the Coringa property. The payment consisted of the issuance of 450,000 shares valued at \$189,000 based on the trading price of the Company's common shares on the date of issuance of \$0.42 per share.

On August 14, 2007, the Company made cash payments totaling US\$230,000 (CAD \$239,697) for an option payment on the Coringa property.

On September 17, 2007, the Company made a cash payment of US\$50,000 (CAD \$51,270) for an option payment on the Mato Velho property.

On September 19, 2007, the Company made a \$157,500 option payment on the Mato Velho property. The payment consisted of the issuance of 350,000 shares valued at \$157,500 based on the trading price of the Company's common shares on the date of issuance of \$0.45 per share.

During the year ended November 15, 2006, the Company made option payments as follows:

On December 6, 2005, the Company made a \$15,500 option payment on the Madryn Rift property. The payment consisted of the issuance of 50,000 shares valued at \$15,500 based on the trading price of the Company's common shares on the date of issuance of \$0.31 per share.

On February 21, 2006, the Company made a \$117,000 option payment on the San Javier property. The payment consisted of the issuance of 390,000 shares valued at \$117,000 based on the trading price of the Company's common shares on the date of issuance of \$0.30 per share.

On June 6, 2006, the Company made a \$27,729 option payment on the Los Suenos property. The payment consisted of one \$11,229 cash payment and the issuance of 50,000 shares valued at \$16,500 based on the trading price of the Company's common shares on the property agreement date of March 14, 2006 of \$0.33 per share.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

3. Mineral properties and deferred exploration costs (continued)

On August 30, 2006, the Company made a \$133,398 option payment on the Mato Velho property. The payment consisted of one \$67,398 cash payment and the issuance of 200,000 shares valued at \$66,000 based on the trading price of the Company's common shares on the property agreement date of March 14, 2006 of \$0.33 per share.

On September 15, 2006, the Company made a \$361,179 option payment on the Coringa property. The payment consisted of one \$223,679 cash payment and the issuance of 250,000 shares valued at \$137,500 based on the trading price of the Company's common shares on the property agreement date of August 8, 2006 of \$0.55 per share.

During the 2006 year end, the Company made cash payments totaling \$89,520 in respect of option payments on the Cajueiro and Nova Canaa property.

Mineral properties and deferred exploration costs written off

During the year ended November 15, 2007, the Company determined that \$3,626,236 in deferred costs related to five properties (2006 – \$2,510,763 related to five properties) were unrecoverable and in accordance with the Company's accounting policies, those costs were written off.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

3. Mineral properties and deferred exploration costs (continued)

Detail of expenditures during the year

Additions during the year	Patty NV, USA	La Pampa Argentina	San Javier Bolivia	Madryn Rift Argentina	Mato Velho Brazil	Cajueiro/Nova Canaa, Brazil
Drilling	\$ 97	\$ -	\$ -	\$ -	\$ 470,590	\$ 673,124
Geochemical	-	-	-	-	-	-
Geology	-	14,533	-	10,262	601,133	534,308
Geophysics	-	-	-	-	50,655	-
Staking	-	-	-	-	-	-
Reclamation	-	-	-	-	-	-
Environmental	-	7,293	-	-	-	-
Tenure payments	-	125	11,341	-	8,877	33,677
Finders' fees (1)	-	-	-	-	31,500	-
	\$ 97	\$ 21,951	\$ 11,341	\$ 10,262	\$ 1,162,755	\$ 1,241,109

Additions during the period (cont'd)	Los Suenos Brazil	Coringa Brazil	La Yegua Peru	Cabeca Sul Brazil	2007	2006
Drilling	\$ -	\$ 587,678	\$ 24,879	\$ 5,176	\$ 1,761,544	\$ 1,445,806
Geochemical	-	-	-	-	-	-
Geology	143,211	706,640	140,646	206,748	2,357,481	1,257,340
Geophysics	-	96,978	22,320	-	169,953	1,320
Staking	-	-	-	-	-	-
Reclamation	-	-	-	-	-	3,981
Environmental	-	-	-	-	7,293	32,436
Tenure payments	8,638	46,497	15,380	977	125,512	55,910
Finders' fees (1)	-	-	-	-	31,500	24,750
	\$151,849	\$1,437,793	\$ 203,225	\$ 212,901	\$4,453,283	\$ 2,821,543

(1) On May 17, 2007, the Company made finders' fee payments on the Mato Velho property. The payments consisted of the issuance of 75,000 shares valued at \$31,500 based on the trading price of the Company's common shares at the issue date of \$0.42 per share.

During the year ended November 15, 2006, the Company made finders' fee payments on the Mato Velho property. The payments consisted of the issuance of 75,000 shares valued at \$24,750 based on the trading price of the Company's common shares at the finders' fee agreement date of March 14, 2006 of \$0.33 per share.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

3. Mineral properties and deferred exploration costs (continued)

SUMMARY OF PROPERTY AGREEMENTS:

Patty (formerly Indian Ranch), Nevada

On March 26, 2003, the Company and US Gold Corporation (formerly White Knight Resources Ltd.), holding 25% and 75% undivided interests in the property, respectively, entered into an agreement with Barrick Gold Corp. (formerly Placer Dome U.S. Inc.) ("Barrick"). Under the terms of the agreement, Barrick can earn a 60% undivided interest in the property by expending a total of US\$2,000,000 over a four year period as follows:

- a) US\$100,000 during the period of March 26, 2003 through March 25, 2004;
- b) US\$300,000 during the period of March 26, 2004 through March 25, 2005;
- c) US\$600,000 during the period of March 26, 2005 through March 25, 2006; and
- d) US\$1,000,000 during the period of March 26, 2006 through March 25, 2007.

During fiscal 2006, Barrick earned the right to the 60% undivided interest in property by meeting the above terms of the agreement; reducing the Company's holding to 10%.

Upon vesting its 60% ownership, Barrick can elect to earn an additional 15% by financing a feasibility study on the property.

La Pampa, Argentina

During the year ended November 15, 2007, the Company abandoned its interest in the mineral claims known collectively as the La Pampa Copper-Gold Project in Argentina. In accordance with the Company's accounting policy for deferred exploration costs, \$1,633,450 of expenditures related to this property were written off in 2007.

San Javier, Bolivia

During the year ended November 15, 2006, the Company abandoned its interest in the mineral claims known collectively as the San Javier claims in Bolivia. In accordance with the Company's accounting policy for deferred exploration costs, \$11,341 of expenditures related to this property were written off in 2007.

Madryn Rift, Argentina

During the year ended November 15, 2006, the Company abandoned its interest in the mineral claims known collectively as the Madryn Rift claims in Argentina. In accordance with the Company's accounting policy for deferred exploration costs, \$10,262 of expenditures related to this property were written off in 2007.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

3. Mineral properties and deferred exploration costs (continued)

Courageous Lake, Northwest Territories

During the year ended November 15, 2007 the Company abandoned its interest in the mineral claims known collectively as the Courageous Lake property in the Northwest Territories. In accordance with the Company's accounting policy for deferred exploration costs, \$132,557 of expenditures related to this property were written off in 2007.

Cajueiro and Nova Canaa, Brazil

During the year ended November 15, 2007 the Company abandoned its interest in the mineral claims known collectively as the Cajueiro and Nova Canaa properties in Brazil. In accordance with the Company's accounting policy for deferred exploration costs, \$1,838,626 of expenditures related to this property were written off in 2007.

Mato Velho, Brazil

On March 14, 2006, the Company entered into an agreement with Tamin Mineracao Ltda., an arms-length party, regarding an option to acquire up to a 100% interest in the Mato Velho properties located in Brazil.

To exercise the option, the Company must:

- a) make the following cash payments:
 - i) US\$60,000 on the commencement date (*expended*)
 - ii) US\$180,000 on or before May 19, 2007 (*expended*)
 - iii) US\$360,000 on or before May 19, 2008
 - iv) US\$600,000 on or before May 19, 2009;
- b) issue the following shares in the capital stock of the Company:
 - i) 200,000 shares on the commencement date (*issued*)
 - ii) 350,000 shares on or before May 19, 2007 (*issued*)
 - iii) 500,000 shares on or before May 19, 2008
 - iv) 600,000 shares on or before May 19, 2009;
- c) complete a Firm Commitment of US\$150,000 in exploration expenditures (*expended*), including 1,000 metres of drilling (*completed*), within 12 months from commencement date;
- d) failure to complete both the Firm Commitment and the drilling requirement will terminate the letter of intent and the Company will be required to repay Tamin Mineracao Ltda. any unspent portion of the Firm Commitment exploration expenditures;
- e) spend US\$150,000 (*expended*) and US\$200,000 (*expended*) respectively in years 2 and 3 of the agreement; and

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

3. Mineral properties and deferred exploration costs (continued)

Mato Velho, Brazil (continued)

- f) issue the following shares in the capital stock of the company to the finders of the property
 - i) 75,000 shares on or before May 19, 2006 (*issued*)
 - ii) 75,000 shares on or before May 19, 2007 (*issued*)
 - iii) 75,000 shares on or before May 19, 2008
 - iv) 75,000 shares on or before May 19, 2009.

The vendor will retain a 2.25% net smelter return ("NSR") royalty.

Los Suenos, Brazil

On March 14, 2006, the Company entered into an agreement with Elvio Luiz Schelle, an arms-length party, regarding an option to acquire up to a 100% interest in the Los Suenos property located in Brazil.

To exercise the option, the Company must make the following payments:

- a) US\$10,000 cash (*expended*) and issue 50,000 shares on the commencement date (*issued*);
- b) issue 150,000 shares on or before May 31, 2007 (*issued*); and
- c) issue 200,000 shares on or before May 31, 2008.

The vendor will retain a 2% NSR.

Coringa, Brazil

On August 8, 2006, the Company entered into an agreement with Tamin Mineracao Ltda. regarding an option to acquire up to a 100% interest in the Coringa property in Brazil.

To exercise the option, the Company must:

- a) make the following cash payments:
 - i) US\$200,000 on the commencement date (*expended*)
 - ii) US\$230,000 on or before August 14, 2007 (*expended*)
 - iii) US\$450,000 on or before August 14, 2008
 - iv) US\$760,000 on or before August 14, 2009; and
- b) issue the following shares in the capital stock of the Company:
 - i) 250,000 shares on the commencement date (*issued*)
 - ii) 450,000 shares on or before August 14, 2007 (*issued*)
 - iii) 650,000 shares on or before August 14, 2008
 - iv) 780,000 shares on or before August 14, 2009.

The vendor will retain a 2.5% NSR.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

3. Mineral properties and deferred exploration costs (continued)

La Yegua, Peru

On January 31, 2007, the Company entered into an agreement with Bear Creek Mining Corporation to acquire up to a 51% interest in the La Yegua Properties located in Peru.

To exercise the option the Company must:

- a) issue the following shares in the capital stock of the Company:
 - i) the equivalent of US\$20,000 in shares on the commencement date (*issued*)
 - ii) the equivalent of US\$30,000 in shares on or before March 30, 2008
 - iii) the equivalent of US\$80,000 in shares on or before March 30, 2009
 - iv) the equivalent of US\$100,000 in shares on or before March 30, 2010
 - v) the equivalent of US\$120,000 in shares on or before March 30, 2011;
- b) complete a Firm Commitment of US\$150,000 (*expended*) in exploration expenditures, including 1,000 metres of drilling within 12 months from commencement date; and
- c) spend an additional US\$2,625,000 in exploration expenditures over a three-year period as follows:
 - i) US\$625,000 during the period of April 1, 2008 through March 30, 2009
 - ii) US\$875,000 during the period of April 1, 2009 through March 30, 2010
 - iii) US\$1,125,000 during the period of April 1, 2010 through March 30, 2011.

The Company can increase the interest from 51% to 75% with the issuance of 1,250,000 shares, on or before March 30, 2011.

Cabeca Sul, Brazil

The Company has registered sole ownership of the Cabeca Sul property in Brazil. The Company has no financial or other commitments with respect to this property.

4. Equipment

	2007	2006
Cost	\$ 200,930	\$ 107,433
Accumulated amortization	(80,249)	(47,127)
Net book value	\$ 120,681	\$ 60,306

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

5. Capital stock

Authorized

150,000,000 common shares without par value

(a) During the year ended November 15, 2006, the Company issued the following shares as a result of warrants being exercised (Note 7):

<u>Shares Issued</u>	<u>Price per share</u>
3,496,664	\$0.50
<u>50,000</u>	\$0.31
<u>3,546,664</u>	

(b) During the year ended November 15, 2006, the Company issued 600,000 shares as a result of stock options being exercised at a price of \$0.30 per share (Note 6).

(c) On November 20, 2006, the Company closed a non-brokered private placement in the amount of 1,538,461 units at the price of \$0.65 per unit. Each unit is comprised of one common share and one 2-year common share purchase warrant exercisable at an exercise price of \$1.50 until November 2008.

The Company issued a compensation option (same terms as a share purchase warrant) for the purchase of 76,800 units of the Company. This security, in the form of a compensation option, evidences the right to receive the units on the payment of further consideration. No units were paid as a finder's fee at closing and units may only be issued within the specified timeframe upon payment of the appropriate consideration, being \$0.65 per unit, exercisable up to November 20, 2008. If exercised, each unit is comprised of one common share and one warrant. Each warrant is exercisable at a price of \$1.50 per share until November 2008.

(d) During the year ended November 15, 2007, the Company issued 1,500,000 shares at a price of \$0.24 per share as a result of warrants being exercised (Note 7).

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

6. Stock options

A summary of the stock options issued in connection with the Company's fixed stock option plan as of November 15, 2007 and 2006 and changes during the years ending on those dates is presented below:

	2007		2006	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding at beginning of year	13,460,000	\$ 0.32	13,360,000	\$ 0.31
Granted	1,325,000	\$ 0.46	700,000	\$ 0.49
Exercised	-	-	(600,000)	\$ 0.30
Outstanding at end of year	14,785,000	\$ 0.33	13,460,000	\$ 0.32
Exercisable at end of year	14,285,000	\$ 0.33	13,460,000	\$ 0.32

Incentive stock options for employees, directors, officers and service providers outstanding and exercisable at November 15, 2007, are as follows:

Number of Options	Exercise Price	Expiry Date
* 11,460,000	\$ 0.30	April 2015
1,000,000	\$ 0.35	August 2015
300,000	\$ 0.37	August 2015
350,000	\$ 0.35	March 2016
300,000	\$ 0.62	April 2016
20,000	\$ 0.66	October 2016
30,000	\$ 0.72	October 2016
660,000	\$ 0.42	May 2017
165,000	\$ 0.52	June 2017
500,000	\$ 0.49	October 2010
14,785,000	\$ 0.33	

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

6. Stock options

On February 1, 2008, the Company granted officers and consultants incentive options to purchase 700,000 shares at a price of \$0.45 per share, exercisable until February 5, 2018. The incentive options have been issued in accordance with the Company's option plan and are subject to regulatory approval.

Also on February 1, 2008, two directors have agreed to reduce their outstanding stock options by combined total of 2.5 million shares in order to provide room under the Company's option plan for future grants. (*- 2.5 million out of the 11,460,000 will be forfeited after year end).

7. Share purchase warrants

	2007		2006	
	Warrants	Weighted-Average Exercise Price	Warrants	Weighted-Average Exercise Price
Outstanding at beginning of year	9,440,000	\$ 0.39	13,922,377	\$ 0.45
Granted	1,538,461	1.50	50,000	0.31
Exercised	(1,500,000)	0.24	(3,546,664)	0.50
Expired	(440,000)	0.40	(985,713)	0.83
Outstanding at end of year	9,038,461	\$ 0.60	9,440,000	\$ 0.39

Share purchase warrants outstanding and exercisable at November 15, 2007, are as follows:

Number of Warrants Outstanding	Exercise Price	Expiry Date
** 5,000,000	\$ 0.50	December, 2007
1,538,461	\$ 1.50	November, 2008
2,500,000	\$ 0.24	August, 2010
9,038,461		

** - Subsequent to the year ended November 15, 2007, 5,000,000 warrants expired unexercised.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

8. Stock-based compensation plan

At November 15, 2007, the Company has one stock-based compensation plan, which is described below.

In accordance with the policies of the TSX Venture Exchange regarding stock option plans, the Board of Directors of the Company adopted a new stock option plan effective March 23, 2003. The Company, as a Tier 1 company is able to grant options without vesting provisions and hold periods, provided that the grant is made at market price.

The purpose of the plan is to allow the Company to grant options to directors, officers, employees and consultants, as additional compensation. Options will be exercisable over periods of up to ten years as determined by the board of directors and are required to have an exercise price no less than the discounted market price prevailing on the day that the option is granted.

The plan provides that the number of common shares together with all of the Company's other previously established or proposed share compensation arrangements, may not exceed 20% of the total number of issued and outstanding common shares. In addition, the number of shares that may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis.

On April 11, 2007 the Stock Option Plan was amended to increase the number of common shares reserved for allotment and issuance of stock options from 15,194,780 to 16,646,805 shares.

The following stock options were granted during the year to consultants or employees:

	<u>Number of Options Granted</u>	<u>Exercise Price</u>
May 18, 2007	660,000	\$ 0.42
June 28, 2007	165,000	\$ 0.52
October 15, 2007	<u>500,000</u>	\$ 0.49
	<u>1,325,000</u>	

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

8. Stock-based compensation plan (continued)

Compensation expense is determined using the Black-Scholes option-pricing model. Weighted average assumptions used in calculating compensation expense in respect of options granted during the period are as follows:

	<u>2007</u>	<u>2006</u>
Risk-free rates	4.0%	4.5%
Dividend yield	Nil%	Nil%
Volatility factor of the expected market price of the Company's shares	101%	104%
Weighted average expected life of the options	7.4 years	10.0 years
Weighted average estimated fair value	\$0.26	\$0.45

On October 15, 2007, the Company granted 500,000 options to a third party consultant. The options will vest in equal quarterly amounts and stages for the period from October 16, 2007 to October 15, 2008.

The application of the Black-Scholes option-pricing model resulted in stock option compensation of \$349,614 (\$330,144 is included in wages and employee benefits and \$19,470 in office and miscellaneous) and \$316,348 (\$316,348 is included in wages and employee benefits) during the years ended November 15, 2007 and 2006, respectively.

9. Related party transactions

Related party transactions for the year ended November 15, 2007 not disclosed elsewhere in these consolidated financial statements are as follows:

- a) Management fees of \$133,750 (2006 - \$135,000) were paid to two directors for their expertise in obtaining resource properties, obtaining financing and managing the affairs of the Company.
- b) Consulting fees of \$60,130 (2006 - \$49,135) were paid to a law firm, one of the partners of which is a director.

The above transactions were conducted in the normal course of operations and were recorded at the exchange amount, which is the amount of consideration agreed upon between the Company and the related parties.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

10. Income Taxes

Significant components of the Company's future tax assets and (liabilities) as of December 31, 2007 are as follows:

	<u>2007</u>	<u>2006</u>
Tax loss carry-forwards	\$ 795,200	\$ 904,500
Filing fees	16,700	22,800
Equipment	1,800	3,400
Investment	(2,009,000)	34,100
Exploration costs	6,205,700	4,722,800
Valuation allowance	(5,010,400)	(5,687,600)
	<u>\$ -</u>	<u>\$ -</u>

The income taxes shown in the Consolidated Statements of Operations differ from the amounts obtained by applying statutory rates due to the following:

	<u>2007</u>	<u>2006</u>
Statutory tax rate	<u>34.1%</u>	<u>34.1%</u>
Expected income tax provision (recovery)	\$ (234,700)	\$ (641,500)
Permanent differences -other	(240,900)	139,300
Recovery of non-operating loss	(201,200)	(13,800)
Stock-based compensation expense	119,200	316,300
Portion of capital gain not taxable	(774,200)	(327,500)
Increase (decrease) in valuation allowance	1,331,800	527,200
	<u>\$ -</u>	<u>\$ -</u>

The tax benefit of net operating losses carried forward and the associated valuation allowance were reduced by \$nil (2006 - \$76,600), representing the tax effect of losses which expired in the year.

The Company's future tax liabilities include approximately \$2 million (2006 - \$nil) representing the effect of accounting for investments available for sale in excess of amounts taxable. The tax liability associated with this difference reduces the associated valuation allowance.

The Company's future tax assets include approximately \$48,700 (2006 - \$66,000) related to deductions for share issue costs in excess of amounts deducted for financial reporting purposes. If and when the valuation allowance related to these amounts is reversed, the Company will recognize this benefit as an adjustment to share capital as opposed to income tax expense in the Statement of Operations.

CHAPLEAU RESOURCES LTD.

(An exploration stage company)

Notes to Consolidated Financial Statements

Years ended November 15, 2007 and 2006

10. Income Taxes (continued)

The Company establishes its valuation allowance based on projected future operations. Due to the uncertainty surrounding the realization of income tax assets in future years, Management has determined that an appropriate allowance should be recorded to offset the net future income tax assets. When circumstances cause a change in management's judgment about the recoverability of future tax assets, the impact of the change on the valuation allowance will be reflected in current income.

The Company has approximately \$26,297,544 (2006 - \$16,426,600) of exploration and development costs which are available for deduction against future income for tax purposes. In addition, the Company has non-capital losses of approximately \$2,332,600 (2006 - \$2,509,100) expiring in various amounts from 2007 to 2027.

The Company is more likely than not expected to have sufficient non-capital loss carry forwards to offset any taxable income that may exist for the years ended November 15, 2007 and 2006. As at November 15, 2007, the Company expects to have significant non-capital loss carry forwards for income tax purposes available to offset future taxable income.

11. Commitments

The Company is committed to pay lease payments for office space of \$1,991 per month, as well as property taxes and certain building operating costs. The lease expires December 31, 2010.

12. Subsequent Event

Subsequent to year end in February 2008, the Company negotiated a non-brokered private placement of 940,000 units at a price of \$0.45 per unit, to raise proceeds of \$423,000. Each unit consists of one share and one 2-year warrant exercisable at \$0.60 in year one and \$1.00 in year two.