

PALLADON VENTURES LTD.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FIRST QUARTER ENDED MAY 31, 2007 AND MAY 31, 2006

PALLADON VENTURES LTD.

Notice of No Auditor Review of Interim Consolidated Financial Statements

Under *National Instrument 51-102, Part 4, subsection 4.3 (3)(a)*, if an auditor has not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the company have been prepared by and are the responsibility of the Company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

“Donald G. Foot, Jr.”
Chief Executive Officer

July 30, 2007

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED BALANCE SHEETS
MAY 31, 2007 AND FEBRUARY 28, 2007

	<u>ASSETS</u>	<u>May 31, 2007</u>	<u>Feb. 28, 2007</u>
Current			
Cash		\$ 6,151,629	\$ 135,936
GST recoverable		10,861	24,834
Accounts receivable		27,305	55,706
Marketable securities		144,000	144,000
Prepaid expenses and deposits		<u>36,807</u>	<u>69,678</u>
		6,370,602	430,154
Equipment – Note 3		52,396	52,281
Reclamation Bond – Note 4		736,125	754,845
Mineral properties – Notes 4,5,6 and Schedule 1		23,493,897	22,437,873
Other – Note 6		<u>509,635</u>	<u>10</u>
		<u>\$ 31,162,656</u>	<u>\$ 23,675,163</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities		\$ 807,838	\$ 474,929
Due to related party – Note 9		258,130	2,247,150
Loan payable		<u>0</u>	<u>174,195</u>
		1,065,968	2,896,274
Loan payable – Note 7		11,456,085	11,390,217
Non-controlling interest		<u>2,579,050</u>	<u>3,804,423</u>
		<u>15,101,103</u>	<u>18,090,914</u>

SHAREHOLDERS' EQUITY

Share capital – Note 8		36,775,282	27,183,716
Contributed surplus – Note 8		2,856,438	2,288,089
Deficit		<u>(23,570,157)</u>	<u>(23,887,556)</u>
		<u>16,061,553</u>	<u>5,584,249</u>
		<u>\$ 31,162,656</u>	<u>\$ 23,675,163</u>

Nature and Continuance of Operations – Note 1
Commitments – Notes 4, 5, 6
Subsequent Events – Note 11

SEE ACCOMPANYING NOTES

APPROVED BY THE DIRECTORS:

“Donald G. Foot, Jr.” Director

“Michael G. Nelson” Director

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE MONTHS ENDED MAY 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
General and Administrative Expenses		
Amortization	\$ 3,233	\$ 5,443
Bank charges	555	132
Consulting	66,976	
Interest	400,445	335,178
Investor relations	-	18,686
Management fees	15,000	264,820
Office and administration	143,795	84,041
Professional fees	28,068	27,734
Rent	43,239	45,188
Salaried and benefits	251,784	34,996
Shareholder communications	3,224	
Stock-based compensation	-	176,900
Telephone	4,833	5,468
Transfer agent and filing fees	52,215	21,018
Travel and promotion		<u>103,718</u>
	<u>81,975</u>	
Loss before other	(1,095,331)	(1,123,083)
Other:		
Miscellaneous income – Note 5	556,256	-
Interest income	1,618	6,603
Gain (loss) on foreign exchange	<u>(41,869)</u>	<u>1,719,136</u>
	516,005	1,725,739
Net income (loss) for the period before non-controlling interest	(579,326)	602,565
Non-controlling interest	<u>255,853</u>	<u>1,269,534</u>
Net income (loss) for the period	(323,472)	1,872,190
Deficit, beginning of the period	<u>(23,887,556)</u>	<u>(14,266,373)</u>
Deficit, end of the period	<u>\$ (24,564,084)</u>	<u>\$ (12,394,183)</u>
Basic and fully diluted income (loss) per share	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>
Weighted average number of shares outstanding	<u>53,998,231</u>	<u>38,607,544</u>

SEE ACCOMPANYING NOTES

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MAY 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Net income (loss) for the period, before non-controlling interest	\$ (579,326)	\$ 1,872,190
Adjustments to reconcile net income to net cash provided by operations:		
Amortization	3,223	5,443
Deferred charges	-	-
Shares issued for debt	(1,989,020)	-
Stock-based compensation	-	176,900
Non-controlling interest	255,853	(1,269,534)
Unrealized foreign exchange loss (gain)	<u>459,300</u>	<u>(557,810)</u>
	(1,849,970)	227,189
Changes in non-cash working capital items:		
GST recoverable	-	(5,569)
Prepaid expenses	-	(5,238)
Accounts payable and accrued liabilities	<u>(240,407)</u>	<u>(1,192,298)</u>
Cash used in operating activities	<u>(2,090,377)</u>	<u>(975,916)</u>
Investing Activities		
Acquisition of equipment	(785,914)	(24,875)
Mineral property costs	(98,049)	(4,676,884)
Reclamation bond	-	-
Loan receivable	<u>-</u>	<u>-</u>
Cash used in investing activities	<u>(883,963)</u>	<u>(4,701,759)</u>
Financing Activities		
Advances from (to) related parties	(3,585)	65,077
Repayment of short-term loan	(169,875)	-
Issuance of shares for cash, net of share issue costs	<u>9,163,493</u>	<u>4,510,000</u>
Cash provided by financing activities	<u>8,990,033</u>	<u>4,575,077</u>
Increase (Decrease) in cash during the period	6,015,693	(1,102,598)
Cash, beginning of the period	<u>135,936</u>	<u>1,676,346</u>
Cash, end of the period	<u>\$ 6,151,629</u>	<u>\$ 573,748</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ 203,397</u>	<u>\$ 331,437</u>

SEE ACCOMPANYING NOTES

Income taxes

\$ _____ - \$ _____ -

SEE ACCOMPANYING NOTES

Schedule 1
PALLADON VENTURES LTD.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND RELATED EQUIPMENT
for the three months ended May 31, 2007

	USA										Total
	Argentina										
	Utah Copper	Genesis Gold	Mineral Property	Ball Mill	Rail Line	Iron Springs Equipment Under Construction		Transformer	Substation	Plant	
Balance, February 28, 2007	\$ 1,441,206	\$ 894,652	\$ 14,403,729	\$ 1,219,526	\$ 2,485,999	\$ 786,637	\$ 649,686	\$ 556,428	\$ 22,437,873		\$ 22,437,873
Acquisition and construction costs	-	-	-	165,685	-	-	610,932	2,378	778,995		778,995
Shares issued	-	-	-	-	-	-	-	-	-		-
Cash paid	-	-	-	-	-	-	-	-	-		-
	-	-	-	165,685	-	-	610,932	2,378	778,995		778,995
Exploration expenditures (recovered)											
Claim fees	-	-	-	-	-	-	-	-	-		-
Field costs	12,894	-	-	-	-	-	-	-	-		12,894
Geological consulting	41,376	-	88,045	-	-	-	-	-	-		129,421
Miscellaneous	20,289	-	-	-	-	-	-	-	-		20,289
Security and site maintenance	-	-	94,142	-	-	-	-	-	-		94,142
Taxes	2,224	-	-	-	-	-	-	-	-		2,224
Travel	18,069	-	-	-	-	-	-	-	-		18,069

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007 AND FEBRUARY 28, 2007

Note 1 Nature and Continuance of Operations

Palladon Ventures Ltd. (the “Company”) is a public company incorporated on August 25, 1980 under the Company Act of British Columbia and subsequently recognized under the Business Corporations Act of British Columbia and is in the business of acquiring, exploring and evaluating mineral properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. As at May 31, 2006, the Company was in the exploration stage and had interests in properties located in Argentina and the United States of America. The Company is listed on the TSX Venture Exchange (the “Exchange”) and the Frankfurt exchange.

The Company is in the development stage and is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves and confirmation of the Company’s interest in the underlying mineral properties, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

The financial statements have been prepared using Canadian generally accepted accounting principles applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. As of May 31, 2007, the Company has not yet achieved profitable operations and has accumulated losses of \$23,570,157 since its inception. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

Note 2 Significant Accounting Policies

These unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a basis consistent with those followed in the most recent audited financial statements. These unaudited consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements. Therefore readers are advised to refer to the company's annual audited financial statements for the year ended February 28, 2007 for additional information.

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates that have been made using careful judgement. Actual results may differ from these estimates.

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 MAY 31, 2007 AND FEBRUARY 28, 2007 – PAGE 2

Note 2 Significant Accounting Policies (continued)

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Note 3 Equipment

	May 31, 2007		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office furniture and equipment	\$ 64,046	\$ 15,226	\$ 48,820
	<u>\$ 64,046</u>	<u>\$ 15,226</u>	<u>\$ 48,820</u>
	February 28, 2007		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office furniture and equipment	\$ 64,046	\$ 11,993	\$ 52,113
	<u>\$ 64,046</u>	<u>\$ 11,993</u>	<u>\$ 52,113</u>

Note 4 Reclamation Bond

The Company is obligated to provide an amount of US\$1,300,000 as security for future reclamation work on the Iron Springs property. The Company has obtained an insurance policy to fund the balance in the event that a claim is made. The Company has deposited US\$650,000 with the insurance company as additional security on the policy.

Note 5 Mineral Properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007 AND FEBRUARY 28, 2007 – PAGE 3

Argentina

- a) By agreement dated October 1, 2002, and amended April 11, 2003, the Company entered into an option agreement with Deseado LLC (“Deseado”) to earn up to a 51% interest in approximately 100,000 hectares of mineral properties located in the Santa Cruz, Rio Negro and Chubut provinces of Argentina. Deseado has a director in common with the Company.

During the year ended February 29, 2004, the Company issued to the optionor 600,000 shares at \$0.30 per share and 100,000 shares at \$0.30 per share for finer’s fees. During the year ended February 28, 2006, a further 800,000 common shares at \$0.30 per share were issued to the optionor. The properties are divided into groups with exploration expenditure requirements as follows:

Laguna Guadalosa Property Group

- US\$30,000 on or before March 31, 2003 (paid);
- An additional US\$270,000 on or before March 31, 2004 (paid)

All other properties (Gran Bajo, Tres Hermanas, Rio Desado and Other)

- US\$40,000 on or before April 30, 2003 (paid)
- An additional US\$160,000 on or before March 31, 2004 (paid)

- b) By agreement dated March 19, 2004, the Company entered into an option agreement to acquire a 100% interest in approximately 830 hectares known as the Rodino property located in Argentina, adjacent to the Tres Hermanas property. Consideration payable is US\$500,000 payable over four years in six month intervals as follows:

On March 19, 2004	US\$	40,000	(paid)
September 19, 2004		30,000	(paid)
March 19, 2005		40,000	(paid)
September 19, 2005		40,000	(paid)
March 19, 2006		50,000	
September 19, 2006		50,000	
March 19, 2007		60,000	
September 19, 2007		80,000	
March 19, 2008		<u>110,000</u>	
Total	<u>US\$</u>	<u>500,000</u>	

- c) The Company has not made any payment since the September 19, 2005 payment, and management has decided not to continue with this property. The Company has written-off expenditures incurred to date totalling \$263,384 during the calendar year ended February 28, 2007.

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 MAY 31, 2007 AND FEBRUARY 28, 2007 – PAGE 4

- d) By agreement dated May 31, 2004, the Company entered into an option agreement to acquire a 100% interest in approximately 2,000 hectares known as the Taca Taca Alta properties located in Salta province, Argentina. Consideration payable is US\$5,000,000 payable from the agreement date as follows:

Note 5 Mineral Properties – (cont'd)

Five days after signing	US\$ 100,000	(paid)
November 30, 2004	100,000	(paid)
July 10, 2005	30,000	(paid)
August 1, 2005	70,000	(paid)
November 30, 2005	150,000	(paid)
May 31, 2006	200,000	
November 30, 2006	250,000	
May 31, 2007	300,000	
November 30, 2007	350,000	
May 31, 2008	500,000	
May 31, 2009	<u>2,950,000</u>	
Total	<u>US\$5,000,000</u>	

The Company has not made any payments subsequent to November 30, 2005 and has decided not to continue with this agreement and, accordingly, aggregate costs of \$1,070,211 incurred have been written-off during the year ended February 28, 2007.

- e) By an agreement signed May 2005 and amended December 15, 2005, the Company entered into an option agreement to acquire a 60% interest in property located in Argentina known as the La Sarita project. Consideration payable is US\$400,000, the issue of 750,000 common shares and incurring exploration expenditures of US\$1,500,000 over four years as follows:

	<u>Cash</u>	<u>Shares</u>	<u>Exploration Expenditures</u>
On signing	US\$	50,000 (issued)	US\$ -
By December 23, 2005	30,000	100,000 (issued)	15,460
By January 31, 2006	45,000		
By March 31, 2006		0	134,540
By December 3, 2006	75,000	150,000	300,000
By December 8, 2007	100,000	200,000	450,000
By December 8, 2008	<u>150,000</u>	<u>250,000</u>	<u>600,000</u>
Total	US\$ 400,000	750,000	US\$ 1,500,000

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MAY 31, 2007 AND FEBRUARY 28, 2007 – PAGE 5

To date the Company has paid Canadian \$75,000 and has not made any payments subsequent to January 31, 2006. Management has decided not to continue with this agreement and, accordingly, the aggregate costs of \$172,500 incurred have been written off during the year ended February 28, 2007.

Utah, USA

- a) The Company had an option to acquire a 50% interest in approximately 40,000 acres of mineral rights located in Beaver County, Utah. As consideration, the Company was to update and finalize a feasibility study and expend up to US\$4 million over five years with a minimum of US\$800,000 (paid) to be spent in the first year.

During the year ended February 28, 2007, the Company and the optionor entered into an amending agreement that provided terms whereby either part could buy out the other's interest. On January 5, 2007 the optionor exercised its option to purchase the Company's interest in the Utah Copper project for US\$3 million (received), a 1% net smelter royalty from copper produced from the current resource (maximum US \$10 million) and a 2% net smelter royalty from copper produced from newly-discovered ore bodies.

As a result of the disposal of its direct interest in the property, the Company has written-off the remaining carrying value by \$4,180,792 to a nominal value of \$10 during the year ended February 28, 2007.

- b) On May 7, 2004, the Company entered into an option agreement for the right to acquire a 100% interest in five mineral exploration properties (the Genesis Gold properties) covering 5,480 acres in Utah and Nevada in consideration for 250,000 common shares (issued) and a further 1,300,000 shares in stages on or before the third anniversary. During the year ended February 28, 2006, the Company issued 1,150,000 common shares valued at \$577,500 to maintain its option in each of the five mineral properties. During the year ended February 28, 2007, the Company issued 150,000 shares valued at \$57,000 to obtain a 100% interest in the properties. The properties are subject to a 3% net smelter return royalty.

During the year ended February 28, 2007, the Company granted an option to another public company having a director in common to acquire a 75% interest in the properties by issuing 450,000 common shares to the Company (received) and 850,000 shares to the underlying optionor within five days of regulatory approval. The optionee must also incur exploration expenditures of US\$5 million over five years of which US\$1,200,000 must be completed during calendar 2006.

- c) During the year ended February 28, 2006, the Company completed the purchase of the Rex, Mountain Lion and Comstock Iron properties (the Iron Springs properties) with the proceeds of an interim loan from Luxor Capital Group, LC. ("Luxor"). The purchase price for the property was US\$10 million, of which \$50,000 was paid on signing, with \$1.3 million as a credit at closing for the amount of the reclamation bond

PALLADON VENTURES LTD.
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obligation to be assumed by the Company (Note 5), and \$8.65 million paid in cash at closing. Prior to entering into the purchase agreement, the Company and Western Utah Copper Company (WUCC) entered into a Joint Venture Agreement, which provided that the Company shall have a 65% interest in the property, and WUCC shall have a 35% interest. Concurrently with the acquisition, the parties negotiated for the buyout of WUCC's interest for US\$3.5 million plus the forgiveness of approximately US\$1,500,000 in loans and accrued interest receivable previously made by the Company to WUCC. The Iron Springs properties are held by the Company's subsidiary, Palladon Iron Corporation.

- d) During the quarter ended May 31, 2007 the Company iron ore to cement manufacturers and also made some small land transactions resulting in miscellaneous income of \$556,256.

Note 6 Other Asset

During the year ended February 28, 2005, the Company completed an arrangement for securitizing certain default loans payable to the Company. In that arrangement, the debtor conveyed to the Company an undivided 50% interest in certain land holdings, known as the Murdock Railroad Property, located in Beaver County, Utah. The Company's interest in the land holding has been recorded at a nominal value of \$10.

Note 7 Loan Payable

Loan payable to Luxor of US\$12,750,000 with interest at 9.25% per annum due September 24, 2010. The loan is secured by a promissory note, a general security agreement, the shares of PIC and a mortgage on the Murdock Railway property. In connection with the financing, the Company granted the lender share purchase warrants which entitle Luxor to acquire up to 2,357,137 common shares at \$0.62 per share until September 23, 2007. During the year ended February 28, 2007, the Company paid the Luxor loan down to a balance of US\$9,808,161. During the year ended February 28, 2007, Luxor also loaned the Company \$174,195 (US\$150,000) with no interest. The Company repaid this amount in the quarter ended May 31, 2007.

Note 8

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007 AND FEBRUARY 28, 2007 – PAGE 7

Share Capital

Authorized:

Unlimited common shares without par value

Issued:

		Number of Shares	(Restated – Note 16) <u>Amount</u>
Balance, February 28, 2005		25,459,527	\$ 16,180,041
For cash:			
Pursuant to exercise of warrants	- at \$0.36	328,815	118,373
	- at \$0.50	1,101,280	550,640
	- at \$0.80	723,666	578,933
	- at \$0.85	152,986	130,038
Pursuant to conversion of convertible debentures	- at \$0.69	1,192,148	822,582
Less: share issue costs		-	(20,723)
Pursuant to exercise of options	- at \$0.45	200,000	90,000
	- at \$0.50	290,000	145,000
	- at \$0.70	250,000	175,000
	- at \$0.75	100,000	75,000
	- at \$0.80	50,000	40,000
Pursuant to exercise of agent's options	- at \$0.75	28,562	21,422
	- at \$0.85	125	106
Transfer from contributed surplus on exercise of options		-	266,001
Pursuant to mineral property agreements	- at \$0.87	250,000	217,500
	- at \$0.55	800,000	440,000
	- at \$0.40	900,000	360,000
	- at \$0.65	150,000	97,500
Balance, February 28, 2006		31,977,109	20,287,413
For cash:			
Private placements	- at \$0.50	10,000,000	5,000,000
	- at \$0.55	5,004,497	2,752,473
Less: share issue costs		-	(1,052,471)
Exercise of broker options	- at \$0.50	278,602	139,301
Pursuant to mineral property agreements	- at \$0.38	<u>150,000</u>	<u>57,000</u>
Balance, February 28, 2007		47,410,208	\$ 27,183,716
For cash:			
Debt Settlement	- at \$0.70	2,290,597	1,603,418
Private placement	- at \$0.30	26,752,160	8,025,648
Escrow cancelled		<u>(35,500)</u>	<u>(37,500)</u>
Balance, May 31, 2007		<u>76,417,465</u>	<u>\$36,775,282</u>

PALLADON VENTURES LTD.
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MAY 31, 2007 AND FEBRUARY 28, 2007 – PAGE 8

Escrow shares:

At May 31, 2007, zero (May 31, 2006: 37,500) common shares are held in escrow subject to direction for their release by regulatory authorities. Escrow on these shares was cancelled May 30, 2007 and the shares were returned to the treasury.

Commitments:

Stock-based compensation

The Company may grant share purchase options to directors, officers or employees to acquire shares of the Company. Unless otherwise noted, the share purchase options vest when granted. Share purchase option activities for the three months ended May 31, 2007 and the year ended February 28, 2007 are summarized as follows:

	<u>Period ended</u> <u>May 31, 2007</u>		<u>Year ended</u> <u>February 28, 2007</u>	
	<u>Shares</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>	<u>Shares</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>
Outstanding, beginning of period	3,360,000	\$0.57	2,240,000	\$0.69
Granted			1,570,000	\$0.45
Agent's options granted			-	-
Exercised	-	-	-	-
Cancelled	(200,000)	\$0.80	(450,000)	-
Outstanding, end of period	<u>3,160,000</u>	\$0.62	<u>3,360,000</u>	\$0.57
Exercisable, end of period	<u>3,160,000</u>		<u>3,360,000</u>	

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2007 AND FEBRUARY 28, 2007 – PAGE 9

On May 31, 2007, there were 3,160,000 employee, director and agent's share purchase options outstanding. Each option entitles the holder thereof the right to purchase one common share as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
400,000	\$0.45	September 8, 2008
50,000	\$0.80	November 26, 2008
100,000	\$0.50	October 22, 2009
100,000	\$0.70	October 22, 2009
350,000	\$0.75	April 21, 2010
180,000	\$0.85	August 8, 2010
450,000	\$0.75	August 29, 2010
160,000	\$0.75	November 10, 2010
<u>1,370,000</u>	\$0.40	December 15, 2011
<u>3,160,000</u>		

Share Purchase Warrants

At May 31, 2007, the Company had 28,826,276 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
40,925	\$0.86	July 21, 2007
40,949	\$0.86	July 22, 2007
106,838	\$0.86	August 8, 2007
62,389	\$0.86	October 6, 2007
61,107	\$0.86	October 19, 2007
2,357,137	\$0.62	September 23, 2007
10,000,000	\$0.75	March 31, 2008
278,602	\$0.75	July 13, 2008
700,000	\$0.70	July 20, 2008
1,802,249	\$0.70	August 31, 2008
282,375	\$0.50	September 11, 2009
<u>13,093,705</u>	\$0.50	September 11, 2009
<u>28,826,276</u>		

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Note 8 Share Capital – (cont'd)

Commitments: – (cont'd)

Stock-based compensation – (cont'd)

During the period ended May 31, 2007, the Company recognized charges associated with share purchase options granted. The fair value of share purchase options granted for directors, officers and employees was zero (May 31, 2006: \$176,900). The fair value was determined using the Black-Scholes model with the following assumptions:

May 31,	<u>2007</u>	<u>2006</u>
Expected dividend yield	0%	0%
Expected stock price volatility	89% to 100%	69 to 100%
Risk-free interest rate	3.99 to 4.26%	3.42 to 3.86%
Expected life in years	2 – 5 years	2 – 5 years

Contributed Surplus

	<u>May 31,</u> <u>2007</u>	<u>February 28,</u> <u>2007</u>
Balance, beginning of period	\$ 2,288,089	\$ 1,288,971
Fair value of share purchase options granted	-	288,000
Fair value of share purchase warrants granted to agents		380,000
Fair value of share purchase warrants granted with loan payable	<u>-</u>	<u>331,118</u>
Balance, end of period	<u>\$ 2,288,089</u>	<u>\$ 2,288,089</u>

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Note 9 Related Party Transactions

The Company incurred the following transactions with related parties consisting of current and/or former directors of the Company or private companies controlled by them:

	Three Months Ended	
	May 31, <u>2007</u>	May 31, <u>2006</u>
Management fees	\$ 15,000	\$ 85,210
Salaries	87,435	
Rent	<u>0</u>	<u>10,231</u>
Total	<u>\$ 102,435</u>	<u>\$ 95,411</u>

The charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

Amounts due to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

Note 10 Financial Instruments

a) Credit risk:

The Company estimates, on a continuing basis, the probable losses, and provides a provision for losses based on the estimated realizable value.

b) Foreign currency risk:

The Company is exposed to fluctuations in foreign currencies through its operations in the United States and Argentina. The Company monitors this exposure, but has no hedge positions. At May 31, 2007, cash totalling \$354,474 (February 28, 2007: \$1,476,245) was held in US dollars and \$3,262 in Argentine Pesos (February 28, 2007: \$791) were held in US dollars.

Note 11 Subsequent Events

Subsequent to May 31, 2007:

- a) The Company issued 157,480 common shares at \$0.62 per share for total proceeds of \$97,638 pursuant to the exercise of warrants.

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Share Purchase Warrants

At July 30, 2007, the Company had 28,744,702 share purchase warrants outstanding. Each warrant entitles the holder to purchase one common share as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
106,838	\$0.86	August 8, 2007
2,357,137	\$0.62	September 23, 2007
62,389	\$0.86	October 6, 2007
61,107	\$0.86	October 19, 2007
10,000,000	\$0.75	March 31, 2008
278,602	\$0.75	July 13, 2008
700,000	\$0.70	July 20, 2008
1,802,249	\$0.70	August 31, 2008
282,375	\$0.50	September 11, 2009
<u>13,093,705</u>	\$0.50	September 11, 2009
<u>28,744,402</u>		