

PALLADON VENTURES LTD.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED NOVEMBER 30, 2007

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

January 29, 2008

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED BALANCE SHEETS
NOVEMBER 30, 2007 AND FEBRUARY 28, 2007

	<u>ASSETS</u>	<u>November 30,</u> <u>2007</u>	<u>February 28,</u> <u>2007</u>
Current			
Cash		\$ 2,387,572	\$ 135,936
GST recoverable		10,861	24,834
Accounts receivable		16,522	55,706
Marketable securities			144,000
		144,000	
Prepaid expenses and deposits			
		<u>32,645</u>	<u>69,678</u>
		2,591,600	430,154
Equipment – Note 3		72,728	52,281
Reclamation Bond – Note 4		643,003	754,845
Mineral properties – Notes 5,6 and Schedule 1		25,121,984	22,437,873
Share issue costs		445,156	0
Other – Note 6		<u>10</u>	<u>10</u>
		<u>\$ 28,874,479</u>	<u>\$ 23,675,163</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities – Note 8		\$ 318,751	\$ 474,929
Due to related party – Note 9		258,129	2,247,150
Short-term loan payable			<u>174,195</u>
		<u>576,881</u>	2,896,274
Loan payable – Note 6		11,447,752	11,390,217
Non-controlling interest		<u>3,025,793</u>	<u>3,804,423</u>
		<u>15,050,426</u>	<u>18,090,914</u>

SHAREHOLDERS' EQUITY

Share capital – Note 8		36,775,282	27,183,716
Contributed surplus		2,305,440	2,288,089
Deficit – Note 2		<u>(25,256,668)</u>	<u>(23,887,556)</u>
		<u>13,740,411</u>	<u>5,584,249</u>
		<u>\$ 28,874,479</u>	<u>\$ 23,675,163</u>

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

SEE ACCOMPANYING NOTES

APPROVED BY THE DIRECTORS:

"Donald G. Foot, Jr."

Director

"Annjanine F. Etzel"

Director

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2007 AND 2006

	Three Months Ended November 30		Nine Months Ended November 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Sales	\$ 46,332	\$ 70,252	\$134,605	\$ 83,419
Cost sales	-	-	28,893	11,097
Gross margin	<u>46,332</u>	<u>70,252</u>	<u>105,712</u>	<u>72,322</u>
General and Administrative Expenses				
Amortization	4,684	\$ 3,953	10,459	\$ 15,856
Bank charges	133	160	1,081	1,215
Interest	218,840	425,683	866,456	1,006,470
Investor and international relations	1,632	16,927	1,632	57,728
Management and consulting fees	16,570	59,433	115,990	647,017
Office and administration	31,583	194,716	299,620	450,707
Professional fees	18,457	38,150	143,222	244,287
Rent	50,167	20,395	141,155	120,733
Salaries and benefits	204,383		697,809	
Shareholder communications	1,215	27,390	7,513	70,690
Telephone	3,977	7,918	13,591	23,942
Transfer agent and filing fees	4,025		59,354	50,661
Travel and promotion	26,006	60,629	181,905	229,375
	<u>582,072</u>	<u>855,355</u>	<u>2,539,786</u>	<u>2,918,681</u>
Loss before other items	<u>(535,740)</u>	<u>(785,103)</u>	<u>2,434,074</u>	<u>(2,846,359)</u>
Other items:				
Interest income	464	302	2,252	8,003
Gain (loss) on foreign exchange	5,616	56,617	(72,600)	1,869,042
Non-controlling interest	(134,830)		(586,986)	1,269,534
Other	1,673		548,323	0
	<u>7,753</u>	<u>56,919</u>	<u>109,011</u>	<u>3,146,579</u>
	<u>(393,157)</u>	<u>(728,184)</u>	<u>(1,369,112)</u>	<u>300,220</u>
Net income (loss) for the period	<u>(24,863,512)</u>	<u>(13,237,968)</u>	<u>(23,887,556)</u>	<u>(14,266,373)</u>
Deficit, beginning of the period	<u>(25,256,668)</u>	<u>(13,966,152)</u>	<u>(25,256,668)</u>	<u>(13,966,153)</u>
Deficit, end of the period	<u>(0.005)</u>	<u>(0.02)</u>	<u>(0.02)</u>	<u>(0.01)</u>
Basic and fully diluted income (loss) per share				

SEE ACCOMPANYING NOTES

Weighted average number of shares outstanding	76,417,465	46,666,000	69,080,261	42,668,445
--	------------	------------	------------	------------

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED NOVEMBER 30, 2007 AND 2006

	Three Months Ended November 30		Nine Months Ended November 30	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Operating Activities				
Net income (loss) for the period	\$ (393,157)	\$ (728,184)	\$ (1,369,113)	\$ 300,220
Items not involving cash:				
Amortization	4,684	3,952	10,171	15,586
Deferred charges				
Shares issued for debt			(1,989,020)	
Stock-based compensation				(176,900)
Noncontrolling interest				(1,269,534)
Unrealized foreign exchange loss (gain)	(134,830)		(586,986)	
	5,616	63,389	(72,600)	
	(517,687)	(660,843)	(4,007,548)	(1,130,628)
Changes in non-cash working capital items:				
GST recoverable		1,845		(26,299)
Prepaid expenses				24,796
Accounts payable and accrued liabilities	(395,398)	49,554	(175,517)	(1,356,278)
Cash used in operating activities	(395,398)	(609,444)	(175,517)	(1,218,875)
Investing Activities				
Acquisition of equipment			(1,628,672)	
Mineral property costs	(823,424)	(765,325)	(1,235,637)	(7,359,532)
Mineral property proceeds on sale				
Reclamation bond				
Loan receivable				
Cash used in investing activities	(823,424)	(765,325)	(2,864,309)	(7,359,532)
Financing Activities				
Advances from (to) related parties	6,153	36,325	135,517	261,434
Issuance of shares for cash, net of share issue costs			9,163,493	1,931,279
Share subscriptions collected		1,229,553		1,229,553
Cash provided by financing activities	6,153	1,265,878	9,299,210	3,422,266
Decrease in cash during the period	1,730,356	108,891	(2,251,636)	(1,065,319)
Cash, beginning of the period	4,117,928	502,136	135,936	1,676,346
Cash, end of the period	\$ 2,387,572	\$ 611,027	\$ 2,387,572	\$ 611,027
Supplemental disclosure of cash flow information:				
Cash paid for:				
Interest	218,840	0	866,456	299,150
Income taxes	0	0	0	

SEE ACCOMPANYING NOTES

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 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 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. At November 30, 2007, 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 November 30, 2007, the Company has not yet achieved profitable operations and has accumulated losses of \$25,256,668 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
 NOVEMBER 30, 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

	November 30, 2007		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office furniture and equipment	\$ 75,448	\$ 18,732	\$ 56,716
	<u>\$ 75,448</u>	<u>\$ 18,732</u>	<u>\$ 56,716</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.

Argentina

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 finder’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)

Utah, USA

- a) 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 was completed during calendar 2006.

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND FEBRUARY 28, 2007 – PAGE 4

- b) 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 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.

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

The Company entered into a 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.

Note 8 Share Capital – Notes 5, 8 and 13

Authorized:

Unlimited common shares without par value.

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 NOVEMBER 30, 2007 AND FEBRUARY 28, 2007 – PAGE 5

Issued:

		<u>Number of Shares</u>	<u>(Restated – Note 16) 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, November 30, 2007		<u>76,417,465</u>	<u>\$36,775,282</u>

Escrow shares:

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND FEBRUARY 28, 2007 – PAGE 6

At November 30, 2007, zero (August 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 nine months ended November 30, 2007 and the year ended February 28, 2007 are summarized as follows:

	Period ended November 30, 2007		Year ended February 28, 2007	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of period	3,360,000	\$0.57	2,240,000	\$0.69
Granted	600,000	\$0.40	1,570,000	\$0.45
Agent's options granted			-	-
Exercised	-	-	-	-
Cancelled	(200,000)	\$0.80	(450,000)	-
Outstanding, end of period	<u>3,760,000</u>	\$0.62	<u>3,360,000</u>	\$0.57
Exercisable, end of period	<u>3,760,000</u>		<u>3,360,000</u>	

At November 30, 2007, there were 3,760,000 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

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND FEBRUARY 28, 2007 – PAGE 7

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
1,370,000	\$0.40	December 15, 2011
<u>600,000</u>	\$0.40	November 5, 2012
<u>3,760,000</u>		

Share Purchase Warrants

At November 30, 2007, the Company had 26,156,931 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>
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
<u>13,376,080</u>	\$0.50	September 11, 2009
<u>26,156,931</u>		

During the period ended November 30, 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 (November 30, 2006: \$176,900). The fair value was determined using the Black-Scholes model with the following assumptions:

November 30,	<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

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND FEBRUARY 28, 2007 – PAGE 8

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:

	Nine Months Ended	
	November 30, <u>2007</u>	November 30, <u>2006</u>
Management fees	\$ 0	\$ 0
Salaries	101,112	0
Rent	<u>0</u>	<u>0</u>
Total	<u>\$ 101,112</u>	<u>\$ 0</u>

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 November 30, 2007, cash totalling \$2,387,572 (February 28, 2007: \$106,018) was held in US dollars and \$8,570 in Argentine Pesos (February 28, 2007: \$1,513).

Note 11 Subsequent Events

Subsequent to November 30, 2007:

At January 29, 2008, there were 2,985,000 employee, director and agent's share purchase options outstanding. Each option entitles the holder thereof the right to purchase one common share as follows:

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
NOVEMBER 30, 2007 AND FEBRUARY 28, 2007 – PAGE 9

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
100,000	\$0.45	September 8, 2008
50,000	\$0.80	November 26, 2008
100,000	\$0.70	October 22, 2009
300,000	\$0.75	April 21, 2010
180,000	\$0.85	August 8, 2010
125,000	\$0.75	August 29, 2010
160,000	\$0.75	November 10, 2010
1,370,000	\$0.40	December 15, 2011
<u>600,000</u>	\$0.40	November 5, 2012
<u>2,985,000</u>		