

PALLADON VENTURES LTD.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FIRST QUARTER ENDED MAY 31, 2008 AND MAY 31, 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

July 30, 2008

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED BALANCE SHEETS
MAY 31, 2008 AND FEBRUARY 29, 2008

	<u>ASSETS</u>	<u>May 31, 2008</u>	<u>Feb. 29, 2008</u>
Current			
Cash		\$ 887,898	\$ 820,381
GST recoverable		47,352	47,774
Accounts receivable		520	13,232
Marketable securities		<u>144,000</u>	<u>166,500</u>
		1,079,770	1,047,887
Equipment – Note 3		65,061	69,542
Reclamation Bond – Note 4		686,479	636,220
Mineral properties – Notes 4,5,6 and Schedule 1		24,408,600	24,028,077
Other – Note 6		<u>10</u>	<u>10</u>
		<u>\$ 26,239,920</u>	<u>\$ 25,781,736</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities		\$ 256,972	\$ 860,084
Due to related party – Note 9		<u>541,978</u>	<u>883,014</u>
		798,950	1,743,098
Loan payable – Note 7		9,251,843	9,251,843
Non-controlling interest		<u>4,768,510</u>	<u>4,308,306</u>
		14,819,303	15,303,247

SHAREHOLDERS' EQUITY

Share capital – Note 8		37,152,305	35,691,028
Contributed surplus – Note 8		3,166,303	3,166,303
Deficit		<u>(28,897,991)</u>	<u>(28,378,922)</u>
		<u>\$ 26,239,920</u>	<u>\$ 25,781,736</u>

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

APPROVED BY THE DIRECTORS:

“Donald G. Foot, Jr.” Director

“Annjanine F. Etzel” Director

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE MONTHS ENDED MAY 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
General and Administrative Expenses		
Amortization	\$4,481	\$ 3,233
Bank charges	241	555
Consulting	5,226	66,976
Interest	218,126	400,445
Investor relations	763	-
Management fees	-	15,000
Office and administration	86,048	143,795
Professional fees	109,498	28,068
Rent	37,892	43,239
Salaried and benefits	196,195	251,784
Shareholder communications		3,224
Stock-based compensation	2,327	-
Telephone	2,568	4,833
Transfer agent and filing fees	9,224	52,215
Travel and promotion	<u>15,018</u>	<u>81,975</u>
Loss before other	(687,607)	(1,095,331)
Other:		
Miscellaneous income – Note 5	10,298	556,256
Interest income	507	1,618
Gain (loss) on foreign exchange	<u>(8,692)</u>	<u>(41,869)</u>
	2,113	516,005
Net income (loss) for the period before non-controlling interest	(685,494)	(579,326)
Non-controlling interest	<u>166,425</u>	<u>255,853</u>
Net income (loss) for the period	(519,069)	(323,472)
Deficit, beginning of the period	<u>(28,378,922)</u>	<u>(23,887,556)</u>
Deficit, end of the period	<u>\$ (28,897,991)</u>	<u>\$ (24,564,084)</u>
Basic and fully diluted income (loss) per share	<u>\$ (0.007)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>77,693,000</u>	<u>53,998,231</u>

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MAY 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Operating Activities		
Net income (loss) for the period, before non-controlling interest	\$ (685,494)	\$ (579,326)
Adjustments to reconcile net income to net cash provided by operations:		
Amortization	4,481	3,223
Shares issued for debt	-	(1,989,020)
Stock-based compensation	-	-
Non-controlling interest	166,425	255,853
Unrealized foreign exchange loss (gain)	<u>(112,893)</u>	<u>459,300</u>
	(627,481)	(1,849,970)
Changes in non-cash working capital items:		
Accounts receivable	13,489	-
Accounts payable and accrued liabilities	<u>(365,846)</u>	<u>(240,407)</u>
Cash used in operating activities	<u>(979,838)</u>	<u>(2,090,377)</u>
Investing Activities		
Acquisition of equipment	(28,143)	(785,914)
Mineral property costs	<u>(358,248)</u>	<u>(98,049)</u>
Cash used in investing activities	<u>(386,391)</u>	<u>(883,963)</u>
Financing Activities		
Advances from (to) related parties	(100,299)	(3,585)
Repayment of short-term loan	-	(169,875)
Issuance of shares for cash, net of share issue costs	<u>1,534,045</u>	<u>9,163,493</u>
Cash provided by financing activities	<u>1,433,746</u>	<u>8,990,033</u>
Increase (Decrease) in cash during the period	67,517	6,015,693
Cash, beginning of the period	<u>820,381</u>	<u>135,936</u>
Cash, end of the period	\$ <u><u>887,898</u></u>	\$ <u><u>6,151,629</u></u>
Supplemental disclosure of cash flow information;		
Cash paid for:		
Interest	\$ <u><u>221,884</u></u>	\$ <u><u>203,397</u></u>
Income taxes	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

SEE ACCOMPANYING NOTES

PALLADON VENTURES LTD.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND RELATED EQUIPMENT
For the year ended May 31, 2008

Schedule 1

	<u>Argentina</u>		<u>USA</u>							<u>Power Line</u>	<u>Total</u>
	<u>Utah Copper</u>	<u>Genesis Gold</u>	<u>Mineral Property</u>	<u>Iron Springs</u>				<u>Plant</u>			
				<u>Equipment Under Construction</u>							
				<u>Ball Mill</u>	<u>Rail Line</u>	<u>Transformer</u>	<u>Substation</u>				
Balance, beginning	\$ 10	\$ 894,652	\$ 14,129,278	\$ 1,467,175	\$ 2,495,036	\$ 944,559	\$ 2,546,271	\$ 1,040,371	\$ 510,715	\$ 24,028,077	
Acquisition and construction costs	-	-	-	24,687	-	38,180	28,000	278,894	-	369,761	
Exploration expenditures (recovered)											
Field costs	-	-	-	-	16,462	-	-	-	-	16,462	
Geological consulting	-	-	151	-	-	-	-	-	-	151	
Security and site maintenance	-	-	60,041	-	-	-	-	-	-	60,041	
Less: proceeds on land sale	-	-	-	-	-	-	-	-	-	-	
Less: ore sales net of cost	-	-	(65,892)	-	-	-	-	-	-	(65,892)	
	-	-	(5,700)	-	16,462	-	-	-	-	10,762	
Write-offs	-	-	-	-	-	-	-	-	-	-	
Total	<u>\$ 10</u>	<u>\$ 894,652</u>	<u>\$ 14,123,578</u>	<u>\$ 1,491,862</u>	<u>\$ 2,511,498</u>	<u>\$ 982,739</u>	<u>\$ 2,574,271</u>	<u>\$ 1,319,265</u>	<u>\$ 510,715</u>	<u>\$ 24,408,600</u>	

PALLADON VENTURES LTD.
CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND RELATED EQUIPMENT
For the year ended February 29, 2008

	<u>Argentina</u>	<u>USA</u>									
		<u>Utah Copper</u>	<u>Genesis Gold</u>	<u>Mineral Property</u>	<u>Iron Springs</u>					<u>Power Line</u>	<u>Total</u>
					<u>Equipment Under Construction</u>						
				<u>Ball Mill</u>	<u>Rail Line</u>	<u>Transformer</u>	<u>Substation</u>	<u>Plant</u>			
Balance, beginning	\$ 1,441,206	\$ 10	\$ 894,652	\$ 14,403,729	\$ 1,219,526	\$ 2,485,999	\$ 786,637	\$ 649,686	\$ 556,428	\$ -	\$ 22,437,873
Acquisition and construction costs	-	-	-	-	247,649	9,037	157,922	1,896,585	483,943	510,715	3,305,851
Exploration expenditures (recovered)											
Field costs	394,555	-	-	51,909	-	-	-	-	-	-	446,464
Geological consulting	-	-	-	14,442	-	-	-	-	-	-	14,442
Security and site maintenance	-	-	-	320,843	-	-	-	-	-	-	320,843
Less: proceeds on land sale	-	-	-	(515,701)	-	-	-	-	-	-	(515,701)
Less: ore sales net of cost	-	-	-	(145,944)	-	-	-	-	-	-	(145,944)
	<u>394,555</u>	<u>-</u>	<u>-</u>	<u>(274,451)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,104</u>
Write-offs	<u>(1,835,751)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,835,751)</u>
Total	<u>\$ 10</u>	<u>\$ 10</u>	<u>\$ 894,652</u>	<u>\$ 14,129,278</u>	<u>\$ 1,467,175</u>	<u>\$ 2,495,036</u>	<u>\$ 944,559</u>	<u>\$ 2,546,271</u>	<u>\$ 1,040,371</u>	<u>\$ 510,715</u>	<u>\$ 24,028,077</u>

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2008 AND FEBRUARY 29, 2008

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. 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, 2008, the Company has not yet achieved profitable operations and has accumulated losses of \$28,378,922 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 29, 2008.

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, 2008 AND FEBRUARY 29, 2008 – 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, 2008		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office furniture and equipment	\$ 103,524	\$ 38,463	\$ 65,061

	February 29, 2008		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office furniture and equipment	\$ 103,524	\$ 33,982	\$ 69,542

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

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 MAY 31, 2008 AND FEBRUARY 29, 2008 – PAGE 3

- 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 he 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	US\$	<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.
- 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

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 MAY 31, 2008 AND FEBRUARY 29, 2008 – PAGE 4

properties located in Salta province, Argentina. Consideration payable is US\$5,000,000 payable from the agreement date as follows:

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

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.

- f) As of the quarter ended May 31, 2008 these properties were written down to a nominal value with the intention to ultimately sell these properties such that the focus of the Company will be on the Iron Mountain project.

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 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

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2008 AND FEBRUARY 29, 2008 – PAGE 6

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.
- e) During the quarter ended May 31, 2008, Palladon Iron Corporation signed a five-year contract provides for the sale of run-of-mine iron ore to China Kingdom International (CKI) and its Australian subsidiary, China Kingdom International Australia, at an initial rate of 2,000,000 metric tonnes. Pricing is fixed through March 31, 2009, and will adjust for future annual periods based on changes in the World Benchmark prices for iron ore. The contract price quoted FOB west coast U.S. port, with CKI responsible for all ocean-going freight including the contracting and scheduling of ocean vessels. PIC estimates that initial capital investment to be less than \$5 million, with shipments expected to commence in the third quarter of this year.

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 holds a loan payable to Luxor of US\$9,308,161 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.

Note 8 Share Capital

Authorized: Unlimited common shares without par value

PALLADON VENTURES LTD.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MAY 31, 2008 AND FEBRUARY 29, 2008 – PAGE 7

Issued:

		Number of Shares	(Restated – Note 16) Amount
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	26,187,410	7,856,223
Less share issue costs		564,750	(952,329)
Escrow cancelled		(35,500)	-
Balance, February 29, 2008		76,417,465	\$35,691,028
For cash:			
Exercise of Warrants	-at \$0.50	2,981,500	1,490,750
	- at \$0.70	61,113	42,779
Exercise of Options	-at \$0.40	<u>150,000</u>	<u>60,000</u>
Balance, May 31, 2008		<u>79,610,078</u>	<u>\$37,152,305</u>

PALLADON VENTURES LTD.
 NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
 MAY 31, 2008 AND FEBRUARY 29, 2008 – PAGE 8

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, 2008 and the year ended February 29, 2008 are summarized as follows:

	Period ended May 31, 2008		Year ended February 29, 2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of period	2,835,000	\$0.57	3,360,000	\$0.57
Granted			600,000	\$0.40
Exercised	(150,000)	\$0.40	-	-
Cancelled	-		(1,125,000)	\$0.74
Outstanding, end of period	<u>2,685,000</u>	\$0.62	<u>2,835,000</u>	\$0.57
Exercisable, end of period	<u>2,685,000</u>		<u>2,835,000</u>	

On May 31, 2008, there were 2,685,000 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>
100,000	\$0.45	September 8, 2008
50,000	\$0.80	November 26, 2008
100,000	\$0.50	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
1,070,000	\$0.40	December 15, 2011
<u>600,000</u>	\$0.40	November 5, 2012
<u>2,685,000</u>		

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Share Purchase Warrants

At May 31, 2008, the Company had 12,835,716 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>
700,000	\$0.70	July 20, 2008
1,741,136	\$0.70	August 18, 2008
<u>10,394,580</u>	\$0.50	May 11, 2008
<u>12,835,716</u>		

Contributed Surplus

	<u>May 31,</u> <u>2008</u>	<u>February 29,</u> <u>2008</u>
Balance, beginning of period	\$ 3,166,383	\$ 2,288,089
Fair value of share purchase warrants granted		493,919
Private placements less issue costs		282,375
Fair value of share purchase options granted	-	<u>102,000</u>
Balance, end of period	<u>\$ 3,166,383</u>	<u>\$ 3,166,383</u>

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	
	<u>May 31,</u> <u>2008</u>	<u>May 31,</u> <u>2007</u>
Management fees	\$ 0	\$ 15,000
Salaries	91,250	87,435
Consulting	<u>4,500</u>	<u>0</u>
Total	<u>\$ 95,750</u>	<u>\$ 102,435</u>

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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, 2008, cash totalling \$887,898 (February 28, 2008: \$1,476,245) was held in US dollars and \$0 in Argentine Pesos (February 28, 2008: \$0).

Note 11 Subsequent Events

Subsequent to May 31, 2008:

Share Purchase Warrants

At July 30, 2008, the Company had 12,123,216 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>
1,728,636	\$0.70	August 18, 2008
<u>10,394,580</u>	\$0.50	May 11, 2009
<u>12,123,216</u>		

Share Capital

Authorized:

Unlimited common shares without par value

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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		(35,500)	(37,500)
Balance, February 29, 2008		76,417,465	\$36,775,282
For cash:			
Private placement	-at \$0.705	88,247,054	62,214,173
Exercise of Warrants	-at \$0.50	3,126,000	1,563,000
	-at \$0.70	773,613	541,529
Exercise of Options	-at \$0.40	300,000	120,000
	-at \$0.50	<u>100,000</u>	<u>50,000</u>
Balance, June 30, 2008		<u>168,964,132</u>	<u>\$101,263,984</u>

Other Subsequent Events:

On June 4, 2008, the Company announced that it has reached a definitive agreement, subject to regulatory approval, with its joint venture partner, Luxor Capital Partners (“Luxor”), to acquire Luxor’s interest in Palladon Iron Corporation (“PIC”). The transaction will allow the Company to fully consolidate PIC under Palladon’s ownership and provides Palladon shareholders with 100% of the future economics in the Iron Mountain project.

The total purchase price paid to Luxor for their interest was US\$65M. The purchase price is comprised of US\$40M cash payable to Luxor at closing and a deferred seller payment of US\$25M due to Luxor 12 months after the closing. The deferred payment will be fully secured by assets of PIC and will carry a blended interest rate of 11.6% with no prepayment penalty. The long-term loan to Luxor held at February 29, 2008 for \$9.3M was be rolled-into the financing at its current rate of interest.

The Company conducted a private placement of up to 85,106,383 units at a price of CDN\$0.705 per Unit. Each Unit will consist of one common share and one quarter (1/4) of one transferrable warrant. Each whole warrant is exercisable at CDN\$1.00 per warrant share for a period of eighteen (18) months from the closing date. The transaction closed on June 26, 2008.

On July 2, 2008 the Company announced that it had signed a 5-year contract with Gilbert Development Corp. to be the Company’s contract miner on the Iron Mountain project. Gilbert will perform all mining duties at the site with the major elements including drilling, blasting, crushing, screening, hauling, blending, conveying and stacking and railcar loading, based on the mine plan developed to meet the contract. Palladon personnel will oversee Gilbert’s operations and will conduct all operations for the mix of ores to be hauled to the stockpile, survey primary elevations of the benches, toe and crest limits for the mining pit, and percentage grade on all roads, based on permitting requirements.