



(An Exploration Stage Company)

Vancouver, BC

CONSOLIDATED FINANCIAL STATEMENTS

for the years ended

December 31, 2007

and

December 31, 2006



Cinnamon Jang Willoughby & Company

Chartered Accountants

A Partnership of Incorporated Professionals

AUDITORS' REPORT

To the Shareholders of **Kootenay Gold Inc:**

We have audited the consolidated balance sheets of Kootenay Gold Inc. as at December 31, 2007 and 2006 and the consolidated statements of operations and deficit, cash flows, accumulated other comprehensive income, and comprehensive loss for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 December 31, 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.

“Cinnamon Jang Willoughby & Company”

Chartered Accountants

Burnaby, BC
April 25, 2008

KOOTENAY GOLD INC.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS

Exhibit 1

	December 31 2007	December 31 2006
ASSETS		
Current		
Cash and cash equivalents	\$ 1,566,191	\$ 1,771,070
Accounts receivable and advances	193,060	95,402
Share subscriptions receivable	35,500	-
Prepaid expenses	107,756	2,112
Marketable securities (Note 5)	365,750	165,500
Total current assets	2,268,257	2,034,084
Equipment (Note 6)	48,494	35,676
Exploration advances	74,921	-
Exploration deposits	36,644	-
Mineral properties (Note 7)	4,776,655	1,275,852
	\$ 7,204,971	\$ 3,345,612

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 472,244	\$ 133,380
Investor deposits	96,700	989,690
Exploration advances	249,450	250,000
Total current liabilities	818,394	1,373,070

SHAREHOLDERS' EQUITY

Share capital (Note 8)	4,934,521	2,892,006
Contributed surplus (Note 8)	4,014,397	639,197
Accumulated other comprehensive income (Exhibit 3)	47,000	-
Deficit	(2,609,341)	(1,558,661)
	6,386,577	1,972,542
	\$ 7,204,971	\$ 3,345,612

Continued Operations and Going Concern (Note 2)
Subsequent Events (Note 15)

Approved on Behalf of the Board:

"Kenneth Berry"
Director

"James McDonald"
Director

- see accompanying notes -

KOOTENAY GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

Exhibit 2

	For the year ended	
	December 31 2007	December 31 2006
Administrative Expenses		
Amortization	\$ 12,300	\$ 6,576
Foreign exchange gain	(49,418)	-
General and administrative	620,021	130,646
Management fees	171,251	129,000
Stock-based compensation (Note 9)	408,927	501,838
Professional fees	181,032	221,515
Regulatory and filing fees	42,541	25,476
Rent	24,449	6,000
Loss before Other Items	1,411,103	1,021,051
Other Items		
Administration fee income	153,979	48,724
Gain on sale of mineral property interest	30,200	-
Interest income	22,363	8,423
	206,542	57,147
Loss before income taxes	1,204,561	963,904
Income tax recovery	153,881	-
Loss for the Period	1,050,680	963,904
Deficit, Beginning	1,558,661	594,757
Deficit, Ending	\$ 2,609,341	\$ 1,558,661
Basic and Diluted Earnings (Loss) per Share	\$ (0.056)	\$ (0.076)
Weighted Average Number of Shares Outstanding	18,792,403	12,744,701

- see accompanying notes -

KOOTENAY GOLD INC.

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CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME

Exhibit 3

	December 31 2007	December 31 2006
Accumulated other comprehensive income, beginning of year	\$ -	\$ -
Other comprehensive income	47,000	-
Accumulated other comprehensive income, end of year	\$ 47,000	\$ -

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Exhibit 4

	December 31 2007	December 31 2006
Net loss	\$ (1,050,680)	\$ (963,904)
Other comprehensive income		
Transitional adjustment to accumulated other comprehensive income	5,500	-
Unrealized gain on available-for-sale financial assets arising during the period	41,500	-
Total other comprehensive income	47,000	-
Comprehensive loss	\$ (1,003,680)	\$ (963,904)

- see accompanying notes -

KOOTENAY GOLD INC.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

Exhibit 4

	December 31 2007	December 31 2006
Cash Flows from Operating Activities		
Net loss for the period	(1,050,680)	(963,904)
Add items not involving any outlay of cash:		
Income tax recovery	(153,881)	-
Stock-based compensation	408,927	501,838
Amortization	12,300	6,576
	(783,334)	(455,490)
Changes in non-cash working capital balances:		
Accounts receivable and advances	(97,658)	(79,114)
Prepaid expenses	(105,644)	(2,112)
Exploration advances received	(550)	250,000
Accounts payable and accrued liabilities	124,773	60,206
	(862,413)	(226,510)
Cash Flows from Financing Activities		
Issuance of share capital	3,429,179	2,707,764
	3,429,179	2,707,764
Cash Flows from Investing Activities		
Investment in equipment	(25,118)	(40,662)
Investment in mineral properties	(3,996,649)	(800,725)
Exploration deposits paid	(36,644)	-
Exploration advances paid	(74,921)	-
Recovery of mineral property expenditures	1,361,687	-
	(2,771,645)	(841,387)
Increase (Decrease) in Cash and Cash Equivalents During the Period	(204,879)	1,639,867
Cash and Cash Equivalents, Beginning of the Period	1,771,070	131,203
Cash and Cash Equivalents, End of the Period	1,566,191	1,771,070

Supplemental Disclosure of Cash and Non-Cash Activities (Note 11)

- see accompanying notes -

KOOTENAY GOLD INC.
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and December 31, 2006

1 Nature of Operations and Going Concern:

Kootenay Gold Inc. (the "Company") was established as a Capital Pool Company under the policies of the TSX Venture Exchange (the "Exchange"). On March 7, 2005 the Company completed an Acquisition Agreement with Kootenay Gold Corp. ("Kootenay") and its shareholders. This acquisition represented the Company's "Qualifying Transaction" pursuant to the policies of the Exchange as they relate to 'Capital Pool Corporations'. Effective March 7, 2005, the Company changed its name from First Integrated Enterprises Ltd. to Kootenay Gold Inc.

The Company's main business is acquiring and exploring mineral properties principally located in the North America, with the objective of identifying mineralized deposits economically worthy of subsequent development, mining or sale.

2 Continued Operations:

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the years ended December 31, 2007 and 2006, the Company experienced operating losses and negative operating cash flows, operations of the Company having been primarily funded by the issuance of share capital. Continued operations are dependent on the Company's ability to complete public equity financing or generate profitable operations in the future.

	2007	2006
Deficit	\$ 2,609,341	\$ 1,558,661
Working capital	\$ 1,449,863	\$ 661,014

3 Significant Accounting Policies:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The significant accounting policies adopted by the Company are as follows:

Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Kootenay Resources Inc. (formerly Kootenay Gold Corp), Minera JM S.A. de C.V. (a company incorporated in Mexico) and Kootenay Gold (US) Corp. All significant inter-company transactions have been eliminated upon consolidation.

Use of estimates

The preparation of financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates. The most significant estimates

KOOTENAY GOLD INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and December 31, 2006

3 Significant Accounting Policies (continued):

made by management relate to amounts recorded for the depreciation of capital assets, measurement of stock-based compensation, and the recoverability of mineral properties. By their nature, these estimates are subject to measurement uncertainty and actual results may differ from those estimates.

Foreign currency translation

The Company's foreign subsidiary is considered an integrated foreign operation and is translated using the temporal method. Under this method, monetary assets and liabilities are translated at the rate of exchange at the balance sheet date and non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the consolidated statements of operations.

Cash and cash equivalents

Cash is comprised of cash on hand. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Marketable securities

Marketable securities are recorded at market value by reference to published price quotations in an active market, and are written down when the value is impaired on an other-than-temporary basis, or when no other means exist to independently confirm the recorded value is reasonable. Realized gains or losses on the sale of securities are determined based on specific cost basis.

Mineral property interests

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. The recoverability of mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing and permits necessary to complete the development and future profitable production, or proceeds from the disposition thereof.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

KOOTENAY GOLD INC.
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and December 31, 2006

3 Significant Accounting Policies (continued):

Stock-based compensation

In connection with incentive stock options granted by the Company to its officers, directors, employees and consultants, an expense is recognized over the vesting period based on the estimated fair value of the options on the date of the grant as determined using the Black -Scholes option pricing model. The expense is charged to stock-based compensation and the offset is credited to contributed surplus. Cash received on exercise of incentive stock options is credited to the then issued and outstanding capital stock of the Company.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recognized using the declining balance method at the following annual rates:

Computer equipment	30%
Computer software	100%
Vehicles	30%

For the year of acquisition, the rate is one-half of the above.

Asset retirement obligation

The Company recognizes the fair value of a liability for an asset retirement obligation in the period in which it is incurred or when a reasonable estimate of fair value can be made. The fair value of an asset retirement obligation is recorded as a liability and a corresponding increase in mineral properties. Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset. Actual costs incurred upon settlement are charged against the asset retirement obligation. Any difference between the actual costs and the recorded liability is recognized as a gain or loss in earnings in the period in which the settlement occurs. At present, estimated future site restoration costs for the Company's mineral property interests are considered minimal.

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

When flow-through expenditures are renounced to the investors, a portion of the future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, are recognized as a recovery of income taxes in the statement of operations.

Share capital

The Company records proceeds from share issuances net of share issuance costs. Share capital issued for non-monetary consideration is recorded at the fair market value of the shares on the date the shares are issued.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and December 31, 2006

3 Significant Accounting Policies (continued):

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive. Basic loss per common share is calculated using the weighted-average number of shares outstanding during the period.

Income taxes

Income taxes are recorded using the asset and liability method. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

4 Changes in Accounting Policies

Effective January 1, 2007 the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"); "Financial Instruments – Recognition and Measurement" (Section 3855), "Financial Instruments – Disclosure and Presentation" (Section 3861), and "Comprehensive Income" (Section 1530). These new standards have been adopted prospectively. Adoption of these standards did not impact January 1, 2007 opening balances. The adoption of these standards resulted in the reporting a comprehensive loss of \$47,000 for the year ended December 31, 2007.

Financial instruments – Recognition and Measurement – Section 3855

This section establishes standards for the recognition, measurement disclosure and presentation of financial instruments. Under the new standard, financial assets and liabilities are initially recognized at fair value and are subsequently measured based on their classification as held-for-trading, held-to-maturity, loans and receivables, available-for-sale, or other financial liabilities, as described below:

(i) Held-for-trading

Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. Any financial instrument can be designated as held for trading as long as its fair value can be reliably measured. These instruments are measured at fair value with subsequent changes in fair value included in earnings.

The Company has classified cash and cash equivalents as held-for-trading, which accordingly are carried at their fair values. Held-for-trading assets are not subject to significant credit, foreign exchange or interest rate risk.

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December 31, 2007 and December 31, 2006

4 Changes in Accounting Policies (continued):

(ii) Held-to-maturity

Financial assets that have a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial asset to maturity are classified as held-to-maturity and measured at amortized cost using the effective interest rate method. Any gains and losses arising from the sale of held-to-maturity financial assets are included in earnings.

Currently, the Company has no held-to-maturity financial assets.

(iii) Loans and receivables

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in earnings.

The Company has classified receivables, subscriptions receivable, exploration deposits and exploration advances as loans and receivables, which are accordingly measured at amortized cost. Due to their short-term natures, the fair values of loans and receivables approximate their carrying values, and they are not subject to significant credit or interest rate risk.

(iv) Available-for-sale

Available-for-sale assets are those financial assets that are not classified as held-for-trading, held-to-maturity or loans or receivables, and are carried at fair value. Any gains or losses arising from the change in fair value are recorded as other comprehensive income. Available-for-sale securities are written down to fair value through earnings whenever it is necessary to reflect other-than-temporary impairment. Cumulative gains and losses arising upon the sale of the instrument are included in earnings.

The Company has classified marketable securities as available-for-sale which is accordingly carried at their fair values.

Available-for-sale assets are not subject to significant credit, foreign exchange or interest rate risk

(v) Other financial liabilities

Financial liabilities that are not classified as held-to-maturity are classified as other financial liabilities, and are carried at amortized cost using the effective interest method. Any gains or losses arising from the realization of other financial liabilities are included in earnings.

The Company has classified exploration funds received in advance and accounts payable and accrued liabilities as other financial instruments, which are accordingly carried at amortized cost. Due to their short-term natures, the fair values of other financial liabilities approximate their carrying values, and they are not subject to significant credit, foreign exchange or interest rate risk.

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4 Changes in Accounting Policies (continued):

Financial instruments – Disclosure and Presentation – Section 3861

This section establishes standards for presentation of financial instruments and identifies the information which should be disclosed about them. Under the new standards, policies followed for years prior to the effective date are generally not reversed, and therefore the comparative figures have not been restated.

Comprehensive income – Section 1530

This section establishes standards for reporting and presentation of comprehensive income, which is comprised of net earnings or loss and other comprehensive income. Other comprehensive income represents the change in net equity for the period that arises from unrealized gains and losses on available-for-sale financial instruments, and changes in the fair market value of derivative instruments designated as cash flow hedges. Amounts included in other comprehensive income are shown net of tax. Cumulative changes in other comprehensive income are included in accumulated other comprehensive income which is presented (if applicable) as a new category in shareholders' equity.

Risk management

Because the financial instruments are not subject to significant credit, foreign exchange or interest rate risk, the Company has not adopted risk management policies.

5 Marketable Securities:

Marketable securities are classified as available for sale financial instruments, which are adjusted to market value at year end. Market value as at December 31, 2007 is \$365,750 (2006 – \$171,000), resulting in other comprehensive income of \$47,000 (2006 - \$Nil).

Subsequent to year end, market value of the marketable securities on hand at December 31, 2007 had decreased to \$194,000. This is considered a temporary impairment in value, and therefore no adjustment has been made.

6 Equipment:

	Cost	Accumulated Amortization	2007 Net	2006 Net
Vehicles	\$ 34,399	\$ 13,206	\$ 21,193	\$ 27,671
Computer	33,434	6,133	27,301	8,005
	\$ 67,833	\$ 19,339	\$ 48,494	\$ 35,676

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7 Mineral Properties:

	Canada		Santa	Starling		Mexico	United	2007	2006
	Total	Promontorio	Lucia	Anomalies	Other	Total	States	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition Costs									
Balance, beginning	62,491	102,739	18,718	-	13,667	135,124	65,102	262,718	116,187
Incurred	278,908	864,587	37,006	29,823	38,436	969,852	-	1,248,759	306,530
Balance, ending	341,399	967,326	55,724	29,823	52,103	1,104,976	65,102	1,511,477	422,717
Exploration Expenditures									
Balance, beginning	557,329	127,947	103,279	38,488	24,717	294,431	161,408	1,013,168	450,440
Assaying and Lab	43,126	29,901	2,982	31,140	1,650	65,673	2,755	111,554	58,181
Camp Costs	697	46,856	1,256	9,419	-	57,531	-	58,228	15,914
Drafting	11,054	11,672	44,978	11,263	-	67,913	-	78,966	8,363
Drilling	440,535	636,729	-	-	-	636,729	-	1,077,264	-
Geological mapping	27,688	49,691	14,103	89,008	-	152,802	-	180,490	197,474
Geophysics	285,005	99,851	141,010	305,507	-	546,368	30,943	862,316	175,360
Maintenance	30,250	8,952	5,163	14,173	-	28,288	9,220	67,758	157,515
Miscellaneous	12,026	148,948	146	19,940	-	169,034	-	181,060	10,812
Prospecting	204,054	64,140	9,247	571,842	7,532	652,761	-	856,815	283,061
Rock Sampling	103,838	22,756	8,901	3,750	-	35,407	-	139,246	36,118
Incurred	1,158,273	1,119,496	227,786	1,056,042	9,182	2,412,506	42,918	3,613,697	942,798
Balance, ending	1,715,602	1,247,443	331,065	1,094,530	33,899	2,706,937	204,326	4,626,865	1,393,238
Total property balance	2,057,001	2,214,769	386,789	1,124,353	86,002	3,811,913	269,428	6,138,342	1,815,955
Recovery of costs	(864,114)	-	(370,440)	(127,133)	-	(497,573)	-	(1,361,687)	(540,103)
Abandoned	-	-	-	-	-	-	-	-	-
Cumulative mineral property costs	1,192,887	2,214,769	16,349	997,220	86,002	3,314,340	269,428	4,776,655	1,275,852

KOOTENAY GOLD INC.

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December 31, 2007 and December 31, 2006

7 Mineral Properties (Canada):

	Alisa Lake \$	Chapleau \$	Chenier \$	Conner Creek \$	CP Midas \$	Deer Creek \$	Jumping Josephine \$	Murphy \$	Sunrise \$	Other \$	2007 Total \$	2006 Total \$
Acquisition Costs												
Balance, beginning	-	-	-	24,250	-	42	24,250	-	-	13,949	62,491	40,367
Incurred	50,000	-	50,800	-	50,000	-	-	50,000	77,500	608	278,908	64,624
Balance, ending	50,000	-	50,800	24,250	50,000	42	24,250	50,000	77,500	14,557	341,399	104,991
Exploration Expenditures												
Balance, beginning		22,847	1,697	35,307	54,421	542	94,100	30,319	5,519	312,577	557,329	284,366
Assaying and Lab	179	3,547	-	8,240	-	1,318	-	3,201	131	26,510	43,126	33,021
Camp Costs	-	-	-	697	-	-	-	-	-	-	697	-
Drafting	-	-	254	1,694	43	43	858	891	254	7,017	11,054	4,242
Drilling	-	-	-	318,695	-	-	-	121,840	-	-	440,535	-
Geological mapping	550	-	1,388	6,675	-	3,958	1,884	5,598	550	7,085	27,688	82,119
Geophysics	-	-	185,980	3,508	-	47,521	-	1,050	44,720	2,226	285,005	53,969
Maintenance	110	761	6,555	1,925	658	4,072	-	5,777	2,806	7,586	30,250	28,314
Miscellaneous	-	2,178	-	812	-	-	375	-	-	8,661	12,026	-
Prospecting	-	-	-	6,685	416	21,377	-	344	-	175,232	204,054	162,385
Rock Sampling	3,846	-	3,551	55,402	-	3,099	450	19,355	450	17,685	103,838	30,140
Incurred	4,685	6,486	197,728	404,333	1,117	81,388	3,567	158,056	48,911	252,002	1,158,273	394,190
Balance, ending	4,685	29,333	199,425	439,640	55,538	81,930	97,667	188,375	54,430	564,580	1,715,602	678,556
Total property balance	54,685	29,333	250,225	463,890	105,538	81,972	121,917	238,375	131,930	579,138	2,057,001	783,547
Recovery of costs	-	-	(237,532)	(431,037)	-	-	(52,200)	(143,345)	-	-	(864,114)	(163,760)
Abandoned	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative mineral property costs	54,685	29,333	12,693	32,853	105,538	81,972	69,717	95,030	131,930	579,138	1,192,887	619,787

KOOTENAY GOLD INC.
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7 Mineral Properties (continued):

Details of Mineral Properties - Canada

Connor Creek Property - Trail Creek Mining Division, British Columbia

The Company exercised its right under a Grubstake Agreement dated March 20, 2003 granting the Company the option to purchase a 100% interest in thirty-six mineral claims covering sixty-eight units in the Connor Creek area of Trail, British Columbia.

In order to exercise its option the Company must issue 100,000 shares of the Company to the vendor, and incur an aggregate of \$40,000 in expenditures on or before July 23, 2007. The Company expended \$404,333 on the property for the period ended December 31, 2007 (2006 - \$97,282). The Company issued 25,000 shares valued at \$0.25, 25,000 shares valued at \$0.10, 25,000 shares valued at \$0.37, and 25,000 shares valued at \$0.75 per share each, pursuant to this agreement. With expenditure commitments being fulfilled and the issuance of common stock to the vendor under the agreement, the claims have been transferred to the Company.

The Company entered into an option agreement with Amador Gold Inc., whereby the Company granted the right to Amador to earn a 50% undivided interest in the Connor Creek property. The option calls for Amador to expend \$1,000,000 in exploration and issue 400,000 shares to the Company over 4 years. If commercial production is reached, an additional 250,000 shares of Amador are payable to the Company. The Company received reimbursements in the amount of \$431,037 for costs incurred during the period ended December 31, 2007 (2006 - \$89,236).

Jumping Josephine Property - Nelson Mining Division, British Columbia

The Company exercised its right under a Grubstake Agreement dated March 20, 2003 granting the Company the option to purchase a 100% interest in twenty mineral claims comprised of fifty-eight units in the Jumping Josephine area of Nelson, British Columbia.

In order to exercise its option the Company must issue 100,000 shares of the Company to the vendor and incur an aggregate of \$40,000 in expenditures on or before July 23, 2007. The Company expended \$3,567 on exploration during the period ended December 31, 2007 (2006 - \$150). The Company issued 25,000 shares valued at \$0.25, 25,000 shares valued at \$0.10, 25,000 shares valued at \$0.37 and 25,000 shares valued at \$0.75 per share each, pursuant to this agreement. With expenditure commitments being fulfilled and the issuance of common stock to the vendor under the agreement the claims have been transferred to the Company.

The Company entered into an additional agreement dated June 30, 2005, which grants the Company the option to purchase a 100% interest in additional seven mineral claims in the Jumping Josephine area of Nelson, British Columbia. In order to exercise its option the Company must pay \$97,000 to the vendor and incur an aggregate of \$500,000 in expenditures on or before the October 31, 2009. The Company expended \$97,667 exploration to the period ended December 31, 2007 (2006 - \$94,100).

The Company entered into an option agreement with Astral Mining Corporation, ("Astral") on April 11, 2006, whereby the Company will grant to Astral the right to earn up to 60% undivided interest in the Jumping Josephine Property. In order to earn the interest, Astral must spend \$2,100,000 in exploration on the property and issue to the Company 400,000 common shares by April 11, 2010. The Company received reimbursements in the amount of \$52,200 for costs incurred in during the period ended December 31, 2007 (2006 - \$30,000).

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7 Mineral Properties (continued):

Chapleau Property – Sault Ste. Marie Mining Division, Ontario

The Company entered into a 50/50 joint venture agreement with Golden Chalice Resources Inc. (formerly International Chalice Resources Inc.) to further explore the Kimberlite dike with large diamond potential on the Chapleau property. Cost will be shared equally on March 1, 2006. The Company expended \$29,333 exploration during the period ended December 31, 2007 (2006 - \$22,847).

Other Properties – Southern British Columbia

On September 27, 2006, the Company exercised its right under a Grubstake Agreement granting the Company the option to purchase a 100% interest in five mineral claims comprising of twenty-eight units. The properties are known as the Sunrise, Midas, Chenier, Murphy and Alisa Lake Properties. Four (Sunrise, Chenier, Murphy and Midas) are located in the prolific Rossland-Republic trend and one (Alisa Lake) is in the Sullivan District in south eastern British Columbia.

The agreement requires issuance of 25,000 shares per property on September 27, 2006 and 25,000 shares in the next three anniversaries (September 27, 2007; September 27, 2008; September 27, 2009) for a total of 100,000 for each property, being a total of 500,000 shares. The Company must also make expenditures of \$40,000 on each property by April 1, 2011. The Company expended a total of \$410,491 (Sunrise \$48,905; Chenier \$197,728; Murphy \$158,056; Midas \$1,117; and Alisa \$4,685) on the properties during the period ended December 31, 2007 (2006 - \$91,956). The Company issued 150,000 shares valued at \$1.10 and 125,000 shares valued at \$0.90 per share pursuant to this agreement.

A bonus payment of 200,000 common shares is payable upon commencement of Commercial Production on any given property. The Company has the right to terminate the property agreements at anytime.

On April 17, 2007, the Company entered into an option agreement with Astral Mining Corporation (“Astral”), whereby the Company gave the right to Astral to earn a 60% undivided interest in the Chenier property located in the West Kootenay region of in south eastern British Columbia. In order to exercise its option, Astral must issue 500,000 common shares to the Company and incur an aggregate of \$2,500,000 in expenditures for each mineral property on or before May 4, 2011. The Company received \$237,532 for costs incurred during the period ended December 31, 2007 (2006 - \$nil).

A bonus payment of 200,000 shares is payable upon commencement of Commercial Production on the property. Astral has the right to terminate the property agreements at anytime.

Additional properties have been staked and are currently being evaluated to determine the viability of further exploration or development. Once the Company has made its evaluations the properties will be either be abandoned or acquired under the terms of the Grubstake Agreements.

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7 Mineral Properties (continued):

Details of Mineral Properties - Mexico

La Joya - Southern Sonora State, Mexico

On August 20, 2005, the Company acquired one mineral claim covering 713 hectares in the southern Sonora State region located between Navajoa and Alamos, Mexico. The Company expended \$Nil on exploration during the period ended December 31, 2007 (2006 – \$14,714).

Promontorio - Sonora State, Mexico

The Company entered into an agreement on October 20, 2006 with Siete Companas de Plata, S.A de C.V. ("Siete"), Exploration Canada De Oro, SA de CV ("ECO") and the Mexican Government Agency ("FIFOMI") to acquire an unencumbered 100% registered and beneficial interest in the former producing Promontorio Mine Site and the surrounding properties and mineral rights known as the Promontorio Concession. The claims cover approximately 37,000 hectares, and are located in the historic silver and gold producing Sierra Madre Region of Northwest Mexico. The Company expended \$1,119,496 on exploration to the period ended December 31, 2007 (2006 - \$127,947).

The agreement calls for the Company to pay up to \$1,375,000 U.S. in cash, issue up to 850,000 shares of Kootenay to ECO and Siete, and to pay a debt owing to FIFOMI in connection with the Promontorio Concession. The Company issued 300,000 shares valued at \$1.15 per share and issued a further 150,000 shares valued at \$1.05 per share pursuant to this agreement.

In addition, there is a 2 per-cent net smelter return relating to the acquisition. The Company may upon commencement of commercial production or sooner purchase 50 per cent of the net smelter return for \$1,000,000 U.S. in order to reduce the total net smelter return to 1 per cent. The Company also has the right of first refusal on the remaining 1 per cent in the event that the ECO and Siete decide to sell it. The Company has also negotiated a settlement with FIFOMI on the properties outstanding debt; under the terms of the agreement the Company will pay FIFOMI 4,218,935 pesos (\$400,000 U.S.) over a five- year period.

Santa Lucia - Southern Sonora State, Mexico

On September 27, 2006, the Company entered into an agreement which grants the Company the option to purchase a 100% interest in two mineral claims comprised of 9,350 hectares in the southern Sonora State region located between Navajoa and Alamos, Mexico.

In order to exercise its option the Company must issue 100,000 shares of the Company to the vendor. The Company expended \$227,786 on exploration during the period ended December 31, 2007 (2006 - \$103,279). The Company under a grubstaking agreement dated June 15, 2005 issued a total of 50,000 shares, with two tranches of 25,000 shares valued at \$0.74 and \$1.00 per share respectively pursuant to this agreement.

The Company entered into a letter agreement dated June 6, 2006 with Klondike Silver Corp. ("Klondike"), whereby the Company will grant to Klondike the right to earn up to a 50% interest in the Santa Lucia property located in Sonora State, Mexico. In order to earn their interest, Klondike must spend \$1,000,000 U.S. in exploration on the

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7 Mineral Properties (continued):

property; pay \$25,000 U.S. in cash and issue to the Company 500,000 common shares in its capital by June 14, 2008. The Company received 300,000 shares of Klondike pursuant to this agreement. The Company received reimbursements in the amount of \$252,940 for costs incurred during the period ended December 31, 2007 (2006 - \$117,500).

In addition, there is a 2.5-per-cent net smelter return relating to the acquisition. The Company may upon commencement of commercial production or sooner purchase 50 per cent of the net smelter return for \$1,000,000 U.S. in order to reduce the total net smelter return to 1.25 per cent. The Company also has the right of first refusal on the remaining 1.25 per cent in the event that the Cross group decides to sell it.

Starling Anomalies - Northwest Mexico

The Company entered into an agreement dated June 21, 2006 with Klondike Silver Corp. ("Klondike"), whereby the Company granted to Klondike the right to earn up to a 50% interest in three mineral properties in Mexico. In order to earn their interest, Klondike must reimburse the Company \$250,000 U.S., and for each property optioned, spend \$1,000,000 U.S. on exploration and issue to the Company 500,000 common shares within two years of the exchange approval date which is yet to be determined. In June 2007, under the same terms as the initial agreement, Klondike agreed to increase the number of properties by three. The Company expended \$1,056,042 on exploration during the period ended December 31, 2007 (2006 - \$38,453). The Company received reimbursements in the amount of \$127,133 for costs incurred to the period ended December 31, 2007 (2006 - \$219,094).

Details of Mineral Properties - United States

Elephant Mountain Property - Rampart Mining District, Alaska, U.S.A.

On December 12, 2003, the Company acquired seventy-one mineral claims in the Rampart mining district located eighty kilometres northwest of Fairbanks, Alaska. The property is subject to a 1.5% net returns royalty to the vendors. The Company purchased the property for \$65,102 and expended \$42,918 on exploration during the period ended December 31, 2007 (2006 - \$10,633).

Title to Mineral Property Interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

8 Share Capital:

Authorized:

Unlimited common shares without par value
Unlimited preferred shares

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8 Share Capital (continued):

Issued and Fully Paid:

	Number of Shares		Share Capital		Contributed Surplus
Balance, December 31, 2005	9,851,800	\$	1,247,031	\$	8,260
For cash:					
Exercise of stock options	280,000		49,000		-
Private placements	793,500		357,075		-
Exercise of warrants	3,200,000		1,312,000		129,099
Acquisition of mineral properties	75,000		56,000		-
Share issuance costs	-		(129,100)		-
Stock-based compensation	-		-		501,838
Balance, December 31, 2006	14,200,300	\$	2,892,006	\$	639,197
For cash:					
Private placement, net of issuance cost of \$90,317	5,298,925		761,361		3,238,440
Exercise of warrants	914,500		713,978		(220,427)
Exercise of stock options	100,000		122,740		(51,740)
Acquisition of mineral properties	750,000		805,000		-
Future income tax effect on renunciation of flow- through share expenditures	-		(153,881)		-
Share issuance costs	-		(206,683)		-
Stock-based compensation					408,927
Balance, December 31, 2007	21,263,725	\$	4,934,521	\$	4,014,397

2006 Private Placements

On February 10, 2006, the Company completed a private placement of 793,500 units at a price of \$0.45 per unit consisting of one share and one common share purchase warrant, for gross proceeds of \$357,075. The share purchase warrant entitles the holder to acquire one common share at a price of \$0.50 per common share for a period of expiring twelve months from the date the warrant is issued. The warrants were valued at \$129,099. Issuance costs of \$129,100 were netted against the proceeds.

2007 Private Placements

On January 12, 2007, the Company completed a private placement of 3,076,925 units at a price of \$0.65 per unit consisting of one common share and one common share purchase warrant, for gross proceeds of \$2,000,001. The warrant entitles the holder to acquire one common share at a price of \$0.80 per share for a period of eighteen months from the date the warrant is issued. The warrants were valued at \$2,324,309. Issuance costs of \$90,317 were netted against the proceeds.

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8 Share Capital (continued):

On October 23, 2007, the Company completed a private placement of 2,222,000 units at a price of \$0.90 per unit consisting of one common share and one common share purchase warrant, for gross proceeds of \$1,999,800. Each warrant entitles the holder to purchase one common share at a price of \$1.25 per share for a period of eighteen months from the date of issuance of the warrant. Subsequent to four months from closing, the Company has a right upon 30 days notice to holders, to accelerate conversion of warrants by warrant holders if the share price of the Company remains equal to or greater than \$2.25 per common share for a period of twenty consecutive trading days. The warrants were valued at \$914,131. Issuance costs of \$89,106 were netted against the proceeds.

In February 2007, the Company renounced \$451,000 of flow-through share expenditures to investors for Canadian Income Tax purposes. As a result, \$153,881 has been charged to share capital to reflect the future income tax effect of the renouncement.

9 Options and Warrants

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2005	3,320,000	\$ 0.41	280,000	\$ 0.175
Granted	793,500	0.50	1,425,000	0.746
Exercised	(3,200,000)	0.41	(280,000)	0.175
Expired/Cancelled	(120,000)	0.41	-	-
Outstanding, December 31, 2006	793,500	0.50	1,425,000	0.746
Granted	5,298,925	0.99	625,000	0.914
Exercised	(914,500)	0.54	(100,000)	0.710
Expired/Cancelled	-	-	-	-
Outstanding, December 31, 2007	5,177,925	\$ 1.18	1,950,000	\$ 0.802

Warrants

As at December 31, 2007, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
2,955,925	0.80	July 15, 2008
2,222,000	1.25	April 22, 2009
5,177,925		

The fair value of warrants is estimated using the Black Scholes option-pricing model. Warrants are included in contributed surplus until exercised, at which time they are transferred into share capital.

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9 Options and Warrants (continued):

The following assumptions were used for the Black-Scholes valuation of warrants issued during 2007 and 2006:

	2007	2006
Risk-free interest rate	4.20% - 4.33%	4.25%
Expected life of warrants	1.5 years	1 year
Fair value per warrant issued	\$0.41 - \$0.75	\$0.17
Annualized volatility	80% - 98%	80%
Dividend rate	0.00%	0.00%

Options

The Company has adopted an incentive stock option plan under the rules of the TSX Venture Exchange ("TSXV") pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up to 2,126,372 shares, which is 10% of the issued and outstanding common shares of the Company. Under the plan, the exercise price of each option is equal to the market price of the Company's shares on the date of grant. The options can be granted for a maximum term of 5 years and generally vest 25% in specified increments. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time. Pursuant to the policies of the TSX Venture Exchange, shares issued on exercise of options are restricted from trading during the four month period subsequent to the date of grant.

As at December 31, 2007, the Company had outstanding stock options enabling holders to acquire common share of the Company as follows:

	Number of Shares	Exercise Price	Expiry Date
	925,000	\$ 0.71	April 12, 2011
	400,000	0.84	December 5, 2011
	445,000	0.90	September 18, 2011
	180,000	0.95	October 23, 2011
	1,950,000		

For stock options granted to employees, officers, directors and consultants, the Company recognizes stock-based compensation expense based on the estimated fair value of the stock options granted as calculated using the Black-Scholes option-pricing model on the date of the grant.

The following assumptions were used for the Black-Scholes valuation of stock options granted during 2007 and 2006:

	2007	2006
Risk-free interest rate	4.22 % - 4.23%	4.12 % - 4.25 %
Expected life of options	5 years	5 years
Fair value per option granted	\$0.72 - \$0.80	\$0.52 - \$0.65
Annualized volatility	109.9% - 111.07%	100% - 113%
Dividend rate	0.00%	0.00%

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9 Options and Warrants (continued):

During the year ended December 31, 2007, the Company granted 625,000 (2006 – 1,425,000) stock options with a weighted average fair value of \$0.914 per option (2006 - \$0.746). Stock-based compensation totalling \$408,927 (2006 - \$501,838) was expensed during the period.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option and warrant grants.

10 Income Taxes:

A reconciliation of current income taxes at statutory rates with the reported taxes is as follows:

	2007	2006
Loss before income taxes	\$ 1,050,680	\$ 963,904
Statutory rates	31.50	34.12%
Expected income tax recovery at statutory rates	(358,492)	(328,884)
Effect of reduction in tax rates	-	5,424
Tax benefit from share issuance costs not recognized	(30,403)	(7,429)
Stock based compensation not deductible for tax purposes	139,311	171,227
Other deductible items for tax purposes	(10,304)	-
Non-deductible items for tax purposes	813	495
Increase (decrease) in valuation allowance	105,194	159,167
Future income tax recovery	\$ (153,881)	\$ -

Details of future income tax assets are as follows:

	2007	2006
Future income tax assets:		
Non-capital losses carried forward	\$ 596,487	\$ 356,479
Tax value of mineral properties in excess of book value	24,266	24,254
Tax value of share issuance costs in excess of book value	44,860	30,062
Tax value of equipment in excess of book value	6,598	2,340
	672,211	413,135
Flow through share renunciation	(153,881)	-
Valuation allowance	(518,330)	(413,135)
Future income tax assets	\$ -	\$ -

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10 Income Taxes (continued):

Estimated taxable income for the period is \$nil. Based upon the level of historical taxable income, it cannot be reasonably estimated at this time if it is more likely than not that the Company will realize the benefits from future income tax assets. The estimated taxable temporary difference valuation allowance will be adjusted in the period it is determined that it is more likely than not that some portion or all of the future tax assets will be realized.

As at December 31, 2007, the Company has non-capital losses of approximately \$1,748,204 (2006 - \$1,044,780) which may be carried forward to apply against future years income tax for Canadian income tax purposes, subject to final determination by taxation authorities and expiring as follows:

2009	\$ 2,646
2009	26,700
2010	78,801
2014	167,304
2015	287,469
2026	481,860
2027	703,424
	1,748,204

11 Supplemental Disclosure of Cash and Non-Cash Activities:

The following transactions incurred during the period did not include cash:

	2007	2006
Acquisition of marketable securities as proceeds on the sale of mineral property interests	\$ 153,250	\$ 147,500
Issuance of share capital for acquisition of mineral property interests	805,000	56,000

On January 12, 2007, the Company issued 300,000 common shares at a deemed value of \$1.15 per share pursuant to an agreement with Siete Companas de Plata, S.A. de C.V. ("Siete"), Exploration Canada De Oro, S.A. de C.V. ("ECO") and the Mexican Government Agency ("FIFOMI") to acquire an unencumbered 100% registered and beneficial interest in the former producing Promontorio Mine Site, the surrounding properties and mineral rights known as the Promontorio Concession.

On March 17, 2007, the Company issued 125,000 common shares at a deemed value of \$1.10 per share pursuant to grub stake agreements for the purchase of a 100% in the Sunrise, Midas, Chenier, Murphy and Alisa Lake mineral properties.

On April 5, 2007, the Company issued 25,000 common shares at a market value of \$1.10 per common share pursuant to grub stake agreements for the purchase of a 100% interest in the Sunrise mineral property.

On June 8, 2007, the Company issued 25,000 common shares at a deemed value of \$1.00 per share pursuant to grubstaking and exploration agreements for the purchase of a 100% interest in the Santa Lucia mineral property.

On July 19, 2007, the Company issued 150,000 common shares at a deemed value of \$1.05 per share being the second tranche pursuant to exploration agreements for the purchase of the Promontorio Mine Site and the surrounding properties and mineral rights known as the Promontorio Concession.

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11 Supplemental Disclosure of Cash and Non-Cash Activities (continued):

On September 17, 2007, the Company issued 125,000 common shares at a deemed value of \$0.90 per share being the second tranche pursuant to grub stake agreements for the purchase of a 100% in the Sunrise, Midas, Chenier, Murphy and Alisa Lake mineral properties.

On December 4, 2006, the Company issued 25,000 shares at a deemed price of \$0.74 per common share pursuant to "grub stake agreements" towards the purchase of a 100% in the Promontorio mineral claims.

On December 5, 2006, the Company issued 50,000 shares at a deemed price of \$0.75 per common share pursuant to "grub stake agreements" to complete the purchase a 100% in the Conner Creek and Jumping Josephine mineral claims.

12 Related Party Transactions and Balances:

Except as disclosed elsewhere in these financial statements related party transactions are as follows:

The following related party transactions were incurred in the normal course of business and are non-interest bearing, unsecured, due on demand and were measured at their fair value as determined by management.

	2007	2006
Management fees charged by a company controlled by officers	\$ 118,600	\$ 39,000
Consulting and management fees charged by a company controlled by common directors	20,000	20,000
Consulting and management fees charged by a Director	96,000	85,000
Consulting and accounting fees charged by a company controlled by an officer	\$ 47,883	\$ 35,875

In addition to the above:

- a) Included in accounts payable and accrued liabilities as at December 31, 2007 is \$2,758 (December 31, 2006-\$7,500) due to a director or companies controlled by directors or officers.
- b) Included in marketable securities as at December 31, 2007 is \$20,750 (December 31, 2006-\$117,500) are market value of shares received from a company with a director in common.
- c) Included in mineral properties as at December 31, 2007 is \$476,823 (December 31, 2006-\$258,843) which are funds received as recoveries from joint venture partners whose companies are controlled by common directors.
- d) Included in mineral properties as at December 31, 2007 is \$6,855 (December 31, 2006-\$Nil) paid as consulting fees to a director's immediate family.
- e) Included in administration fee income as at December 31, 2007 is \$71,070 (December 31, 2006-\$Nil) which are funds received from companies controlled by a common director.
- f) Included in exploration deposits as at December 31, 2007 is \$249,450 (December 31, 2006-\$250,000) are funds received to be applied to future exploration services from a company controlled by a common director.
- g) Included in share subscription receivable as at December 31, 2007 is \$35,500 (December 31, 2006-\$Nil) due from an officer.

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13 Contingent Liabilities

The Company's mineral properties are affected by the laws and regulations concerning environmental protection that exist in the various jurisdictions. It is not possible to estimate the future impact on operating results, if any, as a result of, future changes in regulations or developments.

14 Segmented Information

The Company has one reportable operating segment, being the acquisition and exploration and future development of mineral properties.

The Company's mineral properties and deferred costs by geographic location are as follows:

	2007	2006
Mineral properties:		
Canada	\$ 1,192,887	\$ 619,787
USA	269,428	226,510
Mexico	3,314,340	429,555
	<u>\$ 4,776,655</u>	<u>\$ 1,275,852</u>

15 Commitments:

During the year, the company entered into a contract for office rent which expires July 2012. The following table summarizes the company's total annual obligations under this agreement:

2008	\$ 47,384
2009	47,384
2010	48,440
2011	49,497
2012	24,748
	<u>217,453</u>

16 Subsequent Events:

Subsequent to the period end the following transaction took place:

On February 29, 2008, the Company issued 5,500,000 units at \$1.50 per unit for total gross proceeds of \$8,250,000. Each unit consisted of one flow-through common share and one-half non flow-through share purchase warrant. One whole warrant is exercisable into an additional common share for \$1.80 expiring August 29, 2009. The Company paid a finder's fee of \$369,285 in cash, 94,500 finder's units and 340,690 share purchase warrants. Each warrant is exercisable into one common share at \$1.70 per share expiring on August 29, 2009.

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16 Subsequent Events (continued):

On March 28, 2008, the Company announced an option agreement on the Murphy Property with Abitibi Mining Corp ("Abitibi"). Abitibi will have the option to acquire a 60% interest in the Murphy Property by issuing to the Company 400,000 Abitibi common shares over three years, with an additional 250,000 shares to be issued upon commencement of production. Abitibi must also expend an aggregate of \$2,000,000 in exploration expenditures on the Murphy property over a four year period. The option agreement is subject to Abitibi obtaining regulatory approval.

On March 31, 2008, the Company announced the completion of six option agreements with Klondike Silver Corp. ("Klondike") on six of the Company's 100% owned mineral concessions in the Sierra Madre Region of Northwest Mexico. The six concessions selected by Klondike include two epithermal precious metal settings (Suzanne and Ofelia), three porphyry settings (Los Alamos, Cerro Colorado and Espiritu) and one skarn (Los Chinos). Under the terms of each option agreement, Klondike can earn a 50% undivided interest in the mineral concession by incurring or funding a minimum of US\$1,000,000 in exploration expenditures in stages over three years and issuing 500,000 shares to the Company in stages over two years. In order for Klondike to earn an undivided interest in all six mineral concessions, Klondike must incur or fund minimum exploration expenditures totaling in the aggregate \$6,000,000 (US\$1,000,000 on each mineral concession) and issue to the Company an aggregate of 3,000,000 shares (500,000 shares per mineral concession). The options are subject to Klondike obtaining regulatory approval.

17 Comparative Figures:

Certain of the comparative figures have been reclassified to conform to the presentation adopted in the current period.