



Vancouver, BC

CONSOLIDATED FINANCIAL STATEMENTS

for the three months ended

March 31, 2008

and

March 31, 2007

Notice to Shareholders

Responsibility for Financial Statements

The accompanying consolidated financial statements for Kootenay Gold Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set in Note 3 in the accompany notes to these interim consolidated financial statements.

These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the interim consolidated financial statements, management is satisfied that these interim consolidated financial statements have been fairly presented.

Auditor involvement

The independent auditor of Kootenay Gold Inc. has not performed a review of the unaudited interim consolidated financial statements for the three months ended March 31, 2008 and March 31, 2007.

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

Exhibit 1

	March 31 2008	December 31 2007	March 31 2007
ASSETS			
Current			
Cash and cash equivalents	\$ 8,403,664	\$ 1,566,191	\$ 2,613,913
Accounts receivable and advances	841,517	193,060	53,494
Share subscriptions receivable	-	35,500	-
Prepaid expenses	179,626	107,756	-
Marketable securities (Note 4)	223,000	365,750	165,500
Total current assets	9,647,807	2,268,257	2,832,907
Equipment (Note 5)	75,515	48,494	26,264
Exploration advances	67,744	74,921	-
Exploration deposits	36,644	36,644	-
Mineral properties (Note 6)	5,540,662	4,776,655	2,077,594
	\$ 15,368,372	\$ 7,204,971	\$ 4,936,765

LIABILITIES

Current			
Accounts payable and accrued liabilities	\$ 350,994	\$ 472,244	\$ 554,956
Investor deposits	37,500	96,700	-
Exploration advances	-	249,450	-
Total current liabilities	388,494	818,394	554,956

SHAREHOLDERS' EQUITY

Share capital (Note 7)	9,964,038	4,934,521	4,467,908
Contributed surplus (Note 7)	7,989,522	4,014,397	1,535,749
Accumulated other comprehensive income (loss) (Exhibit 3)	(95,750)	47,000	-
Deficit	(2,877,932)	(2,609,341)	(1,621,848)
	14,979,878	6,386,577	4,381,809
	\$ 15,368,372	\$ 7,204,971	\$ 4,936,765

Continued Operations and Going Concern (Note 2)
Subsequent Events (Note 14)

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 three months ended	
	March 31 2008	March 31 2007
Administrative Expenses		
Amortization	\$ 2,763	\$ 10,931
Foreign exchange loss	49,728	-
General and administrative	123,162	56,569
Management fees	46,300	41,898
Stock-based compensation (Note 8)	62,971	-
Professional fees	15,807	75,762
Regulatory and filing fees	53,341	30,795
Rent	11,968	1,500
Loss before Other Items	366,040	217,455
Other Items		
Administration fee income	82,463	371
Interest income	14,986	16
	97,449	387
Loss before income taxes	268,591	217,068
Income tax recovery	-	153,881
Loss for the Period	268,591	63,187
Deficit, Beginning	2,609,341	1,558,848
Deficit, Ending	\$ 2,877,932	\$ 1,621,848
Basic and Diluted Earnings (Loss) per Share	\$ (0.011)	\$ (0.004)
Weighted Average Number of Shares Outstanding	23,703,060	14,298,283

- see accompanying notes -

KOOTENAY GOLD INC.

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CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Exhibit 3

		March 31 2008		March 31 2007
Accumulated other comprehensive income, beginning of year	\$	47,000	\$	-
Other comprehensive loss		(142,750)		-
Accumulated other comprehensive loss, end of period	\$	(95,750)	\$	-

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Exhibit 4

		March 31 2008		March 31 2007
Net loss	\$	(268,591)	\$	(63,187)
Other comprehensive income				
Unrealized loss on available-for-sale financial assets arising during the period		(142,750)		-
Total other comprehensive loss		(142,750)		-
Comprehensive loss	\$	(411,341)	\$	(63,187)

- see accompanying notes -

KOOTENAY GOLD INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Exhibit 5

	March 31 2008	March 31 2007
Cash Flows from Operating Activities		
Net loss for the period	(268,591)	(63,187)
Add items not involving any outlay of cash:		
Stock-based compensation	62,971	-
Amortization	2,763	10,931
	(202,857)	(52,256)
Changes in non-cash working capital balances:		
Accounts receivable and advances	(648,457)	41,908
Prepaid expenses	(71,870)	2,112
Exploration advances received	(249,450)	(250,000)
Accounts payable and accrued liabilities	121,250	421,576
	(1,051,384)	163,340
Cash Flows from Financing Activities		
Investor deposits	(59,200)	(989,690)
Issuance of share capital	8,555,671	2,472,453
	8,496,471	1,482,763
Cash Flows from Investing Activities		
Investment in equipment	(29,784)	(1,518)
Investment in mineral properties	(585,007)	(801,742)
Exploration advances paid	7,177	-
	(607,614)	(803,260)
Increase (Decrease) in Cash and Cash Equivalents During the Period	6,837,473	842,843
Cash and Cash Equivalents, Beginning of the Period	1,566,191	1,771,070
Cash and Cash Equivalents, End of the Period	8,403,664	2,613,913

Supplemental Disclosure of Cash and Non-Cash Activities (Note 9)

- see accompanying notes -

KOOTENAY GOLD INC.
(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008 and March 31, 2007

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 three months ended March 31, 2008 and 2007, 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.

	Accumulated to Three months ended	
	March	March 31
	2008	2007
Deficit	\$ 2,877,932	\$ 1,621,848
Working capital	\$ 9,259,313	\$ 2,277,951

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

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March 31, 2008 and March 31, 2007

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008 and March 31, 2007

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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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.

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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(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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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.

4 Marketable Securities:

Marketable securities are classified as available for sale financial instruments, which are adjusted to market value at the end of the reporting period. Market value as at March 31, 2008 is \$223,000 (2007 – \$365,750), resulting in other comprehensive loss of \$142,750 (2007 - \$Nil).

5 Equipment:

		Cost		Accumulated Amortization		2008 Net		2007 Net
Vehicles	\$	58,117	\$	14,708	\$	43,409	\$	19,370
Computer		40,271		8,165		32,106		6,894
	\$	98,388	\$	22,873	\$	75,515	\$	26,264

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008 and March 31, 2007

6 Mineral Properties:

	Canada Total	Promontorio	Santa Lucia*	Sonora Anomalies	Other	Mexico Total	United States	2008 Total	2007 Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Acquisition Costs									
Balance, beginning	341,399	967,326	55,724	29,823	52,103	1,104,976	65,102	1,511,477	262,717
Incurred	-	554,291	-	-	-	554,291	-	554,291	379,860
Balance, ending	341,399	1,521,617	55,724	29,823	52,103	1,659,267	65,102	2,065,768	642,577
Exploration Expenditures									
Balance, beginning	1,715,603	1,247,443	331,065	1,094,530	33,899	2,706,937	204,326	4,626,865	1,013,135
Assaying and Lab	32,739	47,029	-	22,640	-	69,669	878	103,286	14,506
Camp Costs	-	18,458	-	78,613	-	97,071	-	97,071	-
Drafting	1,250	-	-	-	-	-	-	1,250	-
Drilling	-	130,617	-	-	-	130,617	-	130,617	-
Geological mapping	60,318	26,444	98	6,484	-	33,026	-	93,343	53,940
Geophysics	550	106,444	1,150	26,727	-	134,321	(270)	134,601	484,386
Maintenance	825	92,587	10,838	234,451	330	338,206	-	339,031	8,444
Miscellaneous	825	3,741	-	1,244	-	4,985	-	5,810	1,898
Prospecting	7,327	5,200	-	68,683	-	73,883	-	81,210	49,008
Rock Sampling	13,039	7,200	2,400	-	-	9,600	-	22,639	62,171
Incurred	116,873	437,720	14,486	438,842	330	891,378	608	1,008,859	674,354
Balance, ending	1,832,476	1,685,164	345,551	1,533,372	34,229	3,598,315	204,934	5,635,724	1,687,489
Total property balance	2,173,875	3,206,780	401,275	1,563,195	86,332	5,257,582	270,036	7,701,492	2,330,066
Recovery of costs	(875,846)	-	(435,083)	(849,902)	-	(1,284,985)	-	(2,160,831)	(252,472)
Abandoned	-	-	-	-	-	-	-	-	-
Cumulative mineral property costs	1,298,029	3,206,780	(33,808)	713,293	86,332	3,972,597	270,036	5,540,662	2,077,594

*Joint Venture Project

KOOTENAY GOLD INC.

(An Exploration Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2008 and March 31, 2007

6 Mineral Properties (Canada):

	Alisa Lake \$	Chapleau* \$	Chenier* \$	Conner Creek* \$	CP Midas \$	Deer Creek \$	Jumping Josephine* \$	Murphy* \$	Sunrise \$	Other \$	2008 Total \$	2007 Total \$
Acquisition Costs												
Balance, beginning	50,000	-	50,800	24,250	50,000	42	24,250	50,000	77,500	14,557	341,399	62,491
Incurred	-	-	-	-	-	-	-	-	-	-	-	67,501
Balance, ending	50,000	-	50,800	24,250	50,000	42	24,250	50,000	77,500	14,557	341,399	129,992
Exploration Expenditures												
Balance, beginning	4,685	29,333	199,425	439,640	55,538	81,930	97,667	188,375	54,430	564,580	1,715,603	557,296
Assaying and Lab	239	10,849	-	19,243	-	-	-	-	-	2,408	32,739	1,664
Camp Costs	-	-	-	-	-	-	-	-	-	-	-	-
Drafting	-	-	-	-	-	-	-	-	-	1,250	1,250	-
Drilling	-	-	-	-	-	-	-	-	-	-	-	-
Geological mapping	-	52,776	-	3,336	-	2,190	-	574	319	1,123	60,318	3,465
Geophysics	-	-	-	-	-	550	-	-	-	-	550	-
Maintenance	-	-	-	825	-	-	-	-	-	-	825	38
Miscellaneous	-	-	-	-	-	-	-	825	-	-	825	-
Prospecting	-	-	550	-	-	825	-	-	-	5,952	7,327	16,099
Rock Sampling	-	-	-	1,388	-	2,475	-	1,387	-	7,789	13,039	3,551
Incurred	239	63,625	550	24,793	-	6,040	-	2,786	319	18,522	116,873	24,817
Balance, ending	4,924	92,958	199,975	464,432	55,538	87,970	97,667	191,161	54,749	583,102	1,832,476	582,113
Total property balance	54,924	92,958	250,775	488,682	105,538	88,012	121,917	241,161	132,249	597,659	2,173,875	712,105
Recovery of costs	-	-	(237,532)	(431,037)	-	-	(52,200)	(155,077)	-	-	(875,846)	(660)
Abandoned	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative mineral property costs	54,924	92,958	13,243	57,645	105,538	88,012	69,717	86,084	132,249	597,659	1,298,029	711,445

*Joint Venture Project

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6 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 \$24,793 on the property for the period ended March 31, 2008 (2007 - \$660). 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 accumulative reimbursements in the amount of \$431,037 for costs incurred up to the period ended March 31, 2008 (2007 - \$35,308).

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 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 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. Subsequent to the period ending March 31, 2008, Astral informed the company that they had fulfilled its obligations under the option agreement. The Company and Astral are now concluding a joint venture agreement with Astral having earned its 60% interest.

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6 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 \$63,625 exploration during the period ended March 31, 2008 (2007 - \$948).

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 \$3,894 (Sunrise \$319; Chenier \$550; Murphy \$2,786; Midas \$nil; and Alisa \$239) on the properties during the period ended March 31, 2008 (2007 - \$5,421). 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 accumulative reimbursements in the amount of \$237,532 for costs incurred up to the period ended March 31, 2008 (2007 - \$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.

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 Company received accumulative reimbursements in the amount of \$155,077 for costs incurred up to the period ended March 31, 2008 (2007 - \$nil).

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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March 31, 2008 and March 31, 2007

6 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 March 31, 2008 (2007 – \$nil).

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 \$437,720 on exploration to the period ended March 31, 2008 (2007 - \$158,518).

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; 150,000 shares valued at \$1.05 per share and issued a further 200,000 shares valued at \$1.93 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 \$14,487 on exploration during the period ended March 31, 2008 (2007 - \$146,400). 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 property; pay \$25,000 U.S. in cash and issue to the Company 500,000 common shares in its

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6 Mineral Properties (continued):

capital by June 14, 2008. The Company received 300,000 shares of Klondike pursuant to this agreement. The Company received accumulative reimbursements in the amount of \$435,083 for costs incurred up to the period ended March 31, 2008 (2007 - \$1,812).

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.

Sonora 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 \$438,842 on exploration during the period ended March 31, 2008 (2007 - \$35,848). The Company received accumulative reimbursements in the amount of \$849,902 for costs incurred up to the period ended March 31, 2008 (2007 - \$250,000).

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.

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 has expended a total of \$204,934 since acquisition.

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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.

7 Share Capital:

Authorized:

Unlimited common shares without par value
Unlimited preferred shares

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
For cash:					
Private placement, net of issuance cost of \$582,704	5,594,500		3,471,685		4,400,331
Exercise of warrants	685,000		1,102,019		(398,769)
Exercise of stock options	58,750		69,813		(26,437)
Acquisition of mineral properties	200,000		386,000		-
Balance, March 31, 2008	27,801,975	\$	9,964,038	\$	7,989,522

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March 31, 2008 and March 31, 2007

7 Share Capital (continued):

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.

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.

2008 Private Placements

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8 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, 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
Granted	3,137,940	1.79	890,000	1.950
Exercised	(685,000)	1.03	(58,750)	0.738
Expired/Cancelled	-	-	-	-
Outstanding, March 31, 2008	7,630,865	\$ 1.32	2,781,250	\$ 1.171

Warrants

As at March 31, 2008, the Company had outstanding share purchase warrants, enabling holders to acquire common shares as follows:

	Number of Shares	Exercise Price	Expiry Date
	2,615,925	0.80	July 15, 2008
	1,877,000	1.25	April 22, 2009
	2,797,250	1.80	August 29, 2009
	340,690	1.70	August 29, 2009
	7,630,865		

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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8 Options and Warrants (continued):

The following assumptions were used for the Black-Scholes valuation of warrants issued during 2008 and 2007:

	2008	2007
Risk-free interest rate	3.10%	4.20% - 4.33%
Expected life of warrants	1.5 years	1.5 years
Fair value per warrant issued	\$1.40 - \$1.44	\$0.41 - \$0.75
Annualized volatility	95%	80% - 98%
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 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 March 31, 2008, the Company had outstanding stock options enabling holders to acquire common share of the Company as follows:

	Number of Shares	Exercise Price	Expiry Date
	875,000	\$ 0.71	April 12, 2011
	400,000	0.84	December 5, 2011
	436,250	0.90	September 18, 2011
	180,000	0.95	October 23, 2011
	890,000	1.95	March 31, 2013
	2,781,250		

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 2008 and 2007:

	2008	2007
Risk-free interest rate	2.63%	4.22 % - 4.23 %
Expected life of options	5 years	5 years
Fair value per option granted	\$1.41	\$0.72 - \$0.80
Annualized volatility	95%	109.9% - 111.07%
Dividend rate	0.00%	0.00%

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8 Options and Warrants (continued):

During the period ended March 31, 2008, the Company granted 890,000 (2007 – nil) stock options with a weighted average fair value of \$1.41 per option (2007 - \$nil). Stock-based compensation totalling \$62,971 (2007 - \$nil) 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.

9 Supplemental Disclosure of Cash and Non-Cash Activities:

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

	2008	2007
Issuance of share capital for acquisition of mineral property interests	\$ 386,000	\$ 287,400

On January 14, 2008, the Company issued 200,000 common shares at a deemed value of \$1.93 per share being the third 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.

10 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.

	2008	2007
Management fees charged by a company controlled by officers	\$ 41,250	\$ 24,000
Consulting and management fees charged by a company controlled by common directors	-	5,000
Consulting and management fees charged by a Director	24,000	24,000

11 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.

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12 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:

	2008	2007
Mineral properties:		
Canada	\$ 1,298,028	\$ 711,445
USA	270,036	226,510
Mexico	3,972,598	1,139,639
	<u>\$ 5,540,662</u>	<u>\$ 2,077,594</u>

13 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	\$ 35,538
2009	47,384
2010	48,440
2011	49,497
2012	24,748
	<u>205,607</u>

14 Subsequent Events:

Subsequent to the period end the following transaction took place:

On May 26, 2008, the Company announced a brokered private placement led by PI Financial Corp. (the 'Agent') of up to 5,000,000 units at \$2.20 per unit for total potential gross proceeds of \$11,000,000. Each Unit will consist of one common share ("Common Share") and one-half of one transferable share purchase warrant ("Warrant"). Each whole Warrant will entitle the holder to acquire one Common Share at an exercise price of \$2.75 for a period of 24 months from the closing date of the Private Placement. As consideration to the agents, the Company has agreed to pay a commission of 6.5 per cent of the total raised upon closing, which may be payable in cash or units, on the same term as the Units of the offering at the election of the Agent and issue agent warrants equal to 6.5 per cent of the units issued pursuant to this offering. Each agent warrant will be exercisable to acquire one common share at \$2.50 expiring 24 months after the closing date. All of the securities issued pursuant to the Private Placement will be subject to a minimum four month hold period. The company has granted the agent an overallotment option to increase the offering by up to 1 million units, exercisable 48 hours prior to closing date.

15 Comparative Figures:

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