

GlobeStar Mining Corporation
(an exploration and development company)

Interim Consolidated Financial Statements
(unaudited)
June 30, 2007

Note: The accompanying unaudited interim consolidated financial statements of GlobeStar Mining Corporation (the "Corporation") for the quarter ended June 30, 2007 have been prepared by management. These statements have not been reviewed by the Corporation's external auditors.

Globestar Mining Corporation

(an exploration and development company)

Interim Consolidated Balance Sheet (unaudited)

	As at June 30, 2007 \$	As at December 31, 2006 \$
Assets		
Current assets		
Cash and cash equivalents	43,202,689	21,300,021
Deposit certificate, 7% (4.1% in 2005)	91,462	179,886
Amounts receivable	408,795	140,611
Prepaid expenses	11,300	105,183
	<hr/>	<hr/>
	43,714,246	21,725,701
Deferred charges	309,962	309,962
Property, plant and equipment	635,945	363,160
Intangible assets	83,452	47,073
Mining properties (note 2)	27,001,463	18,793,038
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	71,745,068	41,238,934
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,201,803	1,626,478
Part XII.6 and Part III.14 tax	30,500	30,500
Deposits on exploration costs payable, non-interest bearing (US\$523,739 in 2007, US\$372,440; in 2006)	594,694	434,414
Promissory note, bearing interest at 4%, maturing on March 30, 2007 (US\$500,000 in 2006)	-	601,492
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	2,826,997	2,692,884
Long-term Liabilities		
Derivative Related Liabilities (note 9)	3,520,731	-
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	3,520,731	-
Shareholders' Equity		
Share capital (notes 4 and 5)	76,900,716	43,887,497
Warrants (note 4)	558,282	1,500,367
Stock options (note 5)	2,328,402	1,468,501
Contributed surplus	836,158	836,158
Deficit	(15,226,218)	(9,146,473)
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	65,397,340	38,546,050
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	71,745,068	41,238,934

Approved by the Board of Directors

(Signed) WILLIAM J. FISHER _____ Director

(Signed) STUART F. FEINER _____ Director

The accompanying notes are an integral part of these consolidated financial statements.

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Globestar Mining Corporation
 (an exploration and development company)
 Interim Consolidated Statements of Deficit (unaudited)

	<u>Six Months Ended June 30,</u>	
	2007	2006
	\$	\$
Balance – Beginning of period	9,146,473	6,865,402
Loss/(Gain) for the period	6,079,745	(446,033)
Redemption of shares	-	-
Balance – End of period	<u>15,226,218</u>	<u>6,419,369</u>

Interim Consolidated Statements of Contributed Surplus (unaudited)

	<u>Six Months Ended June 30,</u>	
	2007	2006
	\$	\$
Balance – Beginning of period	836,158	836,158
Warrants matured (note 4)	-	-
Redemption of shares (note 4)	-	-
Balance – End of period	<u>836,158</u>	<u>836,158</u>

The accompanying notes are an integral part of these consolidated financial statements.

Globestar Mining Corporation
 (an exploration and development company)
 Interim Consolidated Statements of Earnings (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007 \$	2006 \$	2007 \$	2006 \$
Administrative expenses				
Compensation and fringe benefits (note 5)	536,394	74,045	1,181,679	124,765
Office expenses	171,337	82,868	269,965	182,846
Professional and maintenance fees (note 5)	643,822	244,724	1,068,242	502,202
Travel	14,753	57,001	81,167	71,402
Interest income	(148,384)	(7,463)	(306,833)	(8,789)
Depreciation of property, plant and equipment	14,508	12,325	29,587	28,025
Amortization of intangible assets	6,628	602	12,071	1,203
Exchange loss (gain)	423,594	72,484	217,436	39,895
Interest and bank charges	3,713	5,744	9,700	6,844
Interest on long-term debt	-	103,871	-	103,871
Rent, office costs recovery	(3,000)	-	(4,000)	-
Unrealized loss on derivatives contracts (note 9)	3,520,731		3,520,731	
Gain on the sale of investments in public companies	-	(955,568)	-	(1,573,263)
Amortization of deferred charges	-	74,966	-	74,966
Loss for the period	5,184,096	(234,401)	6,079,745	(446,033)
Basic and diluted loss per share (note 6)	0.055	(0.004)	0.068	(0.008)

The accompanying notes are an integral part of these consolidated financial statements.

Globestar Mining Corporation

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Interim Consolidated Statements of Cash Flows (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007 \$	2006 \$	2007 \$	2006 \$
Cash flows from operating activities				
Loss for the period	(5,184,096)	234,401	(6,079,745)	446,033
Items not affecting cash and cash equivalents				
Depreciation of property, plant and equipment	14,508	12,325	29,587	28,025
Amortization of intangible assets	6,628	602	12,071	1,203
Unrealized exchange loss (gain)	123,911	(240,296)	115,429	(262,104)
Gain on the sale of investments in public companies	-	(955,568)	-	(1,573,263)
Stock options	358,979	36,904	859,902	56,967
Amortization of deferred charges	-	74,966	-	74,966
Unrealized loss on derivatives contracts	3,520,731	-	3,520,731	-
Capitalized interest	-	5,600	-	5,600
	(1,159,339)	(831,066)	(1,542,025)	(1,222,573)
Change in non-cash working capital items				
Amounts receivable	(260,023)	6,187	(268,184)	(11,588)
Grants and tax credit receivable	-	-	-	-
Prepaid expenses	91,793	8,143	93,883	16,159
Accounts payable and accrued liabilities	1,161,613	37,927	575,325	(34,869)
Part XII.6 and Part III.14 tax	-	-	-	-
	993,383	52,257	401,024	(30,298)
	(156,956)	(778,809)	(1,141,001)	(1,252,871)
Cash flows from financing activities				
Variation in deferred charges	-	(173,903)	-	(440,588)
Repayment of advances from a shareholder	-	-	-	(233,200)
Repayment of Promissory note	-	-	(601,492)	4,980,150
Long-term debt incurred	-	-	-	-
Issuance of shares	29,573,011	167,625	32,071,136	207,625
Redemption of shares	-	-	-	-
	29,573,011	(6,278)	31,469,644	4,513,987
Cash flows from investing activities				
Purchase of a deposit certificate	(3,038)	-	88,424	-
Proceeds from the sale of investments in public companies	-	1,598,568	-	2,699,663
Additional investment in mining properties	(6,637,523)	(264,806)	(8,208,425)	(5,540,190)
Acquisition of intangible assets	(22,645)	-	(48,450)	-
Deposit on the purchase of a mining property	-	(585,650)	-	44,886
Additions to property, plant and equipment	(302,372)	-	(302,372)	-
Decrease in deposits on exploration costs payable	50,279	632	44,848	-
	(6,915,299)	1,334,394	(8,425,975)	(2,795,641)
Increase in cash and cash equivalents	22,491,756	549,307	21,902,668	465,475
Cash and cash equivalents – Beginning of period	20,710,933	162,746	20,300,021	246,578
Cash and cash equivalents – End of period	43,202,689	712,053	43,202,689	712,053

The accompanying notes are an integral part of these consolidated financial statements.

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Globestar Mining Corporation

(an exploration and development company)

Notes to Interim Consolidated Financial Statements (unaudited)

1 Interim financial information

The financial information as at June 30, 2007 and for the three-month and six month periods ended June 30, 2007 and 2006 is unaudited; however, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results anticipated for the year.

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and use the same accounting policies and methods used in the preparation of the company's most recent annual consolidated financial statements. However, all disclosures required for annual financial statements have not been included in these financial statements. These unaudited interim consolidated financial statements should be read in conjunction with the company's most recent annual financial statements.

Globestar Mining Corporation

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Notes to Interim Consolidated Financial Statements (unaudited)

2 Mining properties

For the six-month period ended June 30, 2007, all mining properties are 100% owned by the company through claims.

Canada	Balance as at December 31, 2006 \$	Costs incurred \$	Option payments, grants and tax credits \$	Loss on writeoff and disposal \$	Balance as at June 30, 2007 \$
Moblan					
Mining property	10,347		-	-	10,347
Exploration costs	139,704	600		-	140,304
	<u>150,051</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>150,651</u>
Dominican Republic					
Maimón and Cerro de Maimón					
Mining properties	7,975,148	7,185,376		-	15,160,524
Exploration costs	6,355,531			-	6,355,531
	<u>14,330,679</u>	<u>7,185,376</u>		<u>-</u>	<u>21,516,055</u>
Managua					
Exploration costs	3,112,885	-		-	3,112,885
Trinidad					
Exploration costs	661,478	-		-	661,478
Rincón Abajo					
Exploration costs	259,755			-	259,755
Cuance					
Mining property	36			-	-
Exploration costs	(36)	16,174		-	16,174
	<u>-</u>	<u>16,174</u>		<u>-</u>	<u>16,174</u>
(forward)	<u>18,364,797</u>	<u>7,201,550</u>		<u>-</u>	<u>25,566,347</u>

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Notes to Interim Consolidated Financial Statements (unaudited)

Dominican Republic	Balance as at December 31, 2006 \$	Costs incurred \$	Option payments, grants and tax credits \$	Loss on writeoff and disposal \$	Balance as at June 30, 2007 \$
(brought forward)	18,364,797	7,201,550		-	25,566,347
Loma de Payabo					
Mining property	-	-		-	-
Exploration costs	-	-		-	-
	-	-		-	-
Los Hojanchos					
Exploration costs	74,363	8,702		-	83,065
El Anón					
Mining property	32	-		-	32
Exploration costs	7,881	-		-	7,881
	7,913	-		-	7,913
Jatubey					
Exploration costs	1,486	-		-	1,486
Barbuito					
Exploration costs	6,411	-		-	6,411
Laterita Cerro de Maimón					
Exploration costs	152,221	997,573		-	1,149,794
Other					
Exploration costs	35,796	-		-	35,796
	18,642,987	8,207,825		-	26,850,812
Total mining properties	18,793,038	8,208,425		-	27,001,463

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Notes to Interim Consolidated Financial Statements (unaudited)

3 Financing

The secured medium-term note of US\$4,250,000, contracted during the quarter ended June 30, 2006, was repaid during the quarter ended September 30, 2006. This note bore interest at LIBOR rate plus 4% and was maturing on December 31, 2008; interest was capitalizable or payable quarterly. The capitalized interest was convertible into common shares at the lender's option. Some 2,025,353 warrants were issued to the lender on the date of the loan as financing expenses in addition to an amount of \$266,685 paid in cash. This debt was secured by a general security agreement.

In May 2006, the company received the approval for a senior debt of up to US\$35,000,000 for the development of the Cerro de Maimón project. The amount of the facility was recently increased to US\$45,000,000 to provide the company with additional flexibility to cover any unanticipated increases in capital cost of the Cerro de Maimón project. The debt has a five-year term and carries an interest rate based on LIBOR plus 300 basis points during operations and LIBOR plus 350 basis points during the construction of the project. Mandatory prepayments are required at 25% of the project's excess available cash flow, as defined under the facility. Principal and interest payments will begin the earlier of three months after the completion of the project or March 31, 2009. Voluntary principal payments may be payable earlier if the company is able to pay interest. As of June 30th, 2007, this credit facility is unused and no balance is outstanding.

4 Share capital

Authorized

Unlimited number of common shares, without par value, voting and participating

Issued

	June 30, 2007	December 31, 2006
	\$	\$
99,145,309 shares (77,734,050 in 2006)	76,900,716	43,887,497

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Notes to Interim Consolidated Financial Statements (unaudited)

During the six-month period ended June, 2007, 4,861,030 warrants were exercised for a total exercise price of \$3,388,623 (note 4(b)). The fair value of these warrants, in the amount of \$244,860, has been credited to share capital.

During the six-month period ended June 30, 2007, 645,229 options were exercised for a total exercise price of \$266,282 (note 5). The fair value of these options, in the amount of \$20,069, has been credited to share capital.

On May 29, 2007 the company issued 15,905,000 common shares at a price of \$2.00 per share as part of a private placement. Issue expenses of \$2,158,600 have been applied against the gross proceeds of this financing.

(a) The following table presents the warrant activity and summarizes information about outstanding warrants as at June 30, 2007:

	Six Months Ended June 30, 2007		Twelve Months Ended December 31, 2006	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of period	7,764,752	0.65	5,075,000	0.49
Granted	-	-	3,721,002	0.86
Exercised	(4,861,030)	0.70	(1,031,250)	0.41
Matured	-	-	-	-
Outstanding and exercisable – End of period	<u>2,903,722</u>	<u>0.63</u>	<u>7,764,752</u>	<u>0.65</u>

The following table summarizes the maturity date of outstanding warrants:

- 1,487,500 warrants at an exercise price of \$0.50 mature in August 2007;
- 390,869 warrants at an exercise price of \$1.15 mature in January 2008;
- 1,025,353 warrants at an exercise price of \$0.61 mature in March 2009. The exercise price will be \$0.67 for the period from March 2008 to March 2009.

Warrants are recorded at their fair value, which was determined using the Black-Scholes model.

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Notes to Interim Consolidated Financial Statements (unaudited)

5 Stock option plans

- (a) The company established a stock option plan under which key employees, officers, directors and service suppliers of the company and its subsidiaries may be granted stock options for shares of the company. A maximum of 10% of the shares issued and outstanding may be granted (maximum of 5% in favour of one person).

Options granted under the plan expire after a maximum period of five years following the date of grant and vest over variable periods determined by the Board of Directors upon granting.

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Notes to Interim Consolidated Financial Statements (unaudited)

The following tables present the stock option activity:

	Six Months Ended June 30, 2007		Twelve Months Ended December 31, 2006	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding – Beginning of period	6,273,131	0.78	4,153,131	0.61
Granted	850,000	1.51	2,605,000	1.03
Exercised	(645,229)	0.36	(250,000)	0.67
Cancelled	(2,443)	3.77	(235,000)	0.47
Outstanding – End of period	6,475,459	0.92	6,273,131	0.78
Exercisable – End of period	4,370,459	0.75	4,355,965	0.69
		Options outstanding and exercisable as at June 30, 2007	Remaining contractual life (years)	Exercise price \$
Holders				
Key employees	200,000		4.69	1.58
Key employees	150,000		4.47	1.17
Key employees	175,000		3.83	0.70
Key employees	400,000		4.10	1.07
Key employees	150,000		4.28	1.07
Service suppliers	80,000		0.60	0.76
Service suppliers	200,000		4.28	1.07
Service suppliers	200,000		4.10	1.07
Directors and officers	500,000		4.69	1.58
Directors and officers	200,000		2.63	0.70
Directors and officers	1,450,000		0.70	0.90
Directors and officers	1,190,459		0.13	0.36
Directors and officers	200,000		3.31	0.55
Directors and officers	300,000		3.83	0.70
Directors and officers	530,000		3.99	1.25
Directors and officers	200,000		4.10	1.07
Directors and officers	350,000		4.28	1.07
Outstanding – End of period	6,475,459		2.56	0.92
Exercisable – End of period	4,370,459		1.75	0.75

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Notes to Interim Consolidated Financial Statements (unaudited)

During the six-month period ended June 30, 2007, 850,000 options were granted. The fair value of options granted for the six-month period ended June 30, 2007 was estimated using the Black-Scholes options valuation model with the following weighted average assumptions:

Number of options	850,000
Risk-free interest rate	4.25%
Expected volatility	60%
Dividend yield	Zero
Weighted average expected life	5 years
Weighted average fair value of options granted	\$0.8895

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the stock options granted to key employees, officers and directors have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide an accurate single measure of the fair value of stock options granted to key employees, officers and directors.

The company recognizes, as compensation costs arising from awards to key employees, officers and directors, the fair value of stock options at the date of grant. The fair value of stock options granted or vested during the six-month period ended June 30, 2007 is \$859,902, of which an amount of \$101,313 has been included in the statement of earnings under the item "Professional and maintenance fees" and \$758,588 under the item "Compensation and fringe benefits".

Globestar Mining Corporation

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Notes to Interim Consolidated Financial Statements (unaudited)

Statements of cash flows

Additional information

	Three Months Ended June 30,	
	2007	2006
	\$	\$
Items not affecting cash and cash equivalents related to operating, financing and investing activities		
Acquisition of mining properties applied against:		
Deposit on the purchase of a mining property		-
Deposits on exploration costs	-	4,368
Interest paid	-	103,871
Shares received in consideration of the sale of a mining property	-	
Warrants exercised and transferred to share capital	244,860	35,580
Warrants matured and transferred to the contributed surplus	-	
Warrants issued as financing expenses	-	-
Options exercised and transferred to share capital	-	-

	Six Months Ended June 30,	
	2007	2006
	\$	\$
Items not affecting cash and cash equivalents related to operating, financing and investing activities		
Note payable issued for the purchase of a mining property		585,900
Acquisition of mining properties applied against:		
Deposit on the purchase of a mining property		585,650
Deposits on exploration costs	-	4,368
Interest paid	-	103,871
Shares received in consideration of the sale of a mining property	-	
Warrants exercised and transferred to share capital	942,086	48,424
Warrants matured and transferred to the contributed surplus	-	
Warrants issued as financing expenses	-	557,946
Options exercised and transferred to share capital	-	-

Globestar Mining Corporation

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Notes to Interim Consolidated Financial Statements (unaudited)

6 Earnings per share

The following table summarizes the reconciliation of the basic weighted average number of shares outstanding and the diluted weighted average number of shares outstanding used in the diluted earnings per share calculations:

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Basic weighted average number of shares outstanding	87,961,243	50,623,579	84,408,956	50,534,678
Stock options	3,517,078	1,770,646	3,157,358	1,246,206
Warrants	1,995,762	3,340,906	1,894,894	2,544,170
Diluted weighted average number of shares outstanding	<u>93,474,082</u>	<u>55,735,131</u>	<u>89,461,208</u>	<u>54,325,054</u>
Items excluded from the calculation of diluted earnings per share because the exercise price was greater than the average market price of the common shares				
Stock options	-	532,443	-	1,982,443
Warrants	-	-	-	-

For the three-month and six-month periods ended June 30, 2007, the diluted loss per share was the same as the basic loss per share since the dilutive effect of stock options and warrants was not included in the calculation; otherwise, the effect would have been anti-dilutive. Accordingly, the diluted loss per share for those periods was calculated using the basic weighted average number of shares outstanding.

Globestar Mining Corporation

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Notes to Interim Consolidated Financial Statements (unaudited)

7 Consolidated segment information by geographic region

The company is organized under two geographic regions, which are Canada and the Dominican Republic. The accounting policies used for these reportable segments are consistent with those described in the summary of significant accounting policies. The principal financial information for each of these segments is detailed as follows:

For the three-month period ended June 30, 2007

	Dominican Republic	Canada	Total
	\$	\$	\$
Compensation and fringe benefits	15,401	520,993	536,394
Office expenses	36,864	134,473	171,337
Professional and maintenance fees	46,115	597,707	643,822
Travel	1,352	13,401	14,753
Interest income	(1,799)	(146,585)	(148,384)
Depreciation of property, plant and equipment	-	14,508	14,508
Amortization of intangible assets	-	6,628	6,628
Exchange loss/(gain)	362,544	61,050	423,594
Rent, office costs recovery	-	(3,000)	(3,000)
Interest and bank charges	2,031	1,682	3,713
Unrealized loss on derivatives contracts	3,520,731	0	3,520,731
Loss for the period	<u>3,983,239</u>	<u>1,200,857</u>	<u>5,184,096</u>
Segment assets	<u>25,662,140</u>	<u>46,082,928</u>	<u>71,745,068</u>
Additions to property, plant and equipment	<u>302,372</u>	<u>-</u>	<u>302,372</u>
Acquisition of intangible assets	<u>-</u>	<u>22,645</u>	<u>22,645</u>
Additions to mining properties	<u>6,914,699</u>	<u>600</u>	<u>6,915,299</u>

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Notes to Interim Consolidated Financial Statements (unaudited)

For the three-month period ended June 30, 2006

	Dominican Republic \$	Canada \$	Total \$
Compensation and fringe benefits	2,705	71,340	74,045
Office expenses	13,460	69,408	82,868
Professional and maintenance fees	5,567	239,157	244,724
Travel	-	57,001	57,001
Interest income	(114)	(7,349)	(7,463)
Depreciation of property, plant and equipment	3,466	8,859	12,325
Amortization of intangible assets	-	602	602
Exchange loss (gain)	307,758	(235,274)	72,484
Interest and bank charges	260	5,484	5,744
Interest on long-term debt	-	103,871	103,871
Gain on the sale of investments in public companies	-	(955,568)	(955,568)
Amortization of deferred charges	-	74,966	74,966
Loss (earnings) for the period	333,102	(567,503)	(234,401)
Segment assets	16,497,846	2,001,155	18,499,001
Additions to mining properties	269,048	126	269,174

For the six-month period ended June 30, 2007

	Dominican Republic \$	Canada \$	Total \$
Compensation and fringe benefits	15,401	1,166,278	1,181,679
Office expenses	36,864	233,101	269,965
Professional and maintenance fees	46,115	1,022,127	1,068,242
Travel	1,352	79,815	81,167
Interest income	(4,101)	(302,732)	(306,833)
Depreciation of property, plant and equipment	2,844	26,743	29,587
Amortization of intangible assets	-	12,071	12,071
Exchange loss/(gain)	175,436	42,000	217,436
Rent, office costs recovery	-	(4,000)	(4,000)
Interest and bank charges	3,352	6,348	9,700
Unrealized loss on derivatives contracts	3,520,731	0	3,520,731
Loss for the period	3,797,994	2,281,751	6,079,745
Segment assets	25,662,140	46,082,928	71,745,068
Additions to property, plant and equipment	302,372	-	302,372

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Notes to Interim Consolidated Financial Statements (unaudited)

Acquisition of intangible assets	-	48,450	48,450
Additions to mining properties	8,207,825	600	8,208,425

For the six-month period ended June 30, 2006

	Dominican Republic	Canada	Total
	\$	\$	\$
Compensation and fringe benefits	5,529	119,236	124,765
Office expenses	25,805	157,041	182,846
Professional and maintenance fees	10,972	491,230	502,202
Travel	77	71,325	71,402
Interest income	(299)	(8,490)	(8,789)
Depreciation of property, plant and equipment	10,309	17,716	28,025
Amortization of intangible assets	-	1,203	1,203
Exchange loss (gain)	93,711	(53,816)	39,895
Interest and bank charges	793	6,051	6,844
Interest on long-term debt	-	103,871	103,871
Gain on the sale of investments in public companies	-	(1,573,263)	(1,573,263)
Amortization of deferred charges	-	74,966	74,966
Loss (earnings) for the period	146,897	(592,930)	(446,033)
Segment assets	16,497,846	2,001,155	18,499,001
Additions to mining properties	6,713,111	2,997	6,716,108

8 Subsequent event

On July 15, 2007 the company signed an agreement with Transera International Logistics Ltd to transport equipment and supplies to the Cerro de Maimon project site on behalf of the company.

On July 15, 2007 the company signed an agreement with Sococo de Costa Rica for contract mining services for the Cerro de Maimon project.

Globestar Mining Corporation

(an exploration and development company)

Notes to Interim Consolidated Financial Statements (unaudited)

9 Financial Instruments and Off Balance Sheet Arrangements

Fair value of derivative instruments are based on quoted market prices for similar instruments and on market closing prices at the end of the period. The company recorded a mark-to-market unrealized loss of \$3.5 million on the derivative contracts during the quarter described below.

The company has entered into commodity hedging contracts for 90% of its estimated production of 57,900 ounces of gold and 1,440,000 ounces of silver from the Cerro de Maimón project during the initial three years of production, at an average floor price of US\$650 and US\$11.50 per ounce, respectively. This program is mandatory as part of the requirements for the project debt financing obtained by the company. The company also purchased call options in order to limit the mark to market risk of these contracts and also to enable the company to participate in future copper, gold and silver price increases above specified levels. The program requires no cash margins, collateral or other security from the company.

The company has not entered into any other specialized financial agreements to minimize its investments or currency risks. There are no off-balance sheet arrangements. The principal financial instruments used by the company are short-term deposits or other interest bearing instruments, which are acquired to enhance the terms on the company's cash position. The company considers these instruments to be very low risk in nature. The fair value of these instruments approximates their carrying cost, unless otherwise noted in the financial statements.