

**ANDOVER VENTURES INC.**

Consolidated Financial Statements

December 31, 2007

NOTICE OF NO REVIEW BY AUDITOR

In accordance with National Instrument 51-02 *Continuous Disclosure Obligations* of the Canadian Securities Administrators **WE HEREBY GIVE NOTICE THAT** our financial statements for the three and nine month periods ended December 31, 2007, which follow this notice, have not been reviewed by an auditor.

# ANDOVER VENTURES INC.

## Consolidated Balance Sheets

(In Canadian Dollars)

As at December 31, 2007

	December 31, 2007	March 31, 2007
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 127,800	\$ 83,422
Deferred share issuance costs	-	19,128
Marketable securities	287,500	-
GST recoverable	(1,412)	27,300
Deposits	32,900	55,900
Prepaid expense	12,000	-
Advance on exploration work program	94,810	174,147
	553,598	359,897
<b>Long-Term Deposit</b>	-	7,000
<b>Fixed Assets</b>	79,581	-
<b>Mineral Properties (Note 3)</b>	18,798,188	14,322,043
	18,877,769	14,322,043
	\$ 19,431,367	\$ 14,688,940
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 766,679	\$ 1,998,076
Due to related party	-	14,284
	766,679	2,012,360
<b>SHAREHOLDERS' EQUITY</b>		
<b>Liability to Issue Shares (Note 3)</b>	-	8,337,498
<b>Capital Stock (Note 4)</b>		
Authorized: 200,000,000 common shares without par value; 50,000 Class A preferred shares without par value; and 50,000 Class B preferred shares without par value		
Issued and fully paid: 41,812,286 common shares	12,424,103	3,270,210
<b>Contributed surplus</b>	9,724,838	2,947,914
<b>Deficit, accumulated during the development stage</b>	(3,484,253)	(1,879,042)
	18,664,688	4,339,082
	\$ 19,431,367	\$ 14,688,940
<b>Subsequent Events (Note 8)</b>		
<b>Commitment (Note 5)</b>		

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

## ANDOVER VENTURES INC.

Consolidated Statement of Loss and Deficit

(In Canadian Dollars)

Three and Nine Month Periods Ended December 31, 2007

	Three Months Ended December 31,		Nine Months Ended December 30,	
	2007	2006	2007	2006
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>				
Accounting and legal	25,654	59,362	87,408	125,882
Consulting fees	35,656	83,802	205,391	172,084
Depreciation and amortization	5,536	–	11,504	–
Foreign exchange	94,954	(343)	111,423	(343)
Interest and bank charges	(177)	499	1,544	1,603
Management and professional fees	63,000	24,000	168,000	39,000
Office expense	48,330	10,118	107,306	24,263
Salaries	17,155	–	28,794	–
Stock-based compensation	65,620	168,812	632,826	386,312
Telephone and utilities	3,326	1,865	7,585	4,366
Transfer agent and filing fees	4,935	37,921	32,524	66,453
Travel and promotion	91,537	65,375	238,381	132,917
<b>LOSS BEFORE OTHER ITEMS</b>	<b>(455,526)</b>	<b>(451,411)</b>	<b>(1,632,686)</b>	<b>(952,537)</b>
<b>OTHER ITEMS</b>				
Interest income	409	2,464	27,475	10,751
	409	2,464	27,475	10,751
<b>NET INCOME FOR THE PERIOD</b>	<b>(455,117)</b>	<b>(448,947)</b>	<b>(1,605,211)</b>	<b>(941,786)</b>
<b>DEFICIT, BEGINNING OF PERIOD</b>	<b>(3,029,136)</b>	<b>(1,079,003)</b>	<b>(1,879,042)</b>	<b>(586,164)</b>
<b>DEFICIT, END OF PERIOD</b>	<b>(3,484,253)</b>	<b>(1,527,950)</b>	<b>(3,484,253)</b>	<b>(1,527,950)</b>
<b>BASIC LOSS PER SHARE</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.04)</b>	<b>\$ (0.06)</b>
<b>DILUTED LOSS PER SHARE</b>	<b>\$ (0.01)</b>	<b>\$ (0.03)</b>	<b>\$ (0.04)</b>	<b>\$ (0.06)</b>

### WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING

Basic	41,654,863	16,858,178	39,794,825	16,811,190
Diluted	41,968,090	16,858,178	40,582,095	16,811,190

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

# ANDOVER VENTURES INC.

## Consolidated Statement of Cash Flows (In Canadian Dollars)

Three and Nine Month Periods Ended December 31, 2007

	<b>Three Months Ended December 31,</b>		<b>Nine Months Ended December 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>CASH PROVIDED BY (USED FOR):</b>				
<b>OPERATING ACTIVITIES</b>				
Loss for the period	(455,117)	(448,947)	(1,605,211)	(941,786)
Items not affecting cash:				
Depreciation and amortization	5,536	-	11,504	-
Stock-based compensation	65,620	168,812	632,826	386,312
Changes in non-cash working capital items:				
(Increase) decrease accounts receivable	34,741	(9,517)	28,712	(18,086)
(Increase) decrease deposits & prepaid expenses	24,500	-	11,000	-
(Increase) decrease in long-term deposits	-	-	7,000	-
Increase (decrease) in accounts payable & accrued liabilities	(243,666)	(25,017)	(1,233,931)	(24,475)
Cash used for operating activities	<b>(568,386)</b>	(314,669)	<b>(2,148,100)</b>	(598,035)
<b>FINANCING ACTIVITIES</b>				
Shares issued for cash, net of issue costs	311,281	4,199,500	6,894,232	4,869,000
Shares subscribed but not issued	-	29,000	-	29,000
Share subscription receivables	-	(722,500)	-	(364,000)
Due to related parties	-	-	(14,284)	-
Deferred share issuance costs	(19,128)	-	-	-
Cash provided by financing activities	<b>292,153</b>	3,506,000	<b>6,879,948</b>	4,534,000
<b>INVESTING ACTIVITIES</b>				
Purchase of fixed assets	(30,446)	-	(92,085)	-
Marketable securities	(200,000)	-	(200,000)	1,075
Mineral property expenditures	(1,126,136)	(3,709,834)	(4,476,145)	(4,097,479)
Advance on exploration work program	939,442	406,933	80,760	-
Cash provided by (used for) investing activities	<b>(417,140)</b>	(3,302,901)	<b>(4,687,470)</b>	(4,096,404)
<b>INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>	<b>(693,373)</b>	(111,570)	<b>44,378</b>	(160,439)
<b>CASH &amp; CASH EQUIVALENTS BEGINNING OF PERIOD</b>	<b>821,173</b>	210,043	<b>83,422</b>	258,912
<b>CASH &amp; CASH EQUIVALENTS END OF PERIOD</b>	<b>\$ 127,800</b>	\$ 98,473	<b>\$ 127,800</b>	\$ 98,473

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

**ANDOVER VENTURES INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2007**  
**(In Canadian Dollars)**

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**NOTE 1. NATURE OF OPERATIONS**

Andover Ventures Inc. (“the Company”) was incorporated under the Laws of British Columbia, Canada on February 12, 2003. The Company’s common shares trade on the TSX Venture Exchange.

The Company is a development stage company and engages principally in the acquisition, exploration and development of resource properties, mainly in Alaska, USA. The recovery of the Company’s investment in its resource properties is dependent upon the discovery, development and ultimate sale of ore resources and the ability to raise sufficient capital to finance this operation.

These financial statements have been prepared on a “going concern” basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. As at December 31, 2007 the Company incurred a deficit of \$3,484,253 (March 31, 2007: \$1,881,576).

These consolidated financial statements do not reflect adjustments that would be necessary if the “going concern” assumption were not appropriate because management believes that the actions already taken and or planned, will mitigate any adverse conditions and events that raise doubts about the validity of the “going concern” assumption used in preparing these consolidated financial statements.

If the “going concern” assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported expenses, and the balance sheet classifications used.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Andover (Alaska) Inc., which was incorporated for nominal share capital in the State of Alaska. Significant inter-company transactions have been eliminated upon consolidation.

**Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

**ANDOVER VENTURES INC.**  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Foreign currency translation**

The Company's subsidiary is an integrated foreign operation. 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 statement of operations.

**Cash and cash equivalents**

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

**Marketable securities**

Marketable securities are recorded at the lower of average cost or market value. Realized gains or losses on sale of securities are determined based on the specific cost basis.

**Mineral properties**

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

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 units 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 the mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing and obtaining permits necessary to complete the development and future profitable production or proceeds from the disposition thereof.

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties and its option agreements are in good standing.

**Asset retirement obligations**

The Company's mineral exploration and development activities are subject to various laws and regulations regarding protection of the environment. As a result the Company incurs expenses from time to time to discharge its obligations under these laws and regulations. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

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

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

The Company does not have any significant asset retirement obligations.

**Stock-based compensation**

The Company has adopted the new recommendations of CICA Handbook Section 3870, "Stock-based compensation and other stock-based payments", effective April 1, 2004. This Section establishes accounting standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments. This Section sets out a fair value based method of accounting and is required for certain stock-based transactions and applied to awards granted on or after April 1, 2004. The Company, as required by Handbook Section 3870, accounts for all stock options granted to non-employees and employees by applying the fair value based method of accounting.

**Future income taxes**

Future income taxes are recorded using the asset and liability method whereby 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 year 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**

The Company's financial instruments consist of cash, marketable securities, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

**Basic and diluted loss per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants or 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 an average market price during the year.

Basic loss per common share is calculated using the weighted-average number of shares outstanding during the year.

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**NOTE 3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS**

	<b>March 31, 2007 \$</b>	<b>Net Expenditures \$</b>	<b>December 31, 2007 \$</b>
<b>Kamishak Property</b>			
Acquisition costs	106,825	-	106,825
Deferred exploration costs			
Accommodation and travel	6,174	-	6,174
Assays	10,027	356	10,383
Diamond drilling	215,694	-	215,694
Exploration salaries and wages	10,486	5,875	16,361
Field camp and exploration costs	183,929	49,257	233,186
Geological consulting	98,367	-	98,367
Professional fees	24,085	33	24,118
Sundry	29,933	-	29,933
Subtotal Kamishak Property	<u>685,520</u>	<u>55,521</u>	<u>741,041</u>
<b>Bulk Gold Property</b>			
Acquisition costs	102,210	-	102,210
Deferred exploration costs			
Accommodation and travel	8,066	1,074	9,140
Assays	7,128	2,621	9,749
Diamond drilling	51,808	-	51,808
Exploration salaries and wages	5,571	11,822	17,393
Field camp and exploration costs	11,964	133,151	145,115
Geological consulting	27,635	15,581	43,216
Professional fees	635	-	635
Sundry	6,082	-	6,082
Subtotal Bulk Gold Property	<u>221,099</u>	<u>164,249</u>	<u>385,348</u>
<b>Bristol Bay Property</b>			
Acquisition costs	122,540	47,966	170,506
Deferred exploration costs			
Accommodation and travel	14,503	-	14,503
Assays	531	8,768	9,299
Diamond drilling	-	-	-
Exploration salaries and wages	41,605	6,352	47,957
Field camp and exploration costs	39,014	9,734	48,748
Geological consulting	52,271	23,697	75,968
Professional fees	29,867	7,142	37,009
Sundry	-	-	-
Subtotal Bristol Bay Property	<u>300,331</u>	<u>103,659</u>	<u>403,990</u>

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**NOTE 3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)**

	<b>March 31, 2007</b>	<b>Net Expenditures</b>	<b>December 31, 2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Sun Property</b>			
Acquisition costs	13,018,686	21,108	<b>13,039,794</b>
Deferred exploration costs			
Accommodation and travel	5,236	58,308	<b>63,544</b>
Assays	-	37,034	<b>37,034</b>
Diamond drilling	-	1,171,335	<b>1,171,335</b>
Exploration salaries and wages	16,037	493,707	<b>509,744</b>
Field camp and exploration costs	10,686	2,163,834	<b>2,174,520</b>
Geological consulting	32,379	1,144	<b>33,523</b>
Professional fees	23,808	207,246	<b>231,054</b>
Sundry	8,261	-	<b>8,261</b>
Subtotal Sun Property	<u>13,115,093</u>	<u>4,153,716</u>	<u><b>17,268,809</b></u>
<b>Total</b>	<u>\$ 14,322,043</u>	<u>\$ 4,476,145</u>	<u><b>\$ 18,798,188</b></u>

**Kamishak Property**

The Company entered into a property option agreement, dated March 27, 2006, with Full Metal Minerals Ltd. ("FMM") whereby the Company can earn a 60% interest in the Kamishak Property, which is located approximately 440 kilometers southwest of Anchorage, Alaska. In consideration for its interest in the Kamishak Property, the Company must incur the following exploration expenditures:

- (a) in the amount of at least US\$300,000 on or before April 1, 2007 (incurred);
- (b) in the cumulative amount of at least US\$800,000 on or before April 1, 2008;
- (c) in the cumulative amount of at least US\$1,300,000 on or before April 1, 2009; and
- (d) in the cumulative amount of at least US\$2,000,000 on or before April 1, 2010.

Additionally, the Company must issue and deliver to FMM:

- (a) 150,000 shares (issued) in the capital of the Company on or before the earlier of April 1, 2006 and the date that is three business days following the acceptance for filing of the Option Agreement by the Exchange;
- (b) a further 125,000 shares on or before April 1, 2007;
- (c) a further 125,000 shares on or before April 1, 2008; and
- (d) a further 125,000 shares on or before April 1, 2009.

Further, the Company must pay to FMM:

- (a) US\$10,000 upon the signing of the option agreement (paid) plus an additional US\$10,000 (paid) upon receipt by the Company of the acceptance of the Option Agreement by the Exchange;
- (b) a further US\$20,000 on or before April 1, 2007;
- (c) a further US\$20,000 on or before April 1, 2008; and
- (d) a further US\$20,000 on or before April 1, 2009.

Finally, the Company must assume all obligations of FMM pursuant to the Underlying Property Agreement, including payment of an annual fee of US\$20,000 payable to Alaska Earth Resources Inc., and payment of annual fees to the State of Alaska estimated to be US\$3,300 per year to maintain the claims.

The Company paid a finder's fee of 50,000 common shares to Golden Capital Securities in connection with the agreement.

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The Company is subject to two royalty agreements. The first royalty agreement, assumed as part of the obligations of FMM, requires the Company to pay a 1% net smelter royalty ("NSR") which can be purchased by the Company for US\$1,000,000. The second royalty agreement is a Net Profits Royalty agreement which entitles the payee to receive up to 10% of the defined profits of the Company once it reaches commercial production.

For further information on regarding the Company's obligations regarding the Kamishak Property please see Note 8 Subsequent Events.

**Bulk Gold Property**

On August 22, 2006 the Company entered an agreement whereby it can earn a 100% interest in the Bulk Gold Property, which is located approximately 38 kilometers north of Nome, Alaska. In consideration for the interest in the Bulk Gold property the Company must incur the following exploration expenditures:

- (a) in the amount of at least US\$150,000 (incurred) on or before September 1, 2007;
- (b) in the cumulative amount of at least US\$650,000 on or before September 1, 2008;
- (c) in the cumulative amount of at least US\$1,400,000 on or before September 1, 2009; and
- (d) in the cumulative amount of at least US\$2,900,000 on or before September 1, 2010.

Additionally, the Company must issue and deliver to the vendors of the Bulk Gold Property:

- (a) 150,000 shares (issued) in the capital of the Company on or before August 22, 2006;
- (b) a further 250,000 shares on or before January 5, 2008; and
- (c) a further 350,000 shares on or before August 22, 2008.

Further, the Company must pay to the vendors:

- (a) US\$15,000 (paid) on or before August 22, 2006;
- (b) a further US\$25,000 on or before January 5, 2008;
- (c) a further US\$45,000 on or before August 22, 2008;
- (d) a further US\$65,000 on or before August 22, 2009;
- (e) a further US\$100,000 on or before August 22, 2010; and
- (f) a further US\$250,000 on or before August 22, 2011.

The Company is subject to minimum royalty payments that begin with a US\$75,000 payment on the sixth anniversary of the agreement. Upon commencement of commercial production of the mineral properties, the Company is subject to a maximum 4.5% NSR based on the price of gold.

**Bristol Bay Properties**

On August 23, 2006 the Company entered into an Exploration Agreement with Option to Lease with the Bristol Bay Native Corporation ("BBNC"), whereby the Company can earn a 100% interest in the Bristol Bay Properties located in the Iliamna Lake area of southwest Alaska. In consideration for this interest, the Company has agreed to a seven year exploration agreement with the option to lease or purchase the properties. In consideration for the interest in the Bristol Bay Properties, the Company must incur the following exploration expenditures:

- (a) in the amount of at least US\$200,000 (incurred) on or before September 1, 2007;
- (b) in the cumulative amount of at least US\$500,000 (incurred) on or before November 1, 2008;
- (c) in the cumulative amount of at least US\$900,000 on or before November 1, 2009;
- (d) in the cumulative amount of at least US\$1,400,000 on or before November 1, 2010;
- (e) in the cumulative amount of at least US\$2,150,000 on or before November 1, 2011;
- (f) in the cumulative amount of at least US\$3,150,000 on or before November 1, 2012; and
- (g) in the cumulative amount of at least US\$4,150,000 on or before November 1, 2013.

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**Bristol Bay Properties (continued)**

Further, the Company must make the following option payments to BBNC:

- (a) US\$90,000 upon signing of the agreement (paid);
- (b) a further US\$60,000 on or before November 15, 2007 (paid);
- (c) a further US\$75,000 on or before November 15, 2008;
- (d) a further US\$100,000 on or before November 15, 2009;
- (e) a further US\$125,000 on or before November 15, 2010;
- (f) a further US\$150,000 on or before November 15, 2011; and
- (g) a further US\$200,000 on or before November 15, 2012.

In addition, the Company is required to make annual scholarship donations to the Bristol Bay Native Corporation Education Foundation over the seven year life of the agreement as follows:

- (a) US\$20,000 upon signing of this agreement (paid);
- (b) a further US\$20,000 on or before November 15, 2007 (paid); and
- (c) payments of US\$40,000 annually over the remaining five years of the agreement on or before November 15, 2008 through to 2011.

Any of the claims that are, or become, subject to the agreement may be purchased outright by the Company during the option period for US\$5,000,000 subject to a net smelter royalty.

The Company has the option to lease other mineral lands owned by BBNC. Leases are subject to annual cash payments and a net smelter royalty on production. Base metal royalties, after an optional buy-down payment, will be 1%. Precious metal royalties are on a sliding scale tied to the price of gold, and, after an optional buy-down payment, will range between 2% and 3%.

Also, the Company will pay a finder's fee to Full Metal Minerals Ltd. as follows:

- (a) 29,073 common shares (issued) upon Exchange acceptance for filing;
- (b) a further 73,340 common shares (issued) on or before September 2, 2007;
- (c) a further 47,587 common shares on or before September 2, 2008; and
- (d) a further 150,000 common shares provided the Company receives a positive recommendation for economic production on the property.

On July 25, 2007 the Company entered into an agreement with Alix Resources Corp. ("Alix"). Pursuant to the agreement, Alix will acquire an undivided 50% interest in the exploration and option to lease agreement with the Bristol Bay Native Corporation. In consideration for this 50% interest Alix must incur the following exploration expenditures:

- (a) in the amount of at least US\$300,000 (incurred) on or before August 1, 2007;
- (b) in the cumulative amount of at least US\$1,000,000 on or before August 1, 2008;
- (c) in the cumulative amount of at least US\$2,000,000 on or before August 1, 2009; and
- (d) in the cumulative amount of at least US\$3,500,000 on or before August 1, 2010.

In addition Alix must pay the Company:

- (a) 250,000 Alix common shares on Exchange acceptance (paid);
- (b) a further 250,000 common shares on or before August 1, 2008;
- (c) a further 250,000 common shares on or before August 1, 2009; and
- (d) a further 250,000 common shares on or before August 1, 2010.

The Company has adjusted the carrying value of the Bristol Bay Properties to reflect the Alix investment to date.

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**Sun Property**

On November 29, 2006 the Company acquired a 50% interest in the Sun Property located in the Ambler District of Alaska. The purchase price was \$3,000,000 and the seller; Hastings Base Metals Corp. ("Hastings ") retains a 1.5% net smelter royalty. On March 30, 2007 the Company exercised its option to acquire the remaining 50% of the Sun Property. The total purchase price for the 100% interest in the Sun Property was \$13,000,000. Two directors of the Company are also directors of Hastings, the seller of the property.

**NOTE 4. CAPITAL STOCK**

- (a) Authorized: 200,000,000 common shares without par value; 50,000,000 Class A preferred shares without par value; and 50,000,000 Class B preferred shares without par value.
- (b) Issued:

	Number of Shares	Amount	Contributed Surplus
Balance, March 31, 2006	5,315,000	\$ 773,000	\$ 22,664
Shared issued for:			
Private placement (1)	2,000,000	259,781	240,219
Private placement (2)	1,700,000	466,825	383,175
Private placement (3)	7,600,000	1,906,840	1,893,160
Mineral properties interest (Note 3)	350,000	169,500	-
Exercise of stock options	150,000	61,964	(35,464)
Warrants exercised	185,000	97,800	-
Share issuance costs	-	(465,500)	-
Stock-based compensation	-	-	444,160
Balance, March 31, 2007	17,300,000	\$ 3,270,210	\$ 2,947,914
Shared issued for:			
Private placement (4)	23,288,873	8,629,329	6,368,168
Mineral properties interest (Note 3)	102,413	76,618	-
Exercise of stock options	225,000	116,493	(46,292)
Warrants exercised	896,000	673,258	(177,778)
Share issuance costs	-	(341,805)	-
Stock-based compensation	-	-	632,826
<b>Balance, December 31, 2007</b>	<b>41,812,286</b>	<b>\$ 12,424,103</b>	<b>\$ 9,724,838</b>

- (1) On April 3, 2006 the Company completed a non-brokered private placement of 2,000,000 shares at a price of \$0.25 per unit for total proceeds of \$500,000 less agent commission costs of \$12,500. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.48 per share for two years. The net proceeds has been allocated between share capital and contributed surplus based on the relative fair value of the common shares and the warrants. During the nine month period ended December 31, 2007 a total of 351,000 of these \$0.48 warrants were exercised and the Company received net proceeds of \$158,880.
- (2) On October 16, 2006 the Company completed a private placement for 1,700,000 units at a price of \$0.50 per unit for total proceeds of \$850,000 less agent commission costs of \$75,500. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.60 for a period of one year, then at \$0.70 for an additional year. If, following the date that is four months and one day after the closing date of the financing, the closing price of the Company's common shares exceeds \$1.00 for 20 consecutive trading days, then the warrant term will be automatically reduced and the share purchase warrants

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will expire on the date that is 30 days following the issuance of a news release disclosing the reduced warrant term.

In addition, 151,000 broker warrants were issued in connection with this private placement. Each broker warrant entitles the holder to acquire one common share of the Company at \$0.50 per share for two years. The net proceeds of the private placement has been allocated between share capital and contributed surplus based on the relative fair value of the common shares and the warrants.

During the nine month period ended December 31, 2007 a total of 195,000 warrants from this placement were exercised with net proceeds to the Company of \$117,000.

- (3) On November 20, 2006 the Company completed a private placement of 7,600,000 units at a price of \$0.50 per unit totaling \$3,800,000 less agent commission costs of \$377,500. Of this private placement, 5,400,000 units were subscribed for by shareholders of Hastings Based Metals Corp. as consideration for the payment of a 50% interest in the Sun Property. Each unit consists of one common share and one share common share purchase warrant. Each warrant entitles the holder to purchase one common share at \$0.60 for a period of one year, then at \$0.70 for an additional year. There is a four-month hold period on the shares expiring on March 21, 2007. The net proceeds of the private placement has been allocated between share capital and contributed surplus based on the relative fair value of the common shares and the warrants.

During the nine month period ended December 31, 2007 a total of 350,000 warrants from this placement were exercised with net proceeds to the Company of \$210,000.

- (4) On April 17, 2007 the Company completed the private placement of 23,073,073 units at a price of \$0.65 per unit totaling \$14,997,497 less agent commissions of \$314,555. \$6,500,000 of the private placement was brokered, co-lead by Pacific International Securities Inc. and Leede Financial Markets Inc. The remaining \$8,497,497 was non-brokered.

Each unit consisted of one common share of the Company and one-half non-transferable share purchase warrant. Each whole share purchase warrant entitles the holder thereof to purchase one additional common share at an exercise price of \$0.75 per share for a period of 24 months from closing of the private placement. The majority of the non-brokered portion of the private placement was purchased by directors of the Company or their associates and was used to acquire the remaining 50% interest in the Sun Property. The Company agreed to pay a commission of 7% in cash or units, at the election of the agents, on the brokered portion of the financing. Pacific International Securities Inc. was paid 215,800 units in lieu of a cash commission. An agents' option to purchase shares equal to 12% of the number of units sold by the agents at a price of \$0.65 was also be granted. The proceeds of the private placements were used by the Company to purchase the remaining 50% interest in its Sun Property located in the Ambler Mining District of Alaska, to carry out the 2007 work programs on the Sun Property, and for general working capital.

(c) Stock options and warrants

The Company has an incentive stock option plan in place under the rules of the TSX pursuant to which it is authorized to grant options to executive officers and directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options can be granted for a maximum term of five years with vesting provisions determined by the board of directors.

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Stock option and share purchase warrant activity is summarized as follows:

	Options		Warrants	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Outstanding, March 31, 2006	250,000	0.20	-	\$ -
Granted	356,500	0.32	2,000,000	0.48
Granted	200,000	0.50	1,700,000	0.60
Granted	170,000	0.50	7,600,000	0.60
Granted	560,000	0.50	151,000	0.60
Exercised	(100,000)	0.20	(110,000)	0.48
Exercised	(50,000)	0.32	(75,000)	0.60
Cancelled	(75,000)	0.20	-	-
Outstanding, March 31, 2007	1,311,500	\$ 0.20-0.50	11,266,000	\$ 0.48-0.60
Granted	237,500	0.67	1,199,538	0.65
Granted	1,000,000	0.90	11,536,534	0.75
Exercised	(75,000)	0.20	(351,000)	0.48
Exercised	(110,000)	0.32	(545,000)	0.60
Exercised	(40,000)	0.50	-	-
Cancelled	(90,000)	0.32	-	-
	(240,000)	0.50	-	-
<b>Outstanding, December 31, 2007</b>	<b>1,994,000</b>	<b>\$ 0.32-0.90</b>	<b>23,106,072</b>	<b>\$ 0.48-0.75</b>

(d) Escrow shares

The 386,400 common shares are held in escrow subject to release based upon terms of escrow agreements and approvals of regulatory authorities.

(e) Stock-based compensation

The Company has established a share purchase option plan whereby the Company's directors may from time to time grant options to directors, employees or consultants. The maximum term of any option may be ten years, but generally options are granted for five years or less. Compensation expense is determined using an option pricing model assuming no dividends are to be paid, a weighted average volatility of the Company's share price ranging from 55% to 104%, an annual risk free interest rate ranging from 3.96% to 4.50% and vesting from immediate to 5 years. The fair value for the stock options ranged from \$0.38 to \$0.72 per option. For the nine month period ended December 31, 2007 the Company recorded an expense of \$632,826 as stock-based compensation and the offset was credited to contributed surplus.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that are fully transferable and have no vesting restrictions. The Company's stock options are not transferable and cannot be traded. The Black-Scholes model also requires an estimate of expected volatility. The Company uses historical volatility rates of the Company to arrive at an estimate of expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore do not necessarily provide a reliable measure of the fair value of the Company's stock options.

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**NOTE 5. COMMITMENTS**

The Company has entered into contracts to acquire mineral property interests by meeting certain investment criteria relating to individual mineral properties over time. These commitments are summarized in Note 3 to these financial statements.

**NOTE 6. INCOME TAXES**

The Company has accumulated losses, which may be carried forward to reduce income taxes as follows:

Year Ended March 31	\$
2010	1,652
2011	169,832
2012	190,545
2015	171,602
2016	231,746
2026	851,251
<b>Total</b>	<b><u>1,616,628</u></b>

The potential tax benefit of these tax losses is not disclosed in these financial statements as future taxation, as it is reduced by a valuation allowance, due to uncertainty of utilization of the losses.

The income tax effect of temporary differences comprising the deferred tax assets (non capital loss carry forwards) and deferred tax liabilities on the accompanying consolidated balance sheets is a result of the following:

	<u>2007</u>	<u>2006</u>
	\$	\$
Deferred tax assets	549,653	195,443
Valuation allowance	<u>(549,653)</u>	<u>(195,443)</u>
Net deferred tax assets	<u><u>0</u></u>	<u><u>0</u></u>

A reconciliation between the statutory federal income tax rate and the effective income rate of income tax expense for the years ended March 31, 2007 and March 31, 2006 is as follows:

	<u>2005</u>	<u>2004</u>
Statutory federal income tax rate	-34.0%	-34.0%
Stock-based compensation	11.0%	0.0%
Valuation allowance	<u>23.0%</u>	<u>34.0%</u>
Effective income tax rate	<u><u>0.0%</u></u>	<u><u>0.0%</u></u>

**NOTE 7. TRANSACTIONS WITH RELATED PARTIES**

During the period ended December 31, 2007 the Company paid management and consulting fees of \$167,000 (2006-\$39,000) to directors and an officer of the Company. It also paid consulting fees of \$22,496 (2006 - nil) to a former director and officer of the Company. These transactions took place in the normal course of operations and measured at the exchange amount, which is the total consideration established and agreed between the related parties.

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**NOTE 7. TRANSACTIONS WITH RELATED PARTIES (continued)**

The Company issued 675,000 incentive stock options at an exercise price of \$0.90 and 65,000 options at an exercise price of \$0.67 to directors and officers during the period.

Two directors of the Company took part in the private placement which closed on April 17, 2007 acquiring a total of 2,240,359 units at a deemed price of \$0.65. Each unit consists of one common share and one share purchase warrant exercisable for a period of two years at a price of \$0.75.

**NOTE 8. SUBSEQUENT EVENTS**

Subsequent to December 31, 2007 the Company, Full Metal Minerals, Alaska Earth Sciences and Alix Resources Corp. reached an agreement, by which the Company would retain a 20% interest in the Kamishak Property and Alix would acquire the remaining 80% interest in the Property. After Alix spends US\$1,000,000 on the property the Company and Alix agree to pay their proportional share of all costs moving forward. The Company has no further obligations to either Full Metal Minerals or Alaska Earth Sciences with regards to the Kamishak Property.

On January 22, 2008 the Company announced that Mr. Bruce F. Riederer had joined the Company as President and Mr. John C. Thornton had joined the Company as Chief Development Officer.

**NOTE 9. COMPARATIVE FIGURES**

Certain of the prior years' figures have been reclassified to conform to the presentation adopted for the current year.