

# ***Pebble Creek Mining Ltd.***

(An Exploration Stage Company)

Consolidated Financial Statements  
(Unaudited)

Three Months Ended June 30, 2008

## ***Pebble Creek Mining Ltd.***

### Consolidated Balance Sheets

	<b>June 30 2008 (unaudited)</b>	March 31 2008
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 573,536	\$ 1,066,193
Accounts receivable	55,120	41,833
Inventory	2,312	2,630
Prepaid expenses	119,822	124,156
	<b>750,790</b>	1,234,812
<b>Mineral Property Interests (Note 5 and Statement)</b>	<b>4,575,927</b>	4,263,748
<b>Other Capital Assets (Note 6)</b>	<b>195,192</b>	204,892
	<b>\$ 5,521,909</b>	\$ 5,703,452
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 136,443	\$ 85,544
Payable to directors	31,439	15,430
	<b>167,882</b>	100,974
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share Capital</b>		
Authorized		
Unlimited number of common shares without par value		
Unlimited number of preferred shares without par value		
Issued and fully paid (Note 7)	7,048,434	7,048,434
<b>Contributed Surplus (Note 7)</b>	<b>1,937,409</b>	1,933,044
<b>Deficit</b>	<b>(3,631,816)</b>	(3,379,000)
	<b>5,354,027</b>	5,602,478
	<b>\$ 5,521,909</b>	\$ 5,703,452
<b>APPROVED BY THE BOARD</b>		
"Andrew Nevin"		
_____	Director	
"Gyan C. Singhai"		
_____	Director	

***Pebble Creek Mining Ltd.***

Consolidated Statements of Loss and Deficit  
Three Months Ended June 30, 2008 and 2007

	<b>2008</b> <b>(unaudited)</b>	2007 (unaudited)
<b>INCOME</b>		
Interest	\$ <b>6,514</b>	\$ 9,330
<b>EXPENSES</b>		
Amortization	<b>1,241</b>	1,836
Bank charges and interest	<b>113</b>	807
Corporate development	<b>11,846</b>	15,349
Foreign exchange	<b>32,518</b>	7,682
Insurance	<b>5,479</b>	4,358
Legal and audit	<b>33,464</b>	11,854
Management fees	<b>65,400</b>	47,400
Office	<b>7,641</b>	5,800
Rent	<b>11,922</b>	15,033
Salaries	<b>20,684</b>	18,096
Share-based compensation	<b>4,365</b>	-
Shareholder costs	<b>24,212</b>	47,201
Travel	<b>700</b>	50,287
Telephone	<b>4,643</b>	3,743
Write-down of mineral property (Note 5)	<b>35,102</b>	-
	<b>259,330</b>	229,446
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>252,816</b>	220,116
<b>DEFICIT, Beginning of Period</b>	<b>3,379,000</b>	1,824,301
<b>DEFICIT, End of Period</b>	<b>\$ 3,631,816</b>	\$ 2,044,417
<b>Loss Per Share – Basic and Fully Diluted</b>	<b>\$ (0.01)</b>	\$ (0.01)
<b>Weighted Average Number Of Shares Outstanding</b>	<b>29,171,219</b>	20,342,020

***Pebble Creek Mining Ltd.***

Consolidated Statements of Cash Flows  
Three Months Ended June 30, 2008 and 2007

	<b>2008</b>		2007
	<b>(unaudited)</b>		(unaudited)
<b>Cash Flows From (Used In) Operating Activities</b>			
Interest income	\$ 2,819	\$	9,330
Cash paid for supplies and services	<b>(191,661)</b>		(292,678)
	<b>(188,842)</b>		(283,348)
<b>Cash Flows From (Used In) Financing Activities</b>			
Advances from directors	<b>16,008</b>		-
Shares issued, net of issue costs	-		1,047,349
	<b>16,008</b>		1,047,349
<b>Cash Flows From (Used In) Investing Activities</b>			
Mineral property advances	-		4,400
Mineral property interests			
Acquisition costs	<b>(30,804)</b>		(20,878)
Exploration costs	<b>(287,934)</b>		(251,391)
Purchase of other capital assets	<b>(1,085)</b>		(54,700)
	<b>(319,823)</b>		(322,569)
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(492,657)</b>		441,432
<b>CASH AND CASH EQUIVALENTS, Beginning of Period</b>	<b>1,066,193</b>		945,393
<b>CASH AND CASH EQUIVALENTS, End of Period</b>	<b>\$ 573,536</b>	\$	1,386,825
<b>CASH AND CASH EQUIVALENTS COMPOSED OF:</b>			
Cash	\$ 271,949	\$	1,091,683
Short-term deposits	<b>301,595</b>		295,142
	<b>\$ 573,536</b>	\$	1,386,825

**Pebble Creek Mining Ltd.**

**Consolidated Statement of Mineral Property Expenditures  
Three Months Ended June 30, 2008 (unaudited) and Year Ended March 31, 2008**

	Askot	Gadarwara	Banda	Other	Total
Balance, March 31, 2007	\$ 2,254,891	\$ 91,453	\$ 30,403	\$ 22,235	\$ 2,398,982
Option proceeds	-	-	-	-	-
Acquisition costs					
Geological fees and travel expenses	63,167	5,205	6,420	9,730	84,522
Consulting engineers fees	-	-	-	-	-
Exploration expenditures					
Geological fees and travel expenses	75,420	3,600	11,977	-	90,997
Assays	7,522	-	-	-	7,522
Drilling	1,062,007	386,298	-	-	1,448,305
Engineering equipment and supplies	2,905	499	-	-	3,404
Office	264,385	1,511	1,816	-	267,712
Professional fees	135,008	1,972	2,264	-	139,244
Salaries	164,266	812	-	-	165,078
Telephone	12,920	44	995	-	13,959
Travel and promotion	50,454	8,303	2,229	-	60,986
Miscellaneous	3,892	39	-	-	3,931
Underground rehabilitation and exploration	78,842	10,055	-	-	88,897
Property write down	-	(509,791)	-	-	(509,791)
<b>Balance, March 31, 2008</b>	<b>4,175,679</b>	<b>-</b>	<b>56,104</b>	<b>31,965</b>	<b>4,263,748</b>
Option proceeds	-	-	-	-	-
Acquisition costs					
Geological fees and travel expenses	22,063	-	-	2,538	24,601
Compliance costs	6,202	-	-	-	6,202
Exploration expenditures					
Geological fees and travel expenses	16,919	-	-	-	16,919
Assays	30,414	-	-	-	30,414
Drilling	-	35,102	-	-	35,102
Engineering equipment and supplies	5,395	-	-	-	5,395
Office	132,459	-	74	-	132,533
Professional fees	97	-	-	-	97
Salaries	29,026	-	-	-	29,026
Telephone	2,798	-	51	-	2,849
Travel and promotion	12,050	-	-	-	12,050
Miscellaneous	1,098	-	-	-	1,098
Underground rehabilitation and exploration	50,994	-	-	-	50,994
Property write down	-	(35,102)	-	-	(35,102)
<b>Balance, June 30, 2008 (unaudited)</b>	<b>\$ 4,485,195</b>	<b>\$ -</b>	<b>\$ 56,230</b>	<b>\$ 34,502</b>	<b>\$ 4,575,927</b>

## ***Pebble Creek Mining Ltd.***

### Notes to the Consolidated Financial Statements

June 30, 2008

(unaudited)

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#### **1. OPERATIONS**

Pebble Creek Resources Ltd. ("PCR") was incorporated in the Province of British Columbia on April 29, 1993, and investigated opportunities to 1996, under the name Pebble Creek Power Company Ltd., in the energy sector. Since that time, PCR has investigated mining prospects in India for the purposes of the acquisition, exploration, development and mining of gold, copper, silver, other precious and base metals, diamonds and non-metallic minerals..

PCR incorporated two subsidiary companies in India to acquire rights to the properties under Indian law (Note 5). One of the subsidiary companies, Adi Gold Mining Private Ltd ("Adi"), was incorporated in 1996 for the purposes of acquiring and holding the interests in the Askot Tenure (Note 5) and in the Gadarwara Tenure (Note 5). A second subsidiary, Hirakund Diamond Exploration Private Ltd. ("Hirakund"), was incorporated in 2003 for the purpose of acquiring and holding the interest in the Banda Prospect (Note 5).

PCR entered into an agreement with Broadcast Capital Corp. ("Broadcast") dated October 6, 2006 and amended on October 24, 2006, pursuant to which the shareholders of PCR acquired control of the Broadcast, a company listed for trading on the TSX Venture Exchange, through a "reverse take over" ("RTO"). PCR and Broadcast completed the plan of arrangement on December 15, 2006, following which Broadcast and PCR were amalgamated under the name Pebble Creek Mining Ltd. (the "Company").

The Company is in the process of exploring its mineral properties and has not determined whether these properties contain economically recoverable reserves of ore. The Company has not earned any revenues from its mineral properties and is considered to be in the exploration stage.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, which include the following significant policies:

##### **Basis of Consolidation**

These consolidated financial statements include the accounts of Pebble Creek Mining Ltd. and its wholly-owned subsidiaries, Adi Gold Mining Private Ltd. and Hirakund Diamond Exploration Private Ltd. (individually and collectively referred to as the "Company").

##### **Foreign Currency Translation**

Assets and liabilities of integrated foreign subsidiary operations and foreign currency denominated assets and liabilities of Canadian operations are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction date for non-monetary items. Foreign currency denominated revenues and expenses are translated at the average exchange rate for the reporting period. Gains or losses on translation are reported in operations for the period.

## ***Pebble Creek Mining Ltd.***

### Notes to the Consolidated Financial Statements

June 30, 2008

(unaudited)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Cash and Cash Equivalents**

Cash and cash equivalents includes cash and highly-liquid term deposits that have original maturities within ninety days or can be converted to cash on demand.

### **Mineral Property Interests**

The Company's mineral property interests are composed of rights to explore for, develop and mine minerals under permit, and licences from or leases with governments in India. These agreements require fees, rentals, deposits and work commitments. The Company's rights to mineral properties are described in Note 3.

The Company accounts for its mineral property interests whereby costs relative to the acquisition, exploration and development of these properties are capitalized by property. All sales and option proceeds received are first credited against the costs of the related property, with any excess credited to operations. No gains or losses are recognized on the partial sale or dispositions of properties except in circumstances which result in significant dispositions of reserves. Once commercial production commences, these net costs will be charged to future operations using the unit-of-production method based on estimated recoverable reserves by property. The net costs related to abandoned properties will be charged to operations.

The Company is currently in the exploration stage.

The amounts shown for mineral property interests represent acquisition, holding and exploration costs, and do not necessarily represent present or future recoverable values. The recoverability of these amounts is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain the necessary financing to successfully complete their development and to meet the requirements, from time to time, of lenders, including shareholders, who are providing this financing and upon future profitable production.

The Company reviews the carrying values of its mineral property interests whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value.

### **Other Capital Assets**

Other capital assets are recorded at cost. Amortization is provided using the declining balance method and at the following annual rates:

Furniture	20%
Computer	30%
Equipment	14%
Vehicles	26%

The Company reviews the carrying values of its other capital assets whenever events or changes in circumstances indicate that their carrying values may exceed their estimated net recoverable amounts determined by reference to estimated future operating results and undiscounted net cash flows. An impairment loss is recognized when the carrying value of those assets exceeds their fair value.

## ***Pebble Creek Mining Ltd.***

### Notes to the Consolidated Financial Statements

June 30, 2008

(unaudited)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Asset Retirement Obligations**

The Company recognizes liabilities for statutory, contractual or legal obligations associated with the reclamation of mineral properties, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement cost is added to the carrying amount of the related asset and is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the amount or timing of the underlying cash flows needed to settle the obligation.

### **Financial Assets and Financial Liabilities**

The Company adopted the new accounting recommendations of the Canadian Institute of Chartered Accountants for the recognition, measurement and disclosure of financial instruments, hedges and comprehensive income during the fiscal year ended March 31, 2008.

The Company's financial assets and financial liabilities are classified as follows:

- Cash equivalents are classified as "held to maturity". They are measured at amortized cost. At March 31, 2008 the recorded amount approximates fair value.
- Accounts receivable are classified as "loans and receivables". They are measured at amortized cost. At March 31, 2008 the recorded amount approximates fair value.
- Accounts payable and accrued liabilities and payable to directors are classified as "other financial liabilities" and are measured at amortized cost. At March 31, 2008 the recorded amounts approximate fair value.

Transaction costs directly attributable to the acquisition or issue of a financial asset or financial liability are added to the carrying amount of the financial asset or financial liability, and are amortized to operations using the effective interest rate method.

### **Share-based Compensation**

The Company recognizes all share-based compensation using the fair value method. Under the fair value method, compensation costs, equal to the fair value of share purchase options on the date of grant, are recorded with an offsetting credit to contributed surplus. Consideration received upon exercise of the options is recorded as share capital and the contributed surplus related to the recognized fair value of the options which have been exercised is transferred to share capital.

## ***Pebble Creek Mining Ltd.***

### Notes to the Consolidated Financial Statements

June 30, 2008

(unaudited)

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## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Income Taxes**

The Company follows the asset and liability method of accounting for income taxes. Using this method, income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements of the Company and their respective tax bases and for losses carried forward, using enacted or substantially enacted income tax rates. The effect of a change in income tax rates on future tax assets and liabilities is recognized in income in the period in which the change occurs. A future income tax asset is reduced by a valuation allowance when the probability of the realization is other than more likely than not.

### **Comprehensive Income**

Comprehensive income is composed of the Company's excess of revenue over expenditures and other comprehensive income. Other comprehensive income represents changes in net assets during a period arising from non-owner sources and, for the Company, would principally include unrealized gains and losses on available for sale financial assets. As the Company does not hold any available for sale financial assets, there is no balance of accumulated other comprehensive income and comprehensive loss is equal to net loss.

### **Loss Per Share**

The basic loss per share is calculated using the weighted average number of common shares of the Company that were outstanding in each reporting period. The diluted loss per share, which is disclosed only if dilutive, includes the potential dilution from outstanding options and share purchase warrants, calculated using the treasury stock method, in the weighted average number of shares outstanding.

### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions about future events that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Significant estimates used in these financial statements include, amongst others, the recoverability of accounts receivable, share-based compensation, the fair value of warrants issued, and the estimated future operating results and net cash flows from mineral property interests.

## **3. MANAGEMENT OF CAPITAL RISK**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties. The Company measures its capital as its available working capital, and includes shareholders' equity, cash and cash equivalents, accounts receivable and prepaid expenses when considering management of capital risk.

The Company manages and adjusts its capital structure when changes to the risk characteristics of the underlying assets or changes in economic conditions occur. To maintain or adjust the capital structure, the Company may attempt to issue new shares or acquire, dispose of or joint venture certain of its assets.

### **3. MANAGEMENT OF CAPITAL RISK (continued)**

In order to facilitate the management of its capital requirements, the Company prepares annual expenditure budgets which are revised periodically based on the results of its exploration programs, availability of financing and industry conditions. Annual and materially updated budgets are approved by the Board of Directors.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to invest any excess cash in liquid short-term interest-bearing instruments with maturities of 90 days or less. When utilized, these instruments are selected with regard to the expected timing of expenditures from continuing operations.

The Company will have to raise additional capital resources to meet its planned operations and administrative overhead expenses and further exploration and development of the Company's mineral properties in the near and long term will depend on the Company's ability to obtain additional funding through equity or debt financing or through the joint venture of projects. Actual funding requirements may vary from those planned due to a number of factors, including the progress of exploration and development activity. The Company believes it will be able to raise capital as required in the long term, but recognize there will be risks involved that may be beyond their control.

### **4. MANAGEMENT OF FINANCIAL RISK**

The Company's financial instruments are exposed to certain risks, which include currency risk, credit risk, interest rate risk, liquidity risk and market risk.

#### **Currency Risk**

Currency risk is the risk of a loss due to the fluctuation of foreign exchange rates and the effects of these fluctuations of foreign currency denominated monetary assets and liabilities. The Company currently operates in Canada and India. The Company manages its currency risk through the preparation of short and long term expenditure budgets in different currencies and converting Canadian dollars to Indian rupees whenever exchange rates are favourable.

#### **Credit risk**

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company's cash and short term investments are held in reputable Canadian financial institutions. Accounts receivable consist primarily of goods and services tax refunds due from the Government of Canada. As such, the Company considers this risk to be minimal.

#### **Interest rate risk**

Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate because of changes to market interest rates. The Company is exposed from time to time to interest rate risk as a result of holding fixed rate cash equivalent investments of varying maturities. The risk that the Company will realize a loss as a result of a decline in the fair value of these investments is limited as the Company only invests in highly liquid securities with short-term maturities.

## ***Pebble Creek Mining Ltd.***

### Notes to the Consolidated Financial Statements

June 30, 2008

(unaudited)

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#### **4. MANAGEMENT OF FINANCIAL RISK (continued)**

##### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure (Note 3).

##### **Market risk**

The Company is exposed to market risk related to the fluctuation in the market price of its investments. The Company minimizes this risk by only investing in highly liquid securities with short term maturities.

#### **5. MINERAL PROPERTY INTERESTS**

Mineral property interests for which rights are held by Adi and Hirkund are located in India and are regulated by Indian mining law.

The principal mining legislation of India includes The Mines & Minerals (Development & Regulation) Act, 1957, Mineral Concession Rules, 1960 (amended in 2001) and the Mineral Conservation & Development Rules, 1988. Under the Mines & Minerals (Development & Regulation) Act, 1957, minerals are vested within the individual states of India, whereas core mining law is regulated by the central government in New Delhi and administered by the states under the central government's regulation.

There are three forms of tenure under Indian mining legislation, Reconnaissance Permits ("RP"), Prospecting Licences ("PL") and Mining Leases ("ML"). Tenures are only issued to Indian companies, individuals or partnerships.

An RP cannot exceed 5,000 square kilometers ("km"). Any company and its affiliates are limited to holding a maximum of 10,000 square km in any one state. The term of an RP is three years, with a reduction in area mandatory at the second anniversary. The reduction is to 1,000 square km or 50 percent, whichever is less. The holder of an RP also holds preferential rights to a PL within its boundaries.

A PL is generally limited to 25 square km. Any company and its affiliates are limited to holding a maximum of 25 square km in any one state unless the Indian Ministry of Mines waives these limits in the interest of proper resource exploration and development. However, pending legislation before the current session of the Indian parliament proposes to increase the limit on the size of the PL to 500 square km, where that PL derives from an RP, and to similarly increase the state-wide limit. The term of a PL is three years and can be renewed for two additional years. The holder of a PL also holds preferential rights to an ML within its boundaries. The legislation now pending before the government also proposes to change the "preferential" rights to guaranteed rights of RP holders to acquire one or more PLs within their RP areas, and for PL holders to acquire MLs within their PL areas.

An ML is generally limited to 10 square km. A company and its affiliates are limited to holding a maximum of 10 square km in any one state unless the the Indian Ministry of Mines waives the limit in the interest of proper resource development and extraction. The term of an ML is 20 years or 30 years, and can be renewed twice in increments of 20 years. The granting or renewal of an ML requires a mining plan approved by the Government of India.

Surface rights are excluded in all forms of tenure. As work progresses, the mineral tenure holder must reach accommodation with the holder of surface rights, viz. the land owner. In the event a land owner is unreasonably intransigent, the government is empowered to act on behalf of the mineral tenure holder.

## ***Pebble Creek Mining Ltd.***

### Notes to the Consolidated Financial Statements

June 30, 2008

(unaudited)

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#### **5. MINERAL PROPERTY INTERESTS (continued)**

##### **Askot Property**

In 1996, Adi applied for a Prospecting Licence covering 7.93 square km of the Askot prospect, located in the Pithoragarh district of the state of Uttarakhand. The Prospecting Licence Deed was issued to Adi on June 12, 2000, and was initially valid until June 12, 2003.

The Prospecting Licence was renewed in 2003. The Company subsequently applied to the State government to reduce the PL area to 4.84 square kilometers, however the proposed reduction became a moot point after a Mining Lease application was submitted in 2005 and the State did not follow through. The PL reached the end of the fixed term on June 12, 2005. On March 11, 2005 Adi submitted an application for a 30-year Mining Lease covering 3.86 square kilometers within the Prospecting Licence area.

Indian law provides that if a Prospecting Licence holder files a Mining Lease application before 90 days prior to the expiry of the Prospecting Licence, the Prospecting Licence continues uninterrupted until the Mining Lease is granted or otherwise disposed of.

Following June 12, 2005, Adi has continued its exploration as before. The State approved the ML application in due course and on September 26, 2007 the Government of India cleared it and returned it to the State for granting. On December 26, 2007 the State issued the Company a formal "Letter of Intent" to grant the Mining Lease. Five other clearances and permits are required before the Mining Lease can be executed; two of these are completed and the Company is now working on Environmental Clearance, Forest Clearance and Indian Bureau of Mines approval of the Company's Mining Plan.

Since 2000 the Company has explored the Askot property by geological, geochemical and geophysical studies; drilling and assaying; and driving a tunnel to install underground drill stations. Work is progressing as of June 30, 2008.

The Company has also applied for an RP on 200 square kilometers surrounding the Askot Mining Lease application as a buffer zone and for future exploration.

Acquisition and exploration expenditures to June 30, 2008 on this property amounted to \$4,485,195.

##### **Gadarwara Property**

In 1996, Adi applied for several Prospecting Licences covering 379.85 square km at Gadarwara, located in Narsimhapur District in the state of Madhya Pradesh, India. After four years of inaction by the government and four more of litigation, the State and Adi finally executed the aforementioned 379.85 square km tract as a Reconnaissance Permit on December 24, 2004. For a period of five months in 2005 Pebble Creek optioned the area and collected a US \$25,000 payment. The option was ended by the optionee upon its takeover by BHP Billiton in August, 2005.

On February 4, 2005, Adi filed a Reconnaissance Permit application for 3,884 square km, called the "Gadarwara Extension," surrounding the existing Gadarwara Reconnaissance Permit as a buffer zone, as is normal industry practice. In February, 2007, the state notified Adi that it had approved the application and was sending it to the Government of India for its approval. Subsequent to the end of the quarter, in October 2007, the Government of India found a minor misprint in the application and returned it to the Company for correction, which has been made. The Company has not been advised of further advancement of this RP application. On December 9, 2006, Adi reduced the area of the central

## ***Pebble Creek Mining Ltd.***

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June 30, 2008

(unaudited)

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#### **5. MINERAL PROPERTY INTERESTS (continued)**

Gadarwara Reconnaissance Permit to one-half or 189.9 sq km as required by law and the terms of the permit.

The Company started drilling the central Gadarwara RP on August 24, 2007 and completed the program with 1,639 metres in 4 holes on November 24, 2007.

The RP expired on December 24, 2007, and the Company exercised its preferential rights to a Prospecting Licence ("PL") by filing an application for 69.8 sq km on December 27, 2007. It is noteworthy that the Company must wait until the PL is granted before resuming physical work on the prospect.

Acquisition and exploration expenditures to June 30, 2008 on this property of \$544,893 were considered not to have any potential future benefit at this time and were therefore written down.

#### **Banda Prospect**

In June 2003, Hirakund applied for a Reconnaissance Permit on a 2,012 square km tract (measured by the government as 2,190 square km) in the Banda District of Uttar Pradesh. The Banda RP was executed in May 2006.

The Company entered into an agreement with De Beers India Private Limited ("DBIPL") on November 6, 2006 pursuant to which DBIPL could earn an 85% interest in the Banda prospect in return for managing and funding work on the prospect. DBIPL terminated the agreement on September 24, 2007 after conducting indicator mineral studies.

The Company engaged an independent geologist to examine the prospect and review the data. The Company plans to hold the prospect for the remainder of the three-year term and will conduct further exploration if results of work done on nearby properties by other companies are successful.

Acquisition and exploration expenditures on this prospect to June 30, 2008 amounted to \$56,230.

#### **Other Prospects**

The Company has scouted dozens of other prospects and has selected 13 others. The Company has applied for these RPs in the states of Rajasthan, Andhra Pradesh, Karnataka, Jharkhand and Madhya Pradesh, for a total of approximately 19,000 square kilometers. None of these RPs has been granted yet. Acquisition and exploration expenditures on these prospects to June 30, 2008 amounted to \$34,502.

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Notes to the Consolidated Financial Statements  
June 30, 2008  
(unaudited)

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### **6. OTHER CAPITAL ASSETS**

**June 30, 2008 (unaudited)**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Furniture	\$ 76,596	\$ 19,174	\$ 57,422
Computers	88,332	49,114	39,218
Vehicles	71,164	34,692	36,472
Equipment	79,563	17,483	62,080
	<b>\$ 315,655</b>	<b>\$ 120,463</b>	<b>\$ 195,192</b>

**March 31, 2008**

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Furniture	\$ 76,390	17,371	\$ 59,019
Computers	87,453	45,221	42,232
Vehicles	71,164	32,182	38,982
Equipment	79,563	14,904	64,659
	<b>\$ 314,570</b>	<b>109,678</b>	<b>\$ 204,982</b>

### **7. SHARE CAPITAL**

#### **Share Capital**

<b>Issued and allotted</b>	<b>Number of Common Shares</b>	<b>Amount</b>
Balance, March 31, 2007	20,062,590	\$ 5,150,188
Issued for cash on private placement, net of share issue costs of \$98,957 and \$512,388 allocated to the issue of warrants	3,306,599	545,964
Issued for cash on private placement, net of share issue costs of \$37,663 and \$931,818 allocated to the issue of warrants	5,270,000	1,138,519
Issued for cash on exercise of warrants	357,030	107,109
Issued for cash on exercise of options, including transfer from contributed surplus of \$54,154	175,000	106,654
<b>Balance, March 31, 2008 and June 30, 2008 (unaudited)</b>	<b>29,171,219</b>	<b>\$ 7,048,434</b>

**Pebble Creek Mining Ltd.**

Notes to the Consolidated Financial Statements  
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**7. SHARE CAPITAL (continued)**

**Contributed Surplus**

<b>Issued and allotted</b>	<b>Amount</b>
Balance, March 31, 2007	\$ 245,429
Allocated to warrants and broker options and warrants on the issue of shares for cash	1,444,026
Share-based compensation expense	297,563
Transferred to share capital on the exercise of options	(54,154)
Balance, March 31, 2008	<b>1,933,044</b>
Share-based compensation expense	<b>4,365</b>
Balance, June 30, 2008 (unaudited)	<b>\$ 1,937,409</b>

Of the issued and outstanding shares of the Company 3,864,450 were held in escrow at June 30, 2008, to be released upon the approval of regulatory authorities in stages, ranging from 6 months to 6 years from the closing of the reverse takeover (Note 1).

The Company has estimated the grant-date fair value of options, warrants and broker options using the Black-Scholes option pricing model. The following weighted-average assumptions were used:

	<b>June 30, 2008 (3 months)</b>	March 31 2008 (12 months)
Average risk-free interest rate	<b>4.53%</b>	4.62%
Expected share price volatility	<b>132.97%</b>	122.80%
Expected average period until exercise	<b>5 years</b>	2.34 years
Expected dividend yield	<b>\$ nil</b>	\$ nil

**Pebble Creek Mining Ltd.**

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**7. SHARE CAPITAL (continued)**

The following warrants, which entitle the holder to purchase common shares of the Company, were outstanding at June 30, 2008:

**Warrants**

<b>Number of Shares</b>	<b>Price Per Share</b>	<b>Expiry Date</b>	<b>Date Granted</b>
1,653,300	\$0.65	June 22, 2009 If the closing trading price is \$1.00 per share or higher for any 20 consecutive trading days, the Company may elect to accelerate the term to expire within 30 days of notice to the holders	June 22, 2007
1,653,300	\$1.00	June 22, 2009	June 22, 2007
2,635,000	\$0.75	December 14, 2009 If the closing trading price is \$1.50 per share or higher for any 20 consecutive trading days, the Company may elect to accelerate the term to expire within 30 days of notice to the holders	December 14, 2007
2,635,000	\$1.50	December 14, 2009	December 14, 2007
<b>8,576,600</b>			

**Warrants**

<b>2008</b>	<b>Number of Shares</b>			<b>2008</b>	<b>Price Per Share</b>	<b>Expiry Date</b>
	<b>Granted</b>	<b>Exercised</b>	<b>Expired</b>			
<b>March 31</b>						
458,370	-	-	458,370	-	\$0.75 Cdn	June 29, 2008
1,653,300	-	-	-	1,653,300	\$0.65 Cdn	June 22, 2009
1,653,300	-	-	-	1,653,300	\$1.00 Cdn	June 22, 2009
2,635,000	-	-	-	2,635,000	\$0.75 Cdn	December 14, 2009
2,635,000	-	-	-	2,635,000	\$1.50 Cdn	December 14, 2009
<b>9,034,970</b>	<b>-</b>	<b>-</b>	<b>458,370</b>	<b>8,576,600</b>		

**Pebble Creek Mining Ltd.**

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**7. SHARE CAPITAL (continued)**

The Company implemented a rolling share purchase option plan which allows the Company to reserve up to 10% of the issued and outstanding shares of the Company for granting share purchase options. These options vest immediately for directors and officers. Options for employees and consultants vest either immediately or over the course of one year depending on their history of service. The plan was approved by the TSX Venture Exchange on August 13, 2007.

The following share purchase options transactions occurred during the periods:

**Options**

	<b>June 30, 2008 (3 months)</b>		<b>March 31, 2008 (12 months)</b>	
	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>
Balance, beginning of period	<b>1,128,340</b>	<b>\$ 0.61</b>	1,017,507	\$ 0.50
Granted	-	-	1,075,000	0.60
Exercised	-	-	(175,000)	0.30
Expired	<b>(108,340)</b>	<b>0.72</b>	(789,167)	0.55
<b>Balance, end of period</b>	<b>1,020,000</b>	<b>\$ 0.60</b>	<b>1,128,340</b>	<b>\$ 0.61</b>
<b>Options exercisable, end of period</b>	<b>870,000</b>	<b>\$ 0.60</b>	<b>964,840</b>	<b>\$ 0.61</b>

The contractual weighted average remaining life of the outstanding options at June 30, 2008 is 4.21 years (March 31, 2008 – 4.15 years).

The following share purchase options are outstanding at June 30, 2008:

**Options**

	<b>Number of Shares</b>	<b>Price Per Share</b>	<b>Expiry Date</b>	<b>Date Granted or Issued</b>
Options	795,000	\$0.60	August 10, 2012	August 10, 2007
Options	225,000	\$0.60	January 18, 2013	January 18, 2008
	<b>1,020,000</b>			

**Pebble Creek Mining Ltd.**

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**8. INCOME TAXES**

The Company's net future income tax assets are:

	<b>June 30, 2008</b>	March 31, 2008
Future income tax assets		
Other capital assets	<b>\$ 6,826</b>	\$ 6,441
Tax loss carry forwards	<b>932,352</b>	861,471
Total future income tax assets	<b>939,178</b>	867,912
Valuation allowance	<b>(939,179)</b>	(867,912)
Net future income tax assets	<b>\$ -</b>	\$ -

The reconciliation of the provision for income taxes is:

	<b>June 30, 2008</b> <b>(3 months)</b>	June 30, 2007 (3 months)
Loss before income taxes	<b>\$ 252,816</b>	\$ 220,116
Statutory income tax rates	<b>31.0%</b>	34.12%
Recovery of income taxes based on statutory income tax rates	<b>78,373</b>	75,104
Deduct:		
Net effect of non-deductible items	<b>2,433</b>	-
Tax effect of current period losses not recognized	<b>80,806</b>	75,104
Provision for income taxes	<b>\$ -</b>	\$ -

As at June 30, 2008, the Company had losses available for deduction against future years' taxable incomes amounting to approximately \$2,972,000. The benefit from these losses has not been recorded in these financial statements. If unused, these losses will expire as follows:

2009	\$ 67,000
2010	150,000
2014	228,000
2015	243,000
2026	263,000
2027	522,000
2028	1,244,000
2029	255,000

## ***Pebble Creek Mining Ltd.***

Notes to the Consolidated Financial Statements  
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### **9. ENVIRONMENTAL**

The Company's exploration activities in India are subject to Indian environmental laws and regulations governing the protection of the environment. Currently, Indian law only requires US \$500 for an environmental bond on an exploration property. However, this is expected to increase to an amount more in line with international standards.

The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

The ultimate amount of reclamation and other future site restoration costs to be incurred for the Company's existing mineral property interests is currently uncertain.

### **10. RELATED PARTY TRANSACTIONS**

The Company paid fees of \$9,964 for the three months ended June 30, 2008 (2007 - \$22,904) for legal expenses and share issue costs to a legal firm one of the partners of which became an officer of the Company on December 15, 2006. As at June 30, 2008 accounts payable included \$11,732 payable to this legal firm (March 31, 2008 - \$5,569).

The Company also paid management, accounting and consulting fees of \$65,400, included in general and administrative expenses, and geological and engineering fees of \$15,600, included in mineral property acquisition and exploration costs, to directors and officers during the three months ended June 30, 2008 (2007 - \$47,400 and \$32,600, respectively). Accounts payable at June 30, 2008 include \$31,439 which is payable to directors (March 31, 2008 - \$15,430).

These transactions have been measured at the exchange amounts agreed to by the parties.

### **11. SEGMENTED INFORMATION**

The Company's worldwide operations are all conducted in one segment, the exploration and development of mineral property interests.

The Company's assets by geographic segment are:

	<b>June 30, 2008</b>		March 31, 2007	
	<b>Canada</b>	<b>India</b>	Canada	India
Cash	<b>\$ 405,375</b>	<b>\$ 168,161</b>	\$ 659,444	\$ 406,749
Mineral property interests	-	<b>4,575,927</b>	-	4,263,748
Other capital assets	<b>25,008</b>	<b>170,184</b>	26,249	178,643
Accounts receivable, inventory and prepaid expenses	<b>50,119</b>	<b>127,135</b>	26,159	142,460
	<b>\$ 480,502</b>	<b>\$ 5,041,407</b>	\$ 711,852	\$ 4,991,600

## **12. PREMISES LEASES**

The Company has entered into a lease for office premises in Vancouver, Canada, expiring in August 2011, which requires estimated minimum annual rental payments of \$46,000 and a similar leases in New Delhi, India, for office premises and staff accommodation, expiring in June 2010 and May 2012, which require estimated minimum annual rental payments of \$120,000. In August 2007, the Company entered into another lease for staff accommodation in New Delhi expiring in August 2009 which will require estimated minimum annual rental payments of \$35,000.

## **13. NEW ACCOUNTING PRONOUNCEMENTS**

New accounting pronouncements issued by the Canadian Institute of Chartered Accountants ("CICA") and which the Company intends to evaluate and, if required, adopt in the preparation of its future financial statements are:

### **Goodwill and intangible assets**

In February 2008, the CICA issued Section 3064, Goodwill and Intangible Assets, replacing Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. The new pronouncement establishes standards for the recognition, measurement, presentation, and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

This section is effective in the first quarter of 2009. The adoption of this section is not currently expected to affect the Company.

### **Business combinations**

The proposed amended recommendations of the CICA for accounting for business combinations will apply to the Company's business combinations, if any, with an acquisition date subsequent to the effective date. Whether the Company would be materially affected by the proposed amended recommendations would depend upon the specific facts of the business combinations, if any. Generally, the proposed recommendations will shift from a parent company conceptual view of consolidation theory (which results in the parent company recording the book values attributable to non-controlling interests) to an entity conceptual view (which results in the parent company recording the fair values attributable to non-controlling interests).

Adoption of this section is not expected to affect the Company.

### **Convergence with International Financial Reporting Standards**

In 2006, Canada's Accounting Standards Board ratified a strategic plan that will result in Canadian GAAP, as used by public companies, evolving and being converged with International Financial Reporting Standards (IFRS) over a transitional period currently expected to be complete by 2011. The International Accounting Standards Board currently has projects underway that should result in new pronouncements.

This Canadian convergence initiative is very much in its infancy as of the date of these statements. Consequently the Company has not yet assessed the impact of the ultimate adoption of IFRS on the Company.

## ***Pebble Creek Mining Ltd.***

### Notes to the Consolidated Financial Statements

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#### **14. CONTINGENCY**

The Company had previously reported that the Government of Uttaranchal (now Uttarakhand) may claim an 11% carried interest in the Askot project. This possible claim arose from a Memorandum of Understanding ("MOU") executed between the Company and the government-owned Uttar Pradesh State Mineral Development Corporation ("UPSMDC") in 1997, before the state of Uttaranchal was formed from part of Uttar Pradesh on November 9, 2000. UPSMDC had certain obligations under the MOU in return for its proposed 11% carried interest.

After formation of Uttaranchal, Askot was located in the new state. Both the Company and UPSMDC believed that whatever benefits and obligations that would accrue to UPSMDC under the MOU would transfer to Uttaranchal or its government-owned development company. Officers of the Company and UPSMDC jointly met with the Uttaranchal government and its government-owned development corporation on December 6, 2003. Uttaranchal rejected any involvement in the Askot project at that time. That action, and two legal opinions obtained by the Company stating that the MOU gave no other party any rights, resulted in the Company believing that the matter was closed. In addition, UPSMDC never performed any of its duties as described in the MOU.

However on April 24, 2008, UPSMDC wrote to the Company demanding that the Company follow up the MOU by supplying UPSMDC with a draft agreement conveying an 11% carried interest in the Askot project.

The Company has engaged legal counsel and responded to the demand, citing the "UP Reorganization Act, 2000" and other legal arguments, and believes that this demand has no merit.