



(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED OCTOBER 31, 2007 AND 2006

AUDITORS' REPORT

To the Shareholders of
Christopher James Gold Corp.

We have audited the consolidated balance sheets of Christopher James Gold Corp. as at October 31, 2007 and 2006 and the consolidated statements of loss and comprehensive loss, shareholders' equity and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at October 31, 2007 and 2006 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

"D+H Group LLP"

Vancouver, B.C.
February 21, 2008

Chartered Accountants

CHRISTOPHER JAMES GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED BALANCE SHEETS
As at October 31, 2007 and 2006

	2007	2006
ASSETS		
Current		
Cash	\$ 748,766	\$ 101,514
Short term investments (note 4)	5,115,000	900,000
Amounts receivable and prepaid expenses	260,538	41,083
	6,124,304	1,042,597
Amount receivable	34,055	-
Exploration advances	57,843	202,372
Reclamation deposits	6,054	23,100
Equipment (note 5)	59,023	24,847
Unproven mineral interests (note 6)	4,610,184	6,598,715
	\$ 10,891,463	\$ 7,891,631
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 441,439	\$ 462,547
Asset retirement obligation (note 7)	6,054	23,100
Future income tax liabilities (note 12)	-	436,560
	447,493	922,207
SHAREHOLDERS' EQUITY		
Share capital (note 8)	23,634,544	8,591,153
Share subscription received	-	4,125
Contributed surplus	1,298,842	535,075
Deficit	(14,489,416)	(2,160,929)
	10,443,970	6,969,424
	\$ 10,891,463	\$ 7,891,631

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

CHRISTOPHER JAMES GOLD CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**For the years ended October 31, 2007 and 2006**

	2007	2006
EXPENSES:		
Amortization	\$ 25,345	\$ 8,510
General and administrative	1,040,071	603,177
General exploration	101,868	139,627
Impairment of unproven mineral interests	11,662,198	198,962
Stock-based compensation (note 8(e))	760,364	268,061
	(13,589,846)	(1,218,337)
OTHER INCOME:		
Gain on disposal of equipment	495	-
Interest income	264,034	19,893
LOSS BEFORE INCOME TAXES	(13,325,317)	(1,198,444)
FUTURE INCOME TAX RECOVERY	996,830	469,256
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(12,328,487)	(729,188)
DEFICIT, beginning of year	(2,160,929)	(1,431,741)
DEFICIT, end of year	\$ (14,489,416)	\$ (2,160,929)
Basic loss per share	\$ (0.26)	\$ (0.03)
Weighted average number of common shares outstanding	47,940,106	22,861,216

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

CHRISTOPHER JAMES GOLD CORP.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**For the years ended October 31, 2007 and 2006**

	Number of Common Shares	Share Capital	Share Subscriptions Received	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, October 31, 2005	15,471,108	\$ 4,221,748	\$ -	\$ 200,654	\$ (1,431,741)	\$ 2,990,661
Private placements	9,050,000	3,090,000	-	-	-	3,090,000
Private placements – flow through	2,271,668	766,500	-	-	-	766,500
Shares issued for finders' fees	551,586	176,184	-	-	-	176,184
Common share issue costs	-	(532,239)	-	-	-	(532,239)
Exercise of stock options	445,418	91,246	-	-	-	91,246
Common shares issued for unproven mineral interests and finders' fees	2,259,516	1,162,277	-	-	-	1,162,277
Tax benefit renounced to shareholders	-	(409,952)	-	-	-	(409,952)
Reclassification of grant-date fair value on exercise of stock options	-	25,389	-	(25,389)	-	-
Stock based compensation	-	-	-	268,061	-	268,061
Compensation recorded for broker share purchase warrants	-	-	-	91,749	-	91,749
Shares subscriptions received	-	-	4,125	-	-	4,125
Net loss	-	-	-	-	(729,188)	(729,188)
Balance, October 31, 2006	30,049,296	\$ 8,591,153	\$ 4,125	\$ 535,075	\$ (2,160,929)	\$ 6,969,424
Private placements	9,525,000	5,238,750	-	-	-	5,238,750
Private placements – flow through	7,171,412	6,095,700	-	-	-	6,095,700
Share issue costs - cash	-	(627,798)	-	-	-	(627,798)
Share issue costs - shares	202,000	(670,183)	-	-	-	(670,183)
Shares issued for finders' fees	407,500	395,826	-	-	-	395,826
Exercise of stock options	810,430	287,042	-	-	-	287,042
Reclassification of grant-date fair value on exercise of stock options	-	187,486	-	(187,486)	-	-
Exercise of share purchase warrants	5,144,745	2,730,009	(4,125)	-	-	2,725,884
Exercise of flow through share purchase warrants	371,668	205,052	-	-	-	205,052
Reclassification of grant-date fair value on exercise of share purchase warrants	-	181,740	-	(181,740)	-	-
Common shares issued for unproven mineral interests and finders' fees	1,562,336	1,123,634	-	-	-	1,123,634
Tax benefit renounced to shareholders	-	(103,867)	-	-	-	(103,867)
Stock based compensation	-	-	-	858,636	-	858,636
Compensation recorded for broker share purchase warrants	-	-	-	274,357	-	274,357
Net loss and comprehensive loss	-	-	-	-	(12,328,487)	(12,328,487)
Balance, October 31, 2007	55,244,387	\$ 23,634,544	\$ -	\$ 1,298,842	\$ (14,489,416)	\$ 10,443,970

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

CHRISTOPHER JAMES GOLD CORP.
(An Exploration Stage Company)
CONSOLIDATED STATEMENTS OF CASH FLOW
For the years ended October 31, 2007 and 2006

	2007	2006
		(Note 2)
Cash provided by (used in)		
OPERATING ACTIVITIES		
Net loss	\$ (12,328,487)	\$ (729,188)
Items not involving cash:		
Amortization	25,345	8,510
Gain on disposal of equipment	(495)	-
Future income tax recovery	(996,830)	(469,256)
Stock-based compensation	760,364	268,061
Impairment of unproven mineral interests	11,662,198	198,962
Net changes in non-cash working capital items:		
Amounts receivable and prepaid expenses	(219,455)	17,512
Accounts payable and accrued liabilities	117,322	47,894
	(980,038)	(657,505)
FINANCING ACTIVITIES		
Issuance of common shares for cash net of issue cost	13,924,630	3,687,564
INVESTING ACTIVITIES		
Additions to unproven mineral interests	(7,977,370)	(2,132,921)
Accounts payable and accrued liabilities	(138,431)	299,514
Accounts receivable - long term	(34,055)	-
Exploration advances	144,529	(202,372)
Reclamation deposits	(12,500)	(23,100)
Proceeds on redemption of short-term investments	6,785,000	-
Purchase of short-term investments	(11,000,000)	(900,000)
Proceeds from sale of equipment	98,209	-
Purchase of equipment	(162,722)	(32,995)
	(12,297,340)	(2,991,874)
Increase in cash	647,252	38,185
Cash, beginning of year	101,514	63,329
Cash, end of year	\$ 748,766	\$ 101,514

Supplemental cash flow information (note 9)

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

CHRISTOPHER JAMES GOLD CORP.

(An Exploration Stage Company)

CONSOLIDATED SCHEDULE OF UNPROVEN MINERAL INTERESTS

For the years ended October 31, 2007 and 2006

	Canada						United States		Argentina	Mexico	Total
	Guardsmen Properties	Big Kidd	Craigmont	Brassie Creek	Betty Claims	Little Fort & Other	Garcia Flats	Walker Lane	Valley Grand	Cucaracha Dorada	
BALANCE, OCTOBER 31, 2005	\$ -	\$ 1,095,550	\$ 891,130	\$ 522,873	\$ 23,000	\$ 450,962	\$ -	\$ -	\$ -	\$ -	\$ 2,983,515
EXPLORATION EXPENDITURES:											
Assays	13,286	573	986	848	-	287	-	-	-	-	15,980
Assessments, geophysics & mapping	70,189	6,976	50,127	5,630	-	6,566	-	3,737	-	-	143,225
Camp & equipment rental	162,671	-	-	-	-	-	-	-	-	-	162,671
Drilling	131,270	-	137,953	5,650	-	-	-	-	50,459	-	325,332
Geological	207,089	6,858	91,205	24,648	1,447	8,100	-	14,324	22,448	20,412	396,531
Professional fees	-	-	-	-	-	-	-	-	-	-	-
Supplies	57,370	-	-	-	-	775	-	-	-	-	58,145
Travel and Transportation	222,438	174	-	-	-	-	-	-	8,987	-	231,599
Wages	276,972	-	6,000	-	-	-	-	-	-	-	282,972
	1,141,285	14,581	286,271	36,776	1,447	15,728	-	18,061	81,894	20,412	1,616,455
OTHER ITEMS:											
Acquisition costs and payments	1,182,737	-	7,501	3,579	-	72,000	-	56,580	117,068	240,278	1,679,743
Future income tax adjustment	494,864	-	-	-	-	-	-	-	-	-	494,864
Asset retirement obligation	23,100	-	-	-	-	-	-	-	-	-	23,100
Impairment of unproven mineral interests	-	-	-	-	-	-	-	-	(198,962)	-	(198,962)
	1,700,701	-	7,501	3,579	-	72,000	-	56,580	(81,894)	240,278	1,998,745
BALANCE, OCTOBER 31, 2006	2,841,986	1,110,131	1,184,902	563,228	24,447	538,690	-	74,641	-	260,690	6,598,715
EXPLORATION EXPENDITURES:											
Assays	192,326	-	3,150	-	1,624	12,537	13,879	3,997	-	16,055	243,568
Assessments, geophysics & mapping	98,163	3,308	4,899	1,463	3,943	187,985	-	49,194	-	6,454	355,409
Camp & equipment rental	1,503,750	910	-	-	-	45,598	719	308	-	307,655	1,858,940
Drilling	1,960,679	-	-	-	182,669	-	516,572	226,649	-	125,114	3,011,683
Geological	16,600	-	-	-	-	-	5,896	5,034	-	-	27,530
Professional fees	22,462	1,033	1,293	-	-	-	3,322	1,165	-	1,246	30,521
Supplies	2,180	-	2,234	-	-	-	-	-	-	-	4,414
Travel and Transportation	-	-	-	-	-	-	-	-	-	-	-
Wages	1,855,943	5,175	19,480	15,375	26,456	92,360	-	37,229	-	369,654	2,421,672
	5,652,103	10,426	31,056	16,838	214,692	338,480	540,388	323,576	-	826,178	7,953,737
OTHER ITEMS:											
Acquisition costs and payments	1,182,480	2,381	5,398	-	-	2,381	26,746	38,088	-	-	1,257,474
Future income tax adjustment	456,403	-	-	-	-	-	-	-	-	-	456,403
Asset retirement obligation	-	-	-	-	-	-	-	6,054	-	-	6,054
Impairment of unproven mineral interests	(10,132,972)	-	-	-	-	-	-	(442,359)	-	(1,086,868)	(11,662,199)
	(8,494,089)	2,381	5,398	-	-	2,381	26,746	(398,217)	-	(1,086,868)	(9,942,268)
BALANCE, OCTOBER 31, 2007	\$ -	\$ 1,122,938	\$ 1,221,356	\$ 580,066	\$ 239,139	\$ 879,551	\$ 567,134	\$ -	\$ -	\$ -	\$ 4,610,184

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

CHRISTOPHER JAMES GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements For the years ended October 31, 2007 and 2006

1. NATURE AND CONTINUANCE OF OPERATIONS

Christopher James Gold Corp. (the "Company") is incorporated under the laws of British Columbia and, together with its wholly-owned Mexican subsidiary, Minera CJ Gold, S.A. de C.V., is engaged in the acquisition and exploration of unproven mineral properties located in Canada, United States and Mexico. All significant intercompany transactions and balances have been eliminated.

The Company is in the process of exploring its unproven mineral interests and has not yet determined whether these interests contain ore reserves that are economically recoverable. The recoverability of the amounts shown for unproven mineral interests and related deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and upon future profitable production or sale of the interests.

These consolidated financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. The Company's ability to continue as a going-concern is dependent on continued financial support from its shareholders, the ability of the Company to raise equity financing, and the attainment of profitable operations to meet the Company's liabilities as they become payable. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going-concern.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which necessarily involve the use of estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(b) Use of estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Examples of significant estimates made by management include amortization, the provision for future income tax recoveries, asset retirement obligations, impairment of unproven mineral interests and stock-based compensation. Actual results could differ from those estimates.

(c) Revenue Recognition

Interest income is recorded on an accrual basis at the stated interest rate over the term of the security.

CHRISTOPHER JAMES GOLD CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended October 31, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation

The Company's subsidiary is an integrated foreign operation. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates; revenue and expense items are translated at the average rate of exchange for the period. Foreign exchange gains or losses on translation are included in the statement of operations in the period in which they occur.

(e) Unproven Mineral Interests

The Company capitalizes all costs, net of any recoveries, related to the acquisition, exploration and development of resource property interests. These costs will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims are allowed to lapse. The amounts shown for resource property acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values.

From time to time the Company may acquire or dispose of a resource property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

The Company assesses the carrying value of each of its resource properties on an annual basis and when conditions exist that indicate a potential impairment of the property. Recoverability is measured by comparing the carrying value of the property to the undiscounted future net cash flows expected to be generated from the resource property over its estimated useful life. An impairment charge is recognized if the undiscounted expected future net cash flows are less than the carrying value of the resource property. The impairment charge is equal to the amount by which the carrying value exceeds the fair value of the resource property. Fair value is based on quoted market values, if available, or alternatively using discounted expected future net cash flows.

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

(f) Equipment

Equipment is initially recorded at cost. Amortization of office furniture, computer software, equipment, and vehicles is calculated on a declining-balance basis at the annual rates of 20%, 30%, 30% and 30% respectively. In the year of acquisition, amortization is recorded at one-half the normal rate.

CHRISTOPHER JAMES GOLD CORP.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements For the years ended October 31, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Income Taxes

Income taxes are recorded using the liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the year. Future income tax assets and liabilities are recognized for the estimated income tax consequences attribute to differences between the financial statement carrying amounts of assets and liabilities and their respective income tax basis. Future income taxes are recognized using substantively enacted income tax rates. Future income tax assets are recognized with respect to deductible temporary differences and loss carry forwards only to the extent that their realization is considered more likely than not.

(h) Loss per share

Loss per share is calculated using the weighted average number of common shares issued and outstanding during the year. Diluted loss per share has not been presented separately as the effect of common shares issuable on exercise of stock options and warrants would be anti-dilutive.

(i) Asset retirement obligations and environmental liabilities

Future obligations to retire an asset, including dismantling, remediation and ongoing treatment and monitoring of the site, are recognized and recorded as a liability, at fair value, at the time they are incurred or an event occurs giving rise to such an obligation. The liability is increased (accreted) over time through periodic charges to earnings. The corresponding asset retirement cost is capitalized as part of the asset's carrying value, and is amortized over the asset's estimated useful life. The amount of the liability is subject to re-measurement at the end of each reporting period.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

(j) Stock-based compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using assumptions that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus.

(k) Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

CHRISTOPHER JAMES GOLD CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
For the years ended October 31, 2007 and 2006

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Short term investments

Short-term investments are recognized at fair value based on market prices and gains or losses are reflected in net income for the period in which they are incurred.

(m) Financial Instruments

Fair value - The carrying values of cash, short-term investments, receivables other than receivables from government, and accounts payable and accrued liabilities approximate their fair values due to the short terms to maturity of the instruments.

Interest rate risk - The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

Credit risk - The Company is not exposed to significant credit risk on its financial assets as cash and short-term investments are placed with major financial institutions and receivables are due from government agencies and a related party.

Currency risk - The Company is exposed to foreign currency fluctuations to the extent that certain expenditures incurred are not denominated in Canadian dollars. As at October 31, 2007, cash included approximately \$30,422 (2006 - nil) denominated in Mexican pesos.

3. ADOPTION OF NEW ACCOUNTING POLICIES

On November 1, 2006, the Company adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income, Section 3251, Equity, Section 3855, Financial Instruments - Recognition and Measurement, Section 3861, Financial Instruments - Disclosure and Presentation, and Section 3865, Hedges. These new accounting standards, which apply to fiscal years beginning on or after October 1, 2006, provide comprehensive requirements for the recognition and measurement of financial instruments, as well as standards on when and how hedge accounting may be applied. Section 1530 establishes standards for reporting and presenting comprehensive income or loss, which is defined as the change in equity from transactions and other events from sources other than the Company's shareholders. Other comprehensive income or loss refers to items recognized in comprehensive income or loss that are excluded from net income calculated in accordance with generally accepted accounting principles such as unrealized gains or losses on available-for-sale investments. Amounts initially recorded to other comprehensive income or loss are reclassified to earnings when the financial instrument is derecognized or impaired.

Under these new standards, financial instruments are classified as one of the following: loans and receivables, held-to-maturity, held-for-trading, available-for-sale and other financial liabilities. Financial instruments will be measured on the balance sheet at amortized cost or fair value depending on the classification. Loans and receivables, held-to-maturity and other financial liabilities are accounted for at amortized cost. Held for trading and available-for-sale financial instruments are recorded at fair value on the balance sheet. Changes in fair value of held-for-trading financial instruments are recognized in earnings while changes in fair value of available-for sale financial instruments are initially recorded in other comprehensive income or loss.

Effective November 1, 2006, the Company classified its short term investments as held-for-trading, which are measured at fair value with changes in fair value recognized in earnings. Accounts payable and accrued liabilities are classified as other financial liabilities and are accounted for at amortized cost.

CHRISTOPHER JAMES GOLD CORP.
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Notes to the Consolidated Financial Statements
For the years ended October 31, 2007 and 2006

4. SHORT TERM INVESTMENTS

Short-term investments are comprised of highly liquid Canadian dollar denominated guaranteed investment certificates with terms to maturity of greater than 90 days but no more than one year.

5. EQUIPMENT

	2007			2006
	Cost	Accumulated Amortization	Net	Net
Computer software	\$ 24,707	\$ (17,333)	\$ 7,374	\$ 4,979
Computer equipment	32,208	(14,049)	18,159	16,712
Furniture and other equipment	14,487	(2,295)	12,192	3,156
Vehicle	22,949	(1,651)	21,298	–
	\$ 94,351	\$ (35,328)	\$ 59,023	\$ 24,847

6. UNPROVEN MINERAL INTERESTS

(a) Guardsmen Properties, Canada

During 2006, the Company entered into a Letter of Intent (the “LOI”) with Guardsmen Resources Inc. (“Guardsmen”) pursuant to which the Company obtained an exclusive option to acquire 100% of the outstanding common shares of Guardsmen for a consideration of \$300,000 cash and the issuance of 15,000,000 common shares. At October 31, 2007 the Company had issued 3,000,000 common shares with a fair value of \$1,497,104. During 2007, the Company exceeded its requirement to incur exploration expenditures of \$3,700,000 on the Ranch property within 4 years.

The Company is required to pay a finders’ fee of \$75,000, in connection with the acquisition of the Ranch property, which will be settled through the issuance of 122,950 common shares. At October 31, 2007, 24,630 common shares with a fair value of \$13,008 had been issued.

During 2007, the Company decided not to continue exploration of the property and has therefore recorded an impairment provision of \$10,132,972 to write-off the carrying value of all Guardsmen Properties.

CHRISTOPHER JAMES GOLD CORP.

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Notes to the Consolidated Financial Statements

For the years ended October 31, 2007 and 2006

6. UNPROVEN MINERAL INTERESTS (continued)

(b) Big Kidd, Canada

During 1997, the Company entered into an option agreement to acquire a 100% interest in the Big Kidd claim which is located in the Nicola Mining Division of British Columbia. During 2000, the Company issued 225,000 common shares with a fair value of \$42,750, which completed the required payments under the option agreement.

In December 2003, the Company extinguished the related 2% net smelter returns royalty payable on production from the property by issuing 250,000 common shares with a fair value of \$65,000.

(c) Craigmont, Canada

During 2004, the Company entered into an option agreement to acquire a 100% interest in all the base and precious metal resources, except magnetite, situated on the Craigmont Mine Property located in the Nicola Mining Division of British Columbia.

Pursuant to the option agreement, the Company issued 250,000 common shares with a fair value of \$107,500 and is obliged to expend not less than \$500,000 on exploration and development on the property during each of the two years of the option term. As at October 31, 2007 the Company had met expenditure requirements under the agreement.

In addition the Company agreed to pay a 2% net smelter returns royalty upon the commencement of commercial production from the project, one-half of which can be bought back by the Company for \$1,000,000.

(d) Brassie Creek, Canada

During 1996, the Company entered into an option agreement to acquire a 100% interest in the Brassie Creek claims located in the Kamloops Mining Division of British Columbia. Pursuant to the agreement, and subsequent amendment, the company paid \$75,000 and issued 200,000 common shares to acquire its interest. A further 100,000 common shares are required to be issued should an economically viable mineral deposit be found on the property.

In addition, the Company was required to pay a 2% net smelter returns royalty ("NSR") upon commencement of commercial production, which could be bought back by the Company for \$1,000,000. In April 2005, the Company extinguished the NSR by issuing 300,000 common shares having a fair value of \$54,000. The Company holds unencumbered title to the mineral claims comprising the Brassie Creek Property.

During 2004, the Company entered into an option agreement granting the Craigmont Mines Joint Venture ("Craigmont") an option to explore and acquire industrial mineral resources on the Brassie Creek claims. Craigmont is obliged to expend a minimum of \$50,000 per year on exploration over an initial five-year term, with expenditures to be increased to \$100,000 annually thereafter for a second five-year term. The Company retains a 1% net profit royalty on any proceeds realized by Craigmont from the sale of mineral extracted from the property.

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Notes to the Consolidated Financial Statements

For the years ended October 31, 2007 and 2006

6. UNPROVEN MINERAL INTERESTS (continued)

(e) Betty Claims, Canada

During 2005, the Company entered into an option agreement, as amended, to acquire a 50% interest in the 5 Betty mineral claims, immediately adjacent to the Craigmont Mines property, located in the Nicola Mining Division of British Columbia. Pursuant to the agreement and the subsequent amendment, the Company issued 100,000 common shares, having a fair value of \$23,000 and is obligated to expend not less than \$80,000 on or before December 2006 and \$120,000 on or before June 30, 2007 on exploration and development of the property. As at October 31, 2007, the Company has met all conditions of the agreement.

In addition, the Company agreed to pay a 1% net smelter return royalty upon commencement of commercial production from the property, which can be bought back for \$1,000,000.

(f) Little Fort & Other, Canada

Little Fort Properties, Canada

During 2006, the Company acquired a 100% interest in the Portage Lake and Worldstock properties, consisting of 174 claims covering 4,354 hectares, located in the Kamloops Mining Division of British Columbia, 22 kilometers northwest of Little Fort. The Company paid a total of \$16,000 and issued 100,000 common shares having a fair value of \$56,000 in connection with the acquisition.

Silver Lake

During 1998, the Company entered into option agreements to acquire a 100% interest in the Silver Lake property, located in south central British Columbia. The Company paid \$4,832 and issued 190,000 common shares pursuant to the option agreements.

In addition, the Company agreed to pay a 1% net smelter returns royalty upon commencement of commercial production from the property, which can be bought back for \$1,000,000. The Company also agreed to pay a 2% net smelter returns royalty as a finders' fee to three parties, one party of which was related to the Company.

(g) Walker Lane, United States

During 2006, the Company entered into memorandum of understanding ("MOU") with Timberline Resource Corporation ("Timberline") to acquire up to a 75% interest in the following two prospective gold project areas in the Walker Lane Mineral Belt of south-central Nevada.

(i) Olympic and Sun projects

The Olympic and Sun projects consist of 159 unpatented mining claims covering nearly five square miles. The Company must spend US\$1,500,000, including option payments, over four years to earn a 60% interest in the projects with a minimum annual expenditure of US\$150,000. The Company can earn an additional 15% (to bring its interest to 75%) by completing a bankable feasibility study on the projects.

In June, 2006 the MOU was amended to reduce the first years work commitment to US\$100,000 and required the Company to complete a minimum of 2,500 foot drilling program by December 31, 2006.

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6. **UNPROVEN MINERAL INTERESTS (continued)**

(g) **Walker Lane, United States (continued)**

(ii) Cedar Mountain project

The Cedar Mountain project consists of 48 unpatented mining claims. Pursuant to the MOU the Company must spend US\$1,000,000, including option payments, over four years to earn a 60% interest in the project, with a minimum annual expenditure of US\$100,000. The Company can earn an additional 15% (to bring its interest to 75%) by completing a bankable feasibility study on the project. In June, 2006 the MOU was amended to reduce the first years work commitment to US\$30,000.

During the year ended October 31, 2007, the Company had decided not to continue exploration of the property and has therefore recorded an impairment provision of \$442,359 to write-off the carrying value of Cedar Mountain and the Olympic and Sun projects located in Walker Lane, Nevada.

(h) **Garcia Flats, United States**

The Garcia Flats project comprises 250 unpatented mining claims covering approximately 20 square kilometers in two claim blocks within a covered pediment setting.

In May 2007, the Company entered into a Memorandum of Understanding for an option to earn an undivided 70% interest in the project by incurring a total of \$2,500,000 in exploration expenditures on the project and issuing a total of 225,000 shares to Harvest Gold Corp. ("Harvest") over three years.

During the year ended October 31, 2007, the Company issued 50,000 shares to Harvest and incurred expenditures of \$504,041, which satisfies the minimum \$500,000 required in the first year of the agreement.

(i) **Cucaracha Dorada, Mexico**

During 2006, the Company entered into an option agreement with Chesapeake Gold Corp ("Chesapeake") to acquire up to 65% interest in the Cucaracha Dorado gold project located in southern Durango State, Mexico. Pursuant to the agreement, the Company paid a total of \$56,500 and issued 400,000 common shares with a fair value of \$172,000 to Chesapeake. A finders' fee of 22,222 common shares having a fair value of \$11,778 was paid in connection with this agreement.

During the year ended October 31, 2007, the Company decided not to continue exploration of the property and has therefore recorded an impairment provision of \$1,086,868 to write-off the carrying value of Cucaracha Dorada.

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7. ASSET RETIREMENT OBLIGATION

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 23,100	\$ -
Liabilities assumed on acquisition of Ranch property	(23,100)	23,100
Restore lands affected by exploration	6,054	-
Balance, end of year	<u>\$ 6,054</u>	<u>\$ 23,100</u>

The reclamation obligation relates to the Cedar Mountain property. The reclamation liability may be subject to change based on management's estimate of reclamation costs, changes in remediation technology or changes to the applicable laws and regulations. Such changes will be recorded in the accounts of the Company as they occur.

8. SHARE CAPITAL

(a) Authorized

100,000,000 common shares without par value
50,000,000 preferred shares without par value

(b) Share Capital Activity

During the year ended October 31, 2007, the Company issued common shares as follows:

- i) In December 2006, the Company issued 9,025,000 units (the "Units") at a price of \$0.55 each, for gross proceeds of \$4,963,750. Each Unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.75 until June 19, 2008. Costs related to the issuance included a payment of \$130,652 in cash, issuance of 390,000 Units as finder's fees, and the issuance of broker's warrants to purchase up to 627,550 common shares at a price of \$0.60 per share until June 19, 2008 in connection with the financing. The fair value assigned to the Brokers' Warrants was \$126,370.
- ii) In January 2007, the Company issued 500,000 units (the "Units") at a price of \$0.55 per Unit for total gross proceeds of \$275,000. Each Unit consists of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.75 per share until July 10, 2008. Costs related to the issuance included a payment of \$9,625 in cash, issuance of 17,500 Units as finder's fees, and the issuance of broker's warrants to purchase up to 35,000 common shares at a price of \$0.60 per share until June 19, 2008 in connection with the financing. The fair value assigned to the Brokers' Warrants was \$9,277.
- iii) In April 2007, the Company issued 7,171,412 flow-through units (the "Units") at a price of \$0.85 each, for gross proceeds of \$6,095,700. Each Unit consists of one flow-through common share and one-half share warrant. Each whole warrant entitles the holder to purchase one non-flow through common share at a price of \$1.25 until October 25, 2008. Costs related to the issuance included a payment of \$254,999 in cash, issuance of 202,000 Units as finder's fees, and the issuance of broker's warrants to purchase up to 573,713 common shares at a price of \$0.90 per share until October 25, 2008 in connection with the financing. The fair value assigned to the Brokers' Warrants was \$138,711.

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(b) Share Capital Activity (continued)

- iv) The Company issued 1,500,000 shares with a fair value of \$1,089,207 pursuant to an option agreement with Guardsmen Resources Inc.. The Company also issued 50,000 shares with a fair value of \$25,500 pursuant to an agreement with Harvest Gold relating to Garcia Flats. In addition, the Company issued 12,336 shares for finder's fees, with a fair value of \$8,929.
- v) The company issued 5,516,413 common shares for proceeds of \$2,930,935 from the exercise of common share purchase warrants and issues 810,430 common shares for proceeds of \$287,042 from the exercise of stock options.
- vi) Share issue costs of \$233,167 relate to legal, regulatory and other fees.
- vii) Canadian income tax legislation permits the Company to issue securities referred to as flow-through shares whereby the Company renounces expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements to investors. The renunciation of such expenditures is accounted for as a financing cost related to the flow-through share issuance and results in a reduction in share capital with a corresponding increase in the Company's future income tax liability effective on the date of renunciation. During the year ended October 31, 2007, the Company renounced \$304,417 of resource expenditures and recorded a corresponding future income tax liability of \$103,867

(c) Share Purchase Warrants

The Company's share purchase warrants outstanding at October 31, 2007 and 2006 and the change for those years ended are as follows:

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	10,070,503	1,695,985
Issued under private placements	8,348,205	7,996,667
Issued for finders' fees	1,541,013	1,073,836
Exercised	(5,516,413)	-
Expired	<u>(1,261,833)</u>	<u>(695,985)</u>
Balance, end of year	<u>13,181,475</u>	<u>10,070,503</u>

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(c) Share Purchase Warrants (continued)

At October 31, 2007, the Company had outstanding share purchase warrants exercisable to acquire shares as follows:

<u>Number</u>	<u>Price</u>	<u>Expiry Date</u>
4,615,529	\$0.75	June 19, 2008
125,579	\$0.60	June 19, 2008
258,444	\$0.75	July 10, 2008
35,000	\$0.60	July 10, 2008
3,789,658	\$0.55	August 30, 2008
96,846	\$0.60	September 29, 2008
3,686,706	\$1.25	October 25, 2008
573,713	\$0.90	October 25, 2008
<u>13,181,475</u>		

The weighted average exercise price of the outstanding warrants as at October 31, 2007 was \$0.84 (2006 - \$0.51). The weighted average of the remaining life of the warrants as at October 31, 2007 was 0.81 (2006 - 0.92) years.

During the year ended October 31, 2007, the fair value of brokers' warrants has been estimated using the Black-Scholes option pricing model with the following assumptions: risk-free interest rate – 4.17%; estimated volatility – 73%; expected lives – 1.03 years.

(d) Stock Options

The Company amended its Incentive Stock Option Plan (the "Option Plan") effective April 12, 2007 by shareholder approval to increase the number of shares available for issuance under the Option Plan to 6,009,859, being 20% of the Company's outstanding common shares as of November 10, 2006.

A summary of the status of options granted under the Option Plan as of October 31, 2007 and the change for the years ended are as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Number</u>	<u>Weighted Average Exercise Price</u>	<u>Number</u>	<u>Weighted Average Exercise Price</u>
	<u>Outstanding</u>	<u>Price</u>	<u>Outstanding</u>	<u>Price</u>
Outstanding, beginning of year	3,124,480	\$ 0.38	1,434,898	\$ 0.24
Awarded	2,710,000	0.75	2,500,000	0.42
Cancelled/Expired	(528,750)	0.11	(365,000)	0.30
Exercised	(810,430)	0.35	(445,418)	0.20
Outstanding, end of year	<u>4,495,300</u>	<u>\$ 0.58</u>	<u>3,124,480</u>	<u>\$ 0.38</u>

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(d) Stock Options (continued)

The following summarizes information about stock options outstanding and exercisable at October 31, 2007:

Expiry date	Options Outstanding	Options Exercisable	Exercise price	Weighted average remaining contractual life (in years)
August 11, 2008	125,000	125,000	\$0.25	0.78
April 14, 2009	220,000	220,000	\$0.32	1.45
November 25, 2010	250,000	250,000	\$0.25	3.07
January 10, 2011	885,000	442,500	\$0.39	3.20
March 2, 2011	50,000	50,000	\$0.38	3.34
April 24, 2011	25,300	25,300	\$0.52	3.48
October 23, 2011	615,000	307,500	\$0.51	3.98
November 10, 2011	500,000	462,500	\$0.60	4.03
April 12, 2012	700,000	350,000	\$0.77	4.45
April 20, 2012	350,000	-	\$0.73	4.47
May 3, 2012	275,000	85,938	\$0.80	4.51
July 4, 2012	200,000	75,000	\$0.90	4.68
June 25, 2012	225,000	84,375	\$0.89	4.65
June 1, 2012	75,000	28,125	\$0.79	4.59
	4,495,300	2,506,238		3.50

(e) Stock-based Compensation

Stock-based compensation expense is measured at fair value and recognized over the vesting period from the date of grant. The fair value of stock options granted to directors, employees and consultants and recognized for the year ended October 31, 2007 was \$858,636 (2006 - \$268,061), of which \$98,272 was capitalized to unproven mineral interests.

The stock-based compensation relates to compensation for services as follows:

	2007	2006
General Exploration	\$ 90,398	\$ 58,371
General & administrative	554,616	209,690
Directors fees	115,350	-
	\$ 760,364	\$ 268,061
Unproven Mineral Interests - Wages	98,272	-
Total Stock Based Compensation	\$ 858,636	\$ 268,061

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(e) Stock-based Compensation (continued)

The fair value of stock options granted has been estimated using the Black-Scholes option pricing model with the following assumptions:

	2007	2006
Risk-free interest rate	4.12% - 4.3%	3.78%-4.23%
Expected annual volatility	73% - 95%	41% - 115%
Expected life	1-4 years	1-5 years

9. SUPPLEMENTAL CASH FLOW INFORMATION

The Company incurred non-cash financing and investing activities during the years ended October 31, 2007 and 2006 as follows:

	2007	2006
Financing activities		
Common shares issued for unproven mineral interests and finders' fees	\$ 1,123,634	\$ 1,162,277
Common share issue costs	(670,183)	(267,933)
Finder's fees paid with issue of warrants	274,357	91,749
Finder's fees paid with issue of common shares	395,826	176,184
	<u>\$ 1,123,634</u>	<u>\$ 1,162,277</u>
Investing activities		
Issue of common shares for unproven mineral interests and finders' fees	(1,123,634)	(1,162,277)
	<u>\$ (1,123,634)</u>	<u>\$ (1,162,277)</u>

Interest income of \$264,034 includes \$ 152,420 of cash received and \$111,614 of interest receivable.

10. RELATED PARTY TRANSACTIONS

Unless otherwise noted, related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

The Company had the following transactions with Mountainside Exploration Management Inc, a company controlled by a Director of the Company ("Mountainside"):

- i) The Company received various services from Mountainside relating to an exploration program on the Company's Ranch project in the amount of \$2,202,594. The exchange amount was negotiated and established and agreed to by the Company and Mountainside as if they were dealing on an arm's length basis.

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10. RELATED PARTY TRANSACTIONS (continued)

- ii) The Company advanced \$330,000 to Mountainside by way of a secured promissory note at commercial terms bearing interest at prime plus 1%. The secured promissory note was repaid in full and interest of \$6,991 was received.
- iii) The Company sold mining and exploration equipment to Mountainside for \$138,000 which approximates the original cost paid by the Company.

The Company incurred expenditures for various services provided by corporations controlled by directors and officers of the Company during the period as follows:

	<u>2007</u>	<u>2006</u>
Accounting and administration	\$ 132,946	\$ 27,000
Exploration and consulting	2,629,213	175,098
Legal	223,666	248,899
	<u>\$ 2,985,825</u>	<u>\$ 450,997</u>

These fees have been either expensed to operations or capitalized to unproven mineral interests depending on the nature of the expense.

As of October 31, 2007, accounts payable and accrued liabilities include \$65,119 (2006 - \$Nil) due to related parties.

11. SEGMENTED INFORMATION

The Company has only one operating segment, being the exploration and development of resource properties. All of the Company's assets are located in Canada except for certain of its unproven mineral interests, which are located in the USA and Mexico, as disclosed in the schedule of unproven mineral interests.

	<u>2007</u>		
	Unproven Mineral		
	Other Assets	Interests	Net Loss
Canada	\$ 6,281,279	\$ 4,043,051	\$ (12,077,153)
United States	-	567,133	-
Mexico	-	-	(251,335)
	<u>\$ 6,281,279</u>	<u>\$ 4,610,184</u>	<u>\$ (12,328,488)</u>
	<u>2006</u>		
	Unproven Mineral		
	Other Assets	Interests	Net Loss
Canada	\$ 1,292,916	\$ 6,263,384	\$ (530,226)
United States	-	74,641	-
Mexico	-	260,690	-
Argentina	-	-	(198,962)
	<u>\$ 1,292,916</u>	<u>\$ 6,598,715</u>	<u>\$ (729,188)</u>

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12. INCOME TAXES

As at October 31, 2007, the company has non-capital losses of approximately \$2,243,000 that may be applied against future income for Canadian tax purposes. The potential future tax benefits of these losses have not been recorded in these financial statements. The losses expire as follows:

2008	\$	63,000
2009		60,000
2010		67,000
2011		130,000
2015		108,000
2026		792,000
2027		1,023,000
	\$	<u>2,243,000</u>

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2007	2006
Canadian statutory rate	34.1%	34.1%
Income tax recovery computed at Canadian statutory rate	\$ (4,532,207)	\$ (408,909)
Non-deductible expenses and other	226,048	90,162
Change in valuation allowance	3,309,329	(150,509)
	<u>\$ (996,830)</u>	<u>\$ (469,256)</u>

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12. INCOME TAXES (continued)

Significant components of the Company's future tax assets and liabilities, after applying substantively enacted corporate income tax rates, are as follows:

	2007	2006
Future income tax assets		
Equipment	\$ 9,753	\$ 4,447
Unproven mineral interests	2,430,792	-
Share issue costs	184,833	53,802
Income tax loss carry forwards	683,951	418,318
	3,309,329	476,567
Valuation allowance for future income tax assets	(3,309,329)	-
	-	476,567
Future income tax liabilities		
Unproven mineral interests	-	(913,127)
Net future income tax liabilities	\$ -	\$ (436,560)