CARLYLE MINING CORP.

FINANCIAL STATEMENTS

February 29, 2008

AUDITORS' REPORT

To the Shareholders of Carlyle Mining Corp.

We have audited the balance sheets of Carlyle Mining Corp. as at February 29, 2008 and February 28, 2007 and the statements of operations and deficit and cash flows for the year ended February 29, 2008 and the initial 36-day period ended February 28, 2007. 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 February 29, 2008 and February 28, 2007 and the results of its operations and its cash flows for the year ended February 29, 2008 and the initial 36-day period ended February 28, 2007 in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe LLP" (signed)

Chartered Accountants

Vancouver, British Columbia
June 12, 2008

CARLYLE MINING CORP.
BALANCE SHEETS

	February 29, 2008	February 28, 2007
ASSETS		
Current		
Cash	**$ 1,000,154**	$ 900,242
Goods and Services Tax receivable	**4,271**	-
	$ 1,004,425	$ 900,242
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**$ 30,525**	$ 5,000
Shareholders' equity		
Share capital (Note 4)	**984,265**	900,000
Contributed surplus (Note 5)	**66,216**	-
Deficit	**(76,581)**	(4,758)
	973,900	895,242
	$ 1,004,425	$ 900,242

Basis of presentation (Note 2)

On behalf of the Board:

"*Yale Simpson*"

Yale Simpson, Director

"Bryce Roxburgh"

Bryce Roxburgh, Director

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

CARLYLE MINING CORP.
STATEMENTS OF OPERATIONS AND DEFICIT

	Year ended February 29, 2008	Initial 36-day period ended February 28, 2007
EXPENSES		
Stock-based compensation	**$ 53,415**	$ -
Administrative	**19,238**	5,000
Travel	**9,731**	-
Transfer agent filing fees	**6,967**	-
Project evaluation	**6,688**	-
Bank charges	**464**	365
Interest, net	**(24,680)**	(607)
Net loss and comprehensive loss for the period	**71,823**	4,758
Deficit, beginning of period	**4,758**	-
Deficit, end of period	**$ 76,581**	$ 4,758
Basic and diluted loss per share (excluding escrow shares)	**($0.01)**	($0.00)
Weighted average number of common shares outstanding	**4,805,479**	3,600,000

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

CARLYLE MINING CORP.
STATEMENTS OF CASH FLOWS

	Year ended February 29, 2008	Initial 36-day period ended February 28, 2007
OPERATING ACTIVITIES		
Net loss for the period	**$ (71,823)**	$ (4,758)
Item not involving cash:		
Stock-based compensation	**53,415**	-
	(18,408)	(4,758)
Changes in non-cash working capital		
Goods and Services Tax receivable	**(4,271)**	-
Accounts payable and accrued liabilities	**25,525**	5,000
	2,846	242
FINANCING ACTIVITIES		
Issue of share capital for cash	**200,000**	900,000
Share issue costs	**(102,934)**	-
	97,066	900,000
Increase in cash	**99,912**	900,242
Cash, beginning of period	**900,242**	-
Cash, end of period	**$ 1,000,154**	$ 900,242
Cash paid during the period for interest	**$ -**	$ -
Cash paid during the period for income taxes	**$ -**	$ -

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

1. NATURE OF BUSINESS

Carlyle Mining Corp. (the "Company") was incorporated under the *Business Corporations Act* (BC) on January 24, 2007. The Company's common shares were listed and called for trading on the TSX Venture Exchange (the "TSX-V") on August 7, 2007. The principal business of the Company is to identify, evaluate and then acquire an interest in a business or assets. Upon listing, the Company was classified as a capital pool corporation ("CPC") as defined in TSX-V Policy 2.4.

2. BASIS OF PRESENTATION

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments to the classification and amount of assets and liabilities that may be required should the Company be unable to continue in existence.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Significant areas requiring the use of estimates include accrued liabilities, the determination of the assumption used in the calculation of stock-based compensation expense and the valuation allowance for future income tax assets. Actual results could differ from those estimates used in the financial statements.

(b) Financial instruments

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured on the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is no longer recognized or impaired, at which time the amounts would be recorded in net income.

(c) Loss per share

Basic earnings (loss) per share is calculated using the weighted average number of common shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings (loss) per share. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. However, diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, have not been included in the calculation of the weighted average number of common shares outstanding.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Comprehensive income (loss)

Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders. It is made up of net income and other comprehensive income (loss). Other comprehensive income (loss) consists of net income and other gains and losses affecting shareholders' equity that under GAAP are excluded from net income. The Company has no items of other comprehensive income (loss) in any period presented. Therefore, net income as presented in the Company's statement of operations equals comprehensive income (loss).

(e) Stock-based compensation

The Company accounts for stock-based compensation using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this method, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus under shareholders' equity. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

(f) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized for the future income tax consequences attributable to differences between financial statement carrying values and their corresponding tax values (temporary differences) and tax loss carry forwards. Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply when the temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that, in the opinion of management, is more likely than not to be realized.

(g) Foreign currency transaction

The Company's functional currency is the Canadian dollar. Foreign currency transactions and balances are translated into Canadian dollars as follows:

- i) Monetary assets and liabilities, at the rate of exchange in effect as at the balance sheet date;
- ii) Non-monetary assets and liabilities, at the exchange rates prevailing at the time of the acquisition of assets or assumption of liabilities; and
- iii) Expenses, at the average rate of exchange by quarter.

Gains and losses arising from this translation of foreign currency are included in the determination of net loss for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Future accounting changes

i) Capital disclosures

In February 2007, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and procedures for managing capital. The new section is effective for the Company for the year beginning March 1, 2008. The Company is in the process of assessing the impact of this new section on its financial statements.

ii) Financial instruments

In February 2007, the CICA issued two new standards, Section 3862, "Financial Instruments Disclosures", and Section 3863, "Financial Instruments Presentation". These sections will replace the existing Section 3861, "Financial Instruments Disclosure and Presentation". Section 3862 provides users with information to evaluate the significance of the financial instruments of the entity's financial position and performance, nature and extent of risks arising from financial instruments, and how the entity manages those risks. Section 3863 deals with the classification of financial instruments, related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. The new sections are effective for the Company for the year beginning March 1, 2008. The Company is in the process of assessing the impact of these new sections on its financial statements.

iii) Going concern

In June 2007, the CICA amended Handbook Section 1400, "General Standards of Financial Statement Presentation", which requires management to make an assessment of a company's ability to continue as a going concern. When financial statements are not prepared on a going concern basis that fact shall be disclosed together with the basis on which the financial statements are prepared and the reason why the company is not considered a going concern. The new section is effective for the Company on March 1, 2008. The Company is in the process of assessing the impact of this new section on its financial statements.

iv) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended February 28, 2011 and earlier where applicable. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. SHARE CAPITAL

(a) Authorized and issued

The authorized share capital of the Company is unlimited without par value.

The Company has issued shares of its share capital as follows:

	February 29, 2008		February 28, 2007	
	Number of Shares	**Amount**	Number of Shares	Amount
Balance, beginning of period	**14,000,000**	**$ 900,000**	-	$ -
Issued during the period for:				
Cash	**2,000,000**	**200,000**	14,000,000	900,000
Share issue costs	**-**	**(115,735)**	-	-
Balance, end of period	**16,000,000**	**$ 984,265**	14,000,000	$ 900,000

i) During the period ended February 28, 2007, the Company issued 10,000,000 common shares at $0.05 each for gross proceeds of $500,000 and also issued 4,000,000 common shares at $0.10 each for gross proceeds of $400,000.

ii) During the year ended February 29, 2008, the Company completed an initial public offering of 2,000,000 shares at a price of $0.10 per share for gross proceeds of $200,000. The Company incurred costs totalling $115,735 in connection with this offering comprised of a finder's fee, the issuance of 200,000 agents' warrants with a fair value of $12,801, legal fees, transfer agent fees, listing fees and other miscellaneous costs directly relating to the completion of the initial public offering.

(b) Escrow shares

Of the common shares issued, 10,400,000 are subject to an escrow agreement and may not be transferred without the consent of the TSX-V. The escrow agreement provides, among other things, that 10% of such shares will be released from escrow upon the completion of a "Qualifying Transaction", as defined in TSX-V Policy 2.4, and that 15% of such shares will be released every six months thereafter.

4. SHARE CAPITAL (continued)

(c) Stock option plan

The Company has adopted an incentive stock option plan (the "Plan"), the essential elements of which are as follows: the aggregate number of common shares of the Company's share capital issuable pursuant to options granted under the Plan may not exceed 1,600,000. Options granted under the Plan may have a maximum term of five years. The exercise price of options granted under the Plan will not be less than the discounted market price of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the grant date, less the maximum discount permitted by TSX-V), or such other price as may be agreed to by the Company and accepted by the TSX-V. Options granted under the Plan are generally exercisable immediately following the grant; however, certain options may be subject to vesting at times as determined by the directors of the Company and the TSX-V.

The status of options granted under the Plan as of February 29, 2008 and changes during the year then ended is as follows:

	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	-	$ -
Granted	950,000	0.15
Options outstanding, end of year	950,000	$ 0.15
Weighted average outstanding life of options	2 years	

(d) Stock-based compensation

The fair value of options granted during the year ended February 29, 2008 was estimated at the grant date using the Black-Scholes option pricing model, with the following weighted average assumptions:

Expected annual volatility	125%
Risk-free interest rate	4.55%
Expected life	2 years
Expected dividend yield	0.00%

Based on the above assumptions, the average fair value of each option granted and vested was approximately $0.06, accordingly, compensation expense of $53,415 was recorded in the statement of operations for the year.

(e) Warrants

At February 29, 2008, the Company had outstanding agent share purchase warrants exercisable to acquire 200,000 shares as follows:

Number	Exercise Price	Expiry Date
200,000	$ 0.10	July 24, 2009

4. SHARE CAPITAL (continued)

(e) Warrants (continued)

The fair value of the agents' warrants issued calculated using the Black-Scholes model was $12,801, which has been included in share issue costs.

5. CONTRIBUTED SURPLUS

		2008		2007
Balance, beginning of period	**$**	**-**	$	-
Stock-based compensation expense		**53,415**		-
Agents' warrants		**12,801**		-
Balance, end of period	**$**	**66,216**	$	-

6. INCOME TAXES

As at February 29, 2008, the Company has non-capital losses of approximately $43,752 that may be applied to reduce future taxable income. The potential future tax benefit of these losses has not been recorded in these financial statements. The losses expire as follows:

	$
2027	4,758
2028	38,994
	43,752

A reconciliation of income tax provision computed at the statutory rate to the reported income tax provision is as follows:

		2008		2007
Income tax benefit computed at statutory rate	**$**	**(24,506)**	$	(4,758)
Temporary differences		**(7,024)**		-
Permanent differences		**18,225**		-
Reduction in future income taxes result from statutory rate reduction		**1,365**		-
Unutilized tax losses		**11,940**		4,758
	$	**-**	$	-

6. INCOME TAXES (continued)

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

		2008		2007
Non-capital losses	**$**	**13,563**	$	1,623
Share issue costs		**25,528**		-
Total future tax asset		**39,091**		1,623
Valuation allowance		**(39,091)**		(1,623)
Future income taxes	**$**	**-**	$	-

The Company evaluates its valuation allowance requirements based on projected future operations. When circumstances change and this causes a change in management's judgment about the recoverability of future income tax assets, the impact of the change on the valuation allowance is reflected in current income.

7. FINANCIAL INSTRUMENTS

(a) Fair value

Financial instruments include cash and accounts payable and accrued liabilities, which approximate their fair value. Cash is designated as held-for-trading; and accounts payable and accrued liabilities are classified as other financial liabilities.

(b) Interest rate risk

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

(c) Credit risk

The Company's financial asset that is exposed to credit risk consists of cash. The Company's cash is held at Tier 1 Canadian financial institutions.

(d) Currency risk

The Company is exposed to currency risk to the extent that some expenditures incurred by the Company could from time to time be denominated in currencies other than the Canadian dollar (primarily US and Australian dollars). The Company does not utilize derivatives or other techniques to manage foreign currency risk.