

**DEAL CAPITAL LTD.**  
FINANCIAL STATEMENTS  
For the nine months ended April 30, 2007  
(Unaudited)

# **DEAL CAPITAL LTD.**

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## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51 – 102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# DEAL CAPITAL LTD.

## Balance Sheets

	April 30, 2007	July 31, 2006
	(Unaudited)	(Audited)
<b>Assets</b>		
Current Assets:		
Cash	\$ 240,841	\$ 100,000
Amounts receivable	3,647	84
Prepaid expenses	3,439	-
Deferred costs	57,870	-
	<u>\$ 305,797</u>	<u>\$ 100,084</u>

## Liabilities and Shareholders' Equity

### Current Liabilities:

Accounts payable	\$ 3,239	\$ 1,954
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### Shareholders' Equity:

Share capital (Note 3b)	\$ 325,340	\$ 100,000
Contributed surplus (Note 3d)	56,584	-
Deficit	(79,366)	(1,870)
	<u>302,558</u>	<u>98,130</u>
	<u>\$ 305,797</u>	<u>\$ 100,084</u>

Nature of operations and going concern (Note 1)

Approved by the Board of Directors:

"Winnie Wong" Director  
Winnie Wong

"Mark T. Brown" Director  
Mark T. Brown

# DEAL CAPITAL LTD.

## Statements of Operations and Deficit

	Three months ended April 30, 2007 (Unaudited)	Nine months ended April 30, 2007 (Unaudited)	From incorporation on June 29, 2006 to July 31, 2006 (Audited)
<b>Expenses:</b>			
Professional fees	\$ -	\$ 5,084	\$ 1,870
Office	6,175	7,232	-
Bank charges and interest	57	249	-
Transfer agent	680	2,343	-
Filing fees	12,150	24,981	-
Stock based compensation	-	37,607	-
Net loss for the period	(19,062)	(77,496)	(1,870)
(Deficit) – beginning of period	(60,304)	(1,870)	-
(Deficit) – end of period	\$ (79,366)	\$ (79,366)	\$ (1,870)
Loss per share – basic and diluted	\$ (0.01)	\$ (0.04)	\$ (0.00)
Weighted average number of common shares outstanding	2,500,000	1,763,736	1,000,000

# DEAL CAPITAL LTD.

## Statements of Cash Flows

	Three months ended April 30, 2007	Nine months ended April 30, 2007	From incorporation on June 29, 2006 to July 31, 2006
	(Unaudited)	(Unaudited)	(Audited)
<b>Cash Provided by (Used For):</b>			
<b>Operating Activity</b>			
Net loss for the period	\$ (19,062)	(77,496)	\$ (1,870)
Stock based compensation	-	37,607	-
Change in non-cash working capital items:			
(Increase) in amounts receivable	(2,213)	(3,563)	(84)
Decrease in prepaid expenses	(28,439)	(3,439)	-
Increase in accounts payable	(8,364)	1,285	1,954
Net cash used in operating activities	(58,078)	(45,606)	-
<b>Investing Activity</b>			
Decrease in deferred financing costs	(32,870)	(57,870)	-
<b>Financing Activity</b>			
Proceeds from issuance of share capital	-	300,000	100,000
Share issue cost	-	(55,683)	-
Net cash used in financing activities	-	244,317	100,000
Net cash provided during the period	(90,948)	140,841	100,000
Cash – beginning of period	331,789	100,000	-
Cash – end of period	\$ 240,841	240,841	\$ 100,000

# DEAL CAPITAL LTD.

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated on June 29, 2006 under the British Columbia Business Corporations Act. As of December 14, 2006, the Company's common shares completed its initial public offering and began trading on the TSX Venture Exchange (the "Exchange") under the symbol "DCP.P" as a Capital Pool Company ("CPC") (Note 4).

As a CPC, the principal business of the Company is to identify and evaluate opportunities for the acquisition of an interest in assets or businesses and, once identified and evaluated, to negotiate an acquisition or participation subject to receipt of shareholder approval and acceptance for filing by the Exchange. Until the completion of such a Qualifying Transaction ("QT"), as defined under Exchange Listing Policy 2.4, the Company will not carry on any business other than the identification and evaluation of assets or businesses in this connection. The Company does not have business operations or assets other than cash. On February 13, 2007, the Company signed two letters of intent (Note 5) and the shares of the Company were halted.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company is recently incorporated, has no source of operating revenues and its capacity to operate as a going concern in the near-term will likely depend on its ability to continue raising equity financing and to ultimately complete a QT. In addition, the Exchange may suspend from trading or de-list the common shares of the Company where it has failed to complete a QT within 24 months of its date of listing.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Interim financial statements

These interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of their application as the annual financial statements. These interim financial statements do not include in all respects the annual disclosure requirements of generally accepted accounting principles and should be read in conjunction with the most recent annual statements.

### Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

### Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

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## 2. SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

### Stock based compensation plan

The Company has a stock option plan as described in Note 3(c) and accounts for all stock-based compensation arrangements entered into on or after June 29, 2006 using the fair value method, under which compensation expense is recorded based on the estimated fair value of the options as determined by Black Scholes Option Pricing model at the date of grant.

## 3. SHARE CAPITAL

a) Authorized: Unlimited number of common shares without par value

b) Issued:

	Number of Shares	Value
Seed Shares *	1,000,000	\$ 100,000
Balance as at October 31, 2006	1,000,000	100,000
Initial public offering ("IPO") (Note 4)	1,500,000	300,000
Share issue cost – IPO (Note 4)		(74,660)
Balance as of April 30, 2007	2,500,000	\$ 325,340

\*These 1,000,000 shares were placed in escrow upon the successful application of the Company as a Capital Pool Company. The release of these shares from escrow is on a time basis, as to 10% upon the completion of a QT and an additional 15% every six months thereafter over a period of three years.

c) Stock Options:

The Company has established a stock option plan for its directors, officers, and technical consultants under which the Company may grant options to acquire a maximum number of common shares equal to 10% of the total issued and outstanding common shares of the Company. On December 14, 2006, the Company granted a total of 250,000 common shares to the directors with the closing of its IPO, which options are exercisable at \$0.20 per share (Note 4). These options are non-transferable and will expire on the fifth anniversary of their date of issue if unexercised.

The Company also granted 150,000 agent's options on December 14, 2006 upon the closing of its IPO which options are exercisable at \$0.20 per share for a period of 24 months (Note 4).

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## 3. SHARE CAPITAL - CONTINUED

c) Stock Options - Continued:

Options outstanding at April 30, 2007 and July 31, 2006 were as follows:

Balance, July 31, 2006	-
Granted – Directors and officers	250,000
Granted - Agent	150,000
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Balance, April 30, 2007	400,000

The options granted were ascribed a fair value of \$56,584, based on a risk free interest rate of 4.01%, an expected life of two to five years, an expected volatility of 21.29% and a dividend yield rate of nil.

As at April 30, 2007, the Company had the following options:

Expiry Date	Number of Options	Exercise Price
December 14, 2008	150,000	\$0.20
December 14, 2011	250,000	\$0.20
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	400,000	

d) Contributed Surplus:

The following table summarizes the continuity of the Company's contributed surplus:

Balance, July 31, 2006	\$ -
Fair value of stock options granted - Directors and officers	37,607
Fair value of stock options granted - Agent	18,977
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Balance, April 30, 2007	\$ 56,584

## 4. INITIAL PUBLIC OFFERING

The Company filed its final prospectus with the British Columbia and Alberta Securities Commissions on October 27, 2006, in order to offer to the public in British Columbia and Alberta a minimum of 1,500,000 common shares at a price of \$0.20 per share for total gross proceeds of \$300,000. The final MRRS decision document was issued on October 30, 2006. On December 12, 2006, the Company closed its IPO and the common shares of the Company began trading on the Exchange on December 14, 2006.

Leede Financial Markets Inc., the agent for the Company's IPO, was paid a corporate finance fee of \$7,500 and a commission of \$30,000 in cash and was issued 150,000 agent's options with an exercise price of \$0.20 per share, expiring on December 14, 2008, with a fair value of \$18,977. Another \$18,183 was paid for other expenses related to the IPO.

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## 5. QUALIFYING TRANSACTION

The Company signed a Letter of Intent on February 13, 2007 with Sonora Gold Corporation (“SGG”), a TSX Venture Exchange company (TSXV: SGG.V), to acquire 100% of its two Mexican subsidiaries, First Silver Reserve, S.A. de C.V. (“First Silver”) and Recursos Escondidos, S.A. de C.V. (“Recursos Escondidos”). In addition, the Company also signed a Letter of Intent on February 13, 2007 with Sonora Copper LLC (“SCLLC”), a privately owned U.S. company, to acquire 100% of its Mexican subsidiary Compania Minera Chuqui S.A. de C.V. (“Chuqui”). Together, these companies control the Santa Gertrudis Gold Project (“SG Project”) in Northern Mexico. These acquisitions will constitute the Company’s Qualifying Transaction (“QT”). Both SGG and SCLLC are arm’s length to the Company.

On February 13, 2007, the Company paid a non-refundable deposit of \$25,000 to SGG for the acquisition of its 100% interest in First Silver and Recursos Escondidos, and will pay US\$650,000 and issue 1,500,000 common shares of the Company, subject to an escrow agreement, upon closing of the QT. Three more payments of US\$500,000 will be paid in cash or common shares, at the option of the Company, on the first, second and third anniversary dates. Subsequent to the period end, the Company paid SGG US\$20,000 to extend the closing date to June 30, 2007.

For the acquisition of the 100% interest in Chuqui, the Company advanced a refundable deposit of \$50,000 subsequent to the period end, will pay SCLLC \$150,000 in cash and will issue 3,750,000 common shares to SCLLC’s members, subject to escrow agreements with certain members of SCLLC upon closing of the QT. Chuqui holds several claims outright, and also has an agreement with certain local Mexican contractors (“Lopez-Limon”) to acquire its share of the SG Project. The amended agreement with Lopez-Limon calls for a total of US\$2,000,000 over the next three years, beginning on June 1, 2007. Upon closing of the QT, the Company will reimburse SCLLC for the June 1, 2007’s payment of US\$50,000, assume SCLLC’s future payments to Lopez-Limon, and acquire its interest upon completing the payments.

The common shares of the Company to be issued to SGG and the members of SCLLC will be subject to escrow and/or hold periods in accordance with the policies of the TSX Venture Exchange and applicable securities laws.

A finder’s fee will be paid in accordance with the Exchange’s finder’s fee guidelines. This fee will be paid in common shares of the Company, to an arm’s length party, for the acquisition of First Silver and Recursos Escondidos. These shares will be issued over the same time period as the acquisition payments, subject to various conditions.

The Company will establish a management performance bonus plan (“Bonus Plan”) to reserve 2 million common shares for future issuance to certain recipients of the Bonus Plan, contingent upon the completion of an NI 43-101 compliant geological resource report where the delineated resource is greater than 2.7 million gold equivalent ounces, subject to various conditions. The first 1 million of these common shares will be issued upon the expansion of the measured and indicated gold equivalent resource to 1.7 million ounces.

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## 5. QUALIFYING TRANSACTION - CONTINUED

On May 9, 2007, the Company closed the brokered portion of the private placement for gross proceeds of \$3,250,000. This financing was arranged by Pacific International Securities Inc. (the "Agent") who acted as the Agent for the brokered private placement. The Company issued 6,500,000 subscription receipts of the Company (the "Subscription Receipts") at \$0.50 per Subscription Receipt.

The Company also closed the non-brokered portion of the private placement for gross proceeds of \$2,950,000 on May 12, 2007 and issued 5,900,000 Subscription Receipts of the Company at \$0.50 per Subscription Receipt.

The total gross proceed for these two financings was \$6.2 million which has been deposited into escrow pending the completion of the Company's previously announced QT.

Each Subscription Receipt will be exercisable for no additional consideration into one unit of the Company (a "Unit") upon the meeting of the release conditions (the "Release Conditions"), which includes obtaining conditional approval to the QT from the Exchange. Each Unit shall consist of one common share and one-half of a transferable common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant shall be exercisable into one additional common share of the Company at an exercise price of \$1.00 per common share for a period of two years from the date the Release Conditions are met. Upon the Release Conditions being met, the gross proceeds from the private placements will be released from escrow to the Company. If the Release Conditions are not met by July 11, 2007, the proceeds will be returned to the Agent and the subscribers and the Subscription Receipts will then be cancelled.

In consideration for its services for the brokered private placement, the Agent is entitled to receive a cash commission equal to \$227,500 and was issued 650,000 Agent's warrants (the "Agent's Warrants") entitling the Agent to purchase 650,000 common shares at an exercise price of \$0.55 per share for a period of two years from the date the Release Conditions are met. In addition, the Agent received a \$25,000 fee (the "Agent's Fee") at the closing of the private placement. The cash commission has been deposited into escrow and will be released to the Agent, net of the Agent's Fee, only if the Release Conditions are met. Similarly, the Agent's Warrants are only exercisable following the date the Release Conditions are met. The Agent will be entitled to convert its cash commission into Units of the Company once the funds are released to the Company.

For the non-brokered portion of the private placement, the Company has agreed to pay a finder's fee to Leede Financial Markets Inc. of \$28,000 in cash and 80,000 Finder's Warrants entitling the finder to purchase 80,000 common shares at an exercise price of \$0.55 per share for a period of two years from the date of the Release Conditions are met. The cash commission has been deposited into escrow and will be released to the finder only if the Release Conditions are met. Similarly, the Finder's Warrants are only exercisable following the date the Release Conditions are met.

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## **5. QUALIFYING TRANSACTION - CONTINUED**

All securities issued pursuant to the brokered private placement have a hold period expiring on September 9, 2007 and all securities issued pursuant to the non-brokered private placement have a hold period expiring on September 12, 2007.

## **6. RELATED PARTY TRANSACTION**

During the nine months ended April 30, 2007, the Company incurred an expense of \$2,500 (2006 - \$Nil) for rent to a private company controlled by a director and Chief Financial Officer of the Company.