



ANNUAL FINANCIAL REPORT as at February 29, 2008

Puma Exploration Inc.

AUDITORS' REPORT TO THE SHAREHOLDERS OF PUMA EXPLORATION INC.

We have audited the balance sheets of Puma Exploration Inc. as at February 29, 2008, and February 28, 2007, and the statements of income, shareholders' equity, deferred exploration expenses and cash flows 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 February 29, 2008, and February 28, 2007, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Mallette

Mallette
L.L.P.
Chartered Accountants

Rimouski, Canada,
May 27, 2008

Puma Exploration Inc.

BALANCE SHEET

	As at February 29 2008 \$	As at February 28 2007 \$
ASSETS		
CURRENT ASSETS		
Cash	62,114	152,481
Short-term investments (Note 4)	3,059,378	1,005,127
Receivables (Note 5)	245,354	126,330
Prepaid expenses	9,728	14,428
	3,376,574	1,298,366
MINING PROPERTIES (Note 6)	1,350,522	1,085,853
DEFERRED EXPLORATION EXPENSES (Note 7)	4,661,857	1,898,714
	9,388,953	4,282,933
LIABILITIES		
CURRENT LIABILITIES		
Payables and accrued expenses	399,915	186,548
FUTURE TAXES (Note 9)	1,505,247	546,307
	1,905,162	732,855
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	7,611,082	3,934,949
Contributed surplus – Stock options	654,787	364,430
Contributed surplus – Expired stock options	104,209	84,846
Deficit	(886,287)	(834,147)
	7,483,791	3,550,078
	9,388,953	4,282,933

Agreements, commitments and contingencies (Notes 6, 12 and 13)

ON BEHALF OF THE BOARD

(signed) *André Proulx*
André Proulx, Director

(signed) *Clément Duchesne*
Clément Duchesne, Director

Puma Exploration Inc.**STATEMENT OF INCOME**

	Year ended	
	February 29	February 28
	2008	2007
	\$	\$
REVENUE		
Project income	104,239	22,339
Interest income	32,613	15,650
	136,852	37,989
GENERAL AND ADMINISTRATIVE EXPENSES		
Stock-based compensation	45,425	109,037
Salaries and fringe benefits	74,251	61,876
Insurance	13,999	14,768
Governmental fees	31,614	7,208
Office supplies	8,071	2,629
Information for shareholders	30,071	52,212
Interest and bank charges	1,218	776
Rent	10,000	9,210
Promotion and entertainment	49,122	49,834
Professional fees	6,070	8,184
Telecommunications	4,068	3,089
Costs attributable to exploration expenses	(49,514)	(24,394)
Others	25,708	8,935
	250,103	303,364
OTHER EXPENSES		
Write-off of mining properties	-	412
Write-off of related exploration expenses	-	268,476
	250,103	572,252
LOSS BEFORE INCOME TAXES	(113,251)	(534,263)
Future income taxes (Note 9)	(61,111)	(94,241)
NET LOSS	(52,140)	(440,022)
BASIC AND DILUTED NET LOSS PER SHARE	(0.0016)	(0.0183)

Puma Exploration Inc.

STATEMENT OF SHAREHOLDERS' EQUITY

	<u>Capital Stock</u>		Contributed surplus-Stock options \$	Contributed surplus-Expired stock options \$	Deficit \$	Total \$
	Number	\$				
BALANCE AT FEBRUARY 28, 2006	20,244,000	2,312,595	190,577	32,000	(394,125)	2,141,047
Issued during the year						
Cash	7,556,704	2,241,500	-	-	-	2,241,500
Issued in consideration of property acquisition	75,000	13,125	-	-	-	13,125
Issued in payment of commissions	113,636	37,500	-	-	-	37,500
Stock options exercised	292,250	82,509	(29,904)	-	-	52,605
Warrants exercised	101,250	25,312	-	-	-	25,312
Broker warrants exercised	33,943	8,825	(3,394)	-	-	5,431
Share issuance costs						
Future taxes	-	(492,335)	-	-	-	(492,335)
Other share issuance costs	-	(294,082)	-	-	-	(294,082)
Other activities						
Stock-based compensation	-	-	259,997	-	-	259,997
Expired stock options	-	-	(52,846)	52,846	-	-
Net loss	-	-	-	-	(440,022)	(440,022)
BALANCE AT FEBRUARY 28, 2007	28,416,783	3,934,949	364,430	84,846	(834,147)	3,550,078
Issued during the year						
Cash	9,628,325	4,891,524	-	-	-	4,891,524
Issued in consideration of property acquisition	275,000	78,250	-	-	-	78,250
Stock options exercised	291,250	87,893	(35,468)	-	-	52,425
Warrants exercised	1,121,250	336,375	-	-	-	336,375
Broker warrants exercised	204,707	59,396	(26,643)	-	-	32,753
Share issuance costs						
Future taxes	-	(1,020,051)	-	-	-	(1,020,051)
Other share issuance costs	-	(757,254)	274,081	-	-	(483,173)
Other activities						
Stock-based compensation	-	-	97,750	-	-	97,750
Expired stock options	-	-	(19,363)	19,363	-	-
Net loss	-	-	-	-	(52,140)	(52,140)
BALANCE AT FEBRUARY 29, 2008	39,937,315	7,611,082	654,787	104,209	(886,287)	7,483,791

Puma Exploration Inc.**STATEMENT OF DEFERRED EXPLORATION EXPENSES**

	Year ended	
	February 29	February 28
	2008	2007
	\$	\$
EXPLORATION EXPENSES		
Analyses	209,170	43,654
Trenching	113,485	10,431
Drilling	2,109,913	760,991
Geology	234,169	145,262
Geophysical surveys	26,130	84,021
General exploration expenses	153,753	47,294
Stock-based compensation	52,325	76,428
	2,898,945	1,168,081
DEDUCTION		
Exploration subsidies	135,802	142,820
NET INCREASE IN EXPLORATION EXPENSES FOR THE FISCAL YEAR		
Write-off of exploration expenses	-	(268,476)
	2,763,143	756,785
BALANCE, BEGINNING OF YEAR	1,898,714	1,141,929
BALANCE, END OF YEAR	4,661,857	1,898,714



Puma Exploration Inc.

STATEMENT OF CASH FLOWS

	Year ended	
	February 29 2008 \$	February 28 2007 \$
OPERATING ACTIVITIES		
Net loss	(52,140)	(440,022)
Items not affecting cash		
Stock-based compensation	45,425	109,037
Write-off of mining properties	-	412
Write-off of related exploration expenses	-	268,476
Future income taxes	(61,111)	(94,241)
	(67,826)	(156,338)
Net change in non-cash operating working capital items	(2,848)	(46,183)
	(70,674)	(202,521)
FINANCING ACTIVITIES		
Capital stock issuance	5,313,077	2,324,848
Share issuance costs	(483,173)	(182,050)
	4,829,904	2,142,798
INVESTING ACTIVITIES		
Disposal of fixed assets	-	2,235
Acquisition of mining properties	(186,419)	(18,758)
Increase in deferred exploration expenses net of government subsidies	(2,608,927)	(872,302)
Cashing of an investment	-	17,000
	(2,795,346)	(871,825)
INCREASE IN CASH AND CASH EQUIVALENTS	1,963,884	1,068,452
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,157,608	89,156
CASH AND CASH EQUIVALENTS, END OF YEAR	3,121,492	1,157,608
CASH AND CASH EQUIVALENTS OF THE COMPANY ARE AS FOLLOWS:		
Cash	62,114	152,481
Short-term investments	3,059,378	1,005,127
	3,121,492	1,157,608

Additional cash flow information (Note 10)



Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

1. INSTRUMENT OF INCORPORATION AND NATURE OF ACTIVITIES

The Company, incorporated under the Canada Business Corporations Act, acts as a junior mining exploration company by creating value on its mineral exploration properties. The recovery of amounts indicated under the properties section and related deferred exploration expenses depends on the discovery of reserves that can be mined economically, the confirmation of the Company's participation in underlying mining claims, the Company's ability to obtain the financing required to see development through to completion and the established profitable production or proceeds from disposal of these assets. Lastly, the mining activities are subject to governmental regulation.

2. SIGNIFICANT ACCOUNTING POLICIES

New accounting standards

The Company has implemented the new recommendations contained in the following sections of the Canadian Institute of Chartered Accountants (CICA) Handbook: 1530 "Comprehensive Income", 3251 "Equity", 3855 "Financial Instruments - Recognition and Measurement", 3861 "Financial Instruments - Disclosure and Presentation", 3865 "Hedges" and 1506 "Accounting Changes". The application of these new standards had no significant impact on the Company's financial statements.

Section 1506 "Accounting Changes" describes the criteria to be respected during a change in accounting methods as well as the accounting treatment and disclosure related to changes in accounting methods, changes in accounting estimates, and corrections of errors. In addition, the new standard requires the disclosure of new primary sources of the generally accepted accounting principles (GAAP) released but not yet in force or adopted by the Company.

Section 1530 "Comprehensive Income" introduces a new financial statement that shows the change in equity for a business resulting from transactions, events and circumstances from non-owner sources.

Section 3251 "Equity" has replaced Section 3250 "Surplus". It describes standards for the presentation of equity and changes in equity for a reporting period as a result of the application of Section 1530 "Comprehensive Income".

Section 3855, "Financial Instruments - Recognition and Measurement" establishes the standard for recognizing and measuring financial instruments in the balance sheet and for reporting gains and losses in financial statements. Financial assets and liabilities are initially recognized at their fair value and are subsequently measured at fair value in the balance sheet, except loans and receivables, investments held to maturity and non-trading financial liabilities, which are carried at amortized cost.

Realized and unrealized gains and losses on financial assets and liabilities held for trading are recognized in the earnings for the period during which they arise. Unrealized gains and losses, including changes in foreign exchange rates on financial assets available for sale are recognized in other comprehensive income until their realization, after which these amounts are recognized in earnings.

Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Assets/Liabilities	Category	Subsequent measurement
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Payables and accrued expenses	Other financial liabilities	Amortized cost

On March 1, 2007, the Company adopted these new recommendations. It now considers its short-term investments as financial assets held for trading and records them at fair value, which corresponds to their cost, given their short-term maturity.

Use of estimates

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

Recording of income

Income from investments is recorded when it is earned. Project income is recorded when the exploration work is carried out.

Mining properties and deferred exploration expenses

Mining properties are recorded at cost. Exploration expenses for these properties, net of related government subsidies, are deferred. When the Company decides to undertake mining, the costs relating to a deposit, reported as mining properties and deferred exploration expenses, are transferred to fixed assets; they are then amortized based on the production units for the fiscal year as a proportion of the probable and proven mineral reserves. However, if a project is abandoned, the related costs are applied to earnings.

Site restoration costs

A provision for site restoration costs, net of any expected recovery, is recorded if such costs are reasonably determinable. This provision is calculated on estimated costs according to the expected method and the extent of environmental remedial work, in accordance with legislative requirements, industry practices, current technology and the potential future use of site. In addition, a provision is recorded once management approves the sale or closure of a mining property.

Income taxes

The Company uses the tax liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined according to differences between the book value and tax value of assets and liabilities. They are measured by applying enacted or substantively enacted tax rates and laws as of the date of the financial statements for the fiscal years in which the temporary differences are expected to be recovered.

Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Under the provisions of tax legislation, deductions for resource expenses related to exploration and development activities and financed by flow-through shares are forfeited in favour of investors. Under the tax liability method used to account for income taxes, future income taxes related to differences arising when the deductions are forfeited are accounted for with a corresponding charge to issuance costs.

Government subsidies

Exploration tax credits, subsidies and mining credits are accounted for and applied against the related exploration expenses. Subsidies applied to operations are recorded as revenues in the statement of income.

In the event of any variances between the amounts claimed by the Company and those granted by the tax authorities, the resulting gain or loss will be recorded in the fiscal year in which these variances are noted.

Basic and diluted net loss per share

Net loss per share is calculated according to the weighted average of outstanding shares during the reporting period. The diluted net loss per share is similar to the net loss per share, since the exercising of warrants and stock options would have the effect of reducing the net loss per share.

Stock-based compensation

The Company accounts for the allocation of stock options granted under the Stock Option plan and also accounts for the allocation of broker warrants as part of certain funding on a fair value basis. Stock options granted to salaried and non-salaried persons and broker warrants are accounted for on the basis of their fair value according to the Black - Scholes option pricing model.

When options and broker warrants are granted, the compensation expenses are applied to the activity in question and offset in contributed surplus.

Any consideration paid by the participants when options and broker warrants are exercised, as well as the contributed surplus created when options and broker warrants are allocated, are credited to capital stock.

Capital stock

Capital stock issued as non-monetary consideration is accounted for at the fair market value of shares to be issued, as established by the Company's board of directors and depends on the stock price at the date on which the stock issuance agreement was entered into.

Cash and cash equivalents

The Company's cash and cash equivalents include cash and short-term investments that are convertible into cash at any time.

Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Future accounting changes

The CICA released the following new sections, which will apply to interim and annual financial statements for fiscal years beginning on or after October 1, 2007, and fiscal years beginning on or after January 1, 2008, with regard to Section 1400:

Section 3862, "Financial Instruments – Disclosures". This section describes the required disclosure for evaluating the significance of financial instruments for the Company's financial position and performance as well as the nature and extent of the risks arising from financial instruments to which the Company is exposed and how the Company manages those risks.

Section 3863, "Financial Instruments – Presentation". This section establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation".

Section 1535, "Capital Disclosures". This section establishes standards for disclosing information about the Company's capital and how it is managed. It describes the disclosure of the Company's objectives, policies and processes for managing capital as well as summary quantitative data on the items included in the management of capital. The section seeks to determine whether the Company has complied with capital requirements and, if not, the consequences of such non-compliance.

Section 1400, "General Standards of Financial Statement Presentation". This section was amended in order to include the criteria for determining and presenting the Company's ability to continue as a going concern (going-concern assumption).

The Company does not expect that the adoption of these chapters will have an impact on its results, balance sheet, or cash flows.

International financial reporting standards

On February 13, 2008, the Accounting Standards Board confirmed the date for changing from GAAP to the International Financial Reporting Standards (IFRS). Accordingly, Canadian companies with a public accountability obligation must adopt the IFRS for their interim and annual financial statements of open fiscal years beginning on January 1, 2011. The Company is currently developing its plan for converting to IFRS and is evaluating the impact of these new standards on its financial statements.

3. FINANCIAL INSTRUMENTS

Fair value

The fair value of short-term financial instruments is assumed to be equal to book value according to their short time to maturity and the normal market conditions that they involve.

Risk management policy

Risks are managed as part of a management framework that takes into account the nature of the activities as well as the level of risk that the Company considers reasonable to assume by considering the desired risk/return ratio and shareholder expectations.

Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

3. FINANCIAL INSTRUMENTS (continued)

Credit risk

Financial instruments which potentially subject the Company to credit risk consist primarily of cash and cash equivalents and accounts receivable. The company's cash and cash equivalents are held with or issued by first-class financial institutions. Therefore, management considers the risk of non-performance on these instruments to be very minimal.

Interest rate risk

As at February 29, 2008, and February 28, 2007, the Company's exposure to interest rate risk is summarized as follows:

Cash and cash equivalents	Non-interest bearing and fixed rate
Accounts receivable	Non-interest bearing
Excess of outstanding cheques over bank balance	Non-interest bearing
Accounts payable and accrued expenses	Non-interest bearing

4. SHORT-TERM INVESTMENTS

	2008	2007
	\$	\$
Guaranteed investment certificate cashable at the Royal Bank's prime rate, matured on January 31, 2008	-	1,000,000
Money market funds (fair market value of \$3,054,099)	3,054,099	-
Bonds with rates of 4.9%, redeemable at any time, maturing on January 25, 2016 (fair market value of \$5,279; 2007 - \$5,195)	5,279	5,127
	3,059,378	1,005,127

5. RECEIVABLES

	2008	2007
	\$	\$
Government subsidies	70,606	67,000
Consumer tax credits	129,410	48,904
Others	45,338	10,426
	245,354	126,330

The resource-related recoverable tax credit of \$2,118 as at February 29, 2008, refers to an outstanding request that has not yet been examined by the appropriate government authorities.

Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

6. MINING PROPERTIES

	2008	2007
	\$	\$
Manitoba		
Edmund	10,555	10,555
Little Stull Lake ⁽¹⁾	100,125	21,875
New Brunswick		
Ann's Creek ⁽¹⁾	86,112	25,364
Nicholas-Denys ⁽¹⁾	143,470	20,249
Turgeon ⁽¹⁾	-	-
Quebec		
Sainte-Marguerite ⁽¹⁾	1,008,260	1,007,810
Petit Lac du Nord	2,000	-
	1,350,522	1,085,853

AGREEMENTS

The properties indicated by the reference⁽¹⁾ carry obligations related to their acquisition or eventual mineral production. The other mining properties are owned 100% by the Company without any obligations or royalties to third parties. To date, the Company has satisfied all required obligations and lists only its future or potential obligations below:

Sainte-Marguerite Property

The Company holds a 100% interest in this property. A net smelter return of 1% is redeemable at any time for an amount of \$500,000.

Little Stull Lake Property

On September 1, 2005, the Company obtained the option of acquiring from Tanqueray Resources Ltd., a 51% share in this property. As at February 29, 2008, all obligations for obtaining this interest were respected.

Ann's Creek Property

The Company holds a 100% interest in this property. The Company has agreed to grant a net smelting revenue of 2% on gold and silver and 1% on other metals, with one half redeemable for \$750,000 and the other half for \$1,000,000.

Nicholas-Denys Property

The Company holds a 100% interest in this property. An annual payment of \$100,000, with quarterly payments of \$25,000 due beginning in March 2009, is due for the next six years or an annual payment of \$250,000 if a positive feasibility study is performed during this period. The Company has pledged to grant a net smelting revenue of 3% on silver and gold and 2% on other metals, with half redeemable for \$1,000,000.

Turgeon Property

On November 1, 2007, the Company obtained the option to acquire a 100% interest in this property in exchange for carrying out \$725,000 of work over a three-year period. Of this work, \$27,826 has already been done as at February 29, 2008. The Company has agreed to grant a net smelting revenue of 2% on gold and silver and 1% on other minerals, redeemable at any time for an amount of \$1,000,000.

Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

7. DEFERRED EXPLORATION EXPENSES

	February 28, 2007	Addition	February 29, 2008	
	\$	\$	\$	
Manitoba				
Edmund	296,560	37,792	334,352	
Little Stull Lake	301,127	1,138,690	1,439,817	
New Brunswick				
Ann's Creek	815,423	1,555,063	2,370,486	
Nicholas-Denys	487,343	133,126	620,469	
Turgeon	-	27,826	27,826	
Quebec				
Sainte-Marguerite	217,487	6,448	223,935	
	2,117,940	2,898,945	5,016,885	
Less:				
Exploration subsidies				
Edmund	(54,230)	-	(54,230)	
Little Stull Lake	(76,393)	(95,289)	(171,682)	
Ann's Creek	(40,000)	(38,000)	(78,000)	
Nicholas-Denys	(30,000)	-	(30,000)	
Sainte-Marguerite	(18,603)	(2,513)	(21,116)	
	1,898,714	2,763,143	4,661,857	
	February 28, 2006	Addition	Write-off	February 28, 2007
	\$	\$	\$	\$
Manitoba				
Butterfly	288,825	14,601	303,426	-
Edmund	283,381	13,179	-	296,560
Little Stull Lake	45,064	256,063	-	301,127
New Brunswick				
Ann's Creek	93,699	721,724	-	815,423
Nicholas-Denys	335,754	151,589	-	487,343
Quebec				
Sainte-Marguerite	206,562	10,925	-	217,487
	1,253,285	1,168,081	303,426	2,117,940
Less:				
Exploration subsidies				
Butterfly	(34,950)	-	(34,950)	-
Edmund	(54,230)	-	-	(54,230)
Little Stull Lake	-	(76,393)	-	(76,393)
Ann's Creek	-	(40,000)	-	(40,000)
Nicholas-Denys	-	(30,000)	-	(30,000)
Sainte-Marguerite	(22,176)	3,573	-	(18,603)
	1,141,929	1,025,261	268,476	1,898,714

Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

8. CAPITAL STOCK

Authorized

Unlimited number of common, participating, voting and no par value shares.

Issued

39,937,315 (2007 – 28,416,783) common shares.

Stock-based compensation

The Company has a Stock Option plan that allows it to grant a maximum of 2,800,000 options to its directors, officers, key employees and providers on a continuous basis. The exercise price of each option corresponds to the market price of the underlying stock on the date on which the option was granted. The maximum term of granted options may not exceed five years, and they may be exercised at any time during their term. The maximum number of shares that can be granted to any individual beneficiary is 5% of the total number of issued and outstanding shares as at the grant date minus the total number of shares already reserved for issuance to that beneficiary for any other stock option allocation.

During the fiscal year, the Company granted stock options and broker warrants with exercise prices that correspond to the market price of the stock on their grant date. The fair value of each option and broker warrant is calculated according to the Black-Scholes option pricing model, using the following assumptions:

	Stock options			Broker warrants			
	2007 June	2007 February	2006 April	2007 December	2006 December	2006 July	2006 April
Risk-free interest rate	6%	6%	5.5%	6%	6%	5%	5.5%
Expected volatility	107%	115%	78% and 103%	135%	115%	78%	78%
Weighted expected life	5 years	18 months	1 year and 5 years	2 years	2 years	2 years	21 months
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Accordingly, the stock-based compensation cost was recorded for as follows:

	2008 \$	2007 \$
Statement of Income	45,425	109,037
Share issuance costs	274,081	74,532
Deferred exploration expenses	52,325	76,428

Weighted average of the fair values at the grant date:

	2008 \$	2007 \$
Stock options	0.23	0.13
Broker warrants	0.31	0.15

Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS
February 29, 2008

8. CAPITAL STOCK (continued)

As at February 29, 2008, the outstanding options under the Plan amount to the following:

Weighted average exercise price \$	Number	Weighted average remaining years	Expiration date
0.25	500,000	0.38	July 15, 2008
0.18	166,500	1.50	August 27, 2009
0.18	675,000	3.10	April 4, 2011
0.28	125,000	0.42	July 31, 2008
0.30	425,000	4.31	June 19, 2012

The following table summarizes information about the stock options:

	2008		2007	
	Number of options outstanding	Weighted average exercise price \$	Number of options outstanding	Weighted average exercise price \$
Outstanding and exercisable, beginning of year	1,957,750	0.20	1,225,000	0.21
Exercised	(291,250)	0.18	(292,250)	0.18
Granted	425,000	0.30	1,450,000	0.18
Expired	(200,000)	0.22	(425,000)	0.20
Outstanding and exercisable, end of year	1,891,500	0.23	1,957,750	0.20

Warrants

The table below presents a summary of the warrants:

	2008		2007	
	Number	Weighted average exercise price \$	Number	Weighted average exercise price \$
Outstanding and exercisable, beginning of year	8,155,501	0.40	1,330,725	0.32
Exercised	(1,325,957)	0.28	(135,193)	0.23
Issued	4,040,888	0.53	7,641,169	0.41
Expired	(447,500)	0.30	(681,200)	0.40
Outstanding and exercisable, end of year	10,422,932	0.55	8,155,501	0.40

Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS February 29, 2008

8. CAPITAL STOCK (continued)

As at February 29, 2008, the outstanding warrants are as follows:

Exercise price \$	Number	Expiration date
0.33	204,545	July 31, 2008
0.60	2,272,726	July 31, 2008
0.40	427,500	August 16, 2008
0.35	1,000,000	December 19, 2008
0.33	204,545	December 21, 2008
0.70	2,272,727	December 21, 2008
0.45		October 15, 2008
and at 0.55	437,500	October 15, 2009
0.45	272,806	December 18, 2009
0.55	602,527	December 18, 2009
0.55	2,728,056	December 19, 2009

9. FUTURE INCOME TAXES

The Company's effective tax rate differs from the combined statutory rate (federal and provincial). This difference is attributable to the following items:

	2008 \$	2007 \$
Loss before income taxes	(113,251)	(534,263)
Income tax at combined base rate, 30.9% (2007 – 32.02%)	(34,995)	(171,071)
Difference due to the rate change	6,701	-
Share issuance costs	(67,106)	(71,895)
Stock-based compensation	14,036	34,914
Revaluation of future tax debits and credits	19,569	113,048
Non-deductible expenses	684	763
	(61,111)	(94,241)

Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

9. FUTURE INCOME TAXES (continued)

Future income tax debits and credits result from differences between the tax value and the book value of the following items:

	2008	2007
	\$	\$
Future income tax debits:		
Deferred losses	283,840	211,402
Share issuance costs	178,561	91,322
	462,401	302,724
Future income tax credits:		
Mining properties and deferred exploration expenses	1,967,648	849,031
Net future income tax credits recorded	1,505,247	546,307

The accumulated losses for future tax purposes for which the tax benefits were recorded amount to \$904,706 at the federal level and \$941,560 at the provincial level. The Company may use the tax benefit resulting from the carry-over of these losses before:

	Federal	Provincial
2011	-	39,297
2015	170,388	169,802
2026	229,732	228,948
2027	248,466	247,393
2028	256,120	256,120

10. ADDITIONAL CASH FLOW INFORMATION

Items not affecting cash and cash equivalents related to financing and investing activities are as follows:

	2008	2007
	\$	\$
Receivables related to deferred exploration expenses	3,606	51,247
Stock-based compensation related to deferred exploration expenses	52,325	76,428
Future taxes included in share issuance costs	1,020,051	492,335
Stock-based compensation related to share issuance costs	274,081	74,532
Payables and accrued expenses for deferred exploration expenses	(105,497)	127,778
Receivables related to disposal of an investment	-	17,000
Property acquired by issuance of shares	78,250	13,125
Issuance costs paid by the issuance of shares	-	37,500

Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

11. RELATED-PARTY TRANSACTIONS

The Company has carried out operations with companies whose chief executive officer is the same for both companies, and the costs incurred are as follows:

	2008	2007
	\$	\$
Salaries and fringe benefits	70,158	61,620
Office supplies	3,600	900
Telecommunications	4,068	3,342

The balance due to these companies is \$17,014 as at February 29, 2008 (2007 – the remaining balance was \$3,697).

The Company has carried out operations with companies in which some directors hold a minority interest:

	2008	2007
	\$	\$
Deferred exploration expenses	2,098,205	734,619
Rent	8,950	9210

As at February 29, 2008, an amount of \$231,894 is due to these companies (2007 – \$145,897).

These transactions occurred in the normal course of business and are recorded at the exchange value, which is the amount of the consideration established and accepted by the related parties.

12. COMMITMENTS

The Company is obligated to carry out mineral exploration work in the amount of \$2,319,759 before January 1, 2009, in order to satisfy its commitments in favour of flow-through shareholders.

The Company has entered into a five-year and a four-and-one-half year lease, ending on February 29, 2012, with a company in which one of its directors holds a minority interest. On February 29, 2008, the residual minimum amount of the leases was \$40,800. The minimum payments required over the coming years are as follows:

2009	2010	2011	2012
\$	\$	\$	\$
10,200	10,200	10,200	10,200

Puma Exploration Inc.

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

13. CONTINGENCIES

The Company's operations are subject to governmental legislation regarding environmental protection. Environmental consequences are difficult to identify, whether in terms of outcome, timetable or impact. To the best of the directors' knowledge, the Company is currently operating in accordance with existing laws and regulations, and no provision for site restoration has been recorded in the accounts.

The Company is partly financed by the issuance of flow-through shares. However, there is no guarantee that the funds disbursed by the Company will qualify as Canadian exploration expenses, even if the Company has pledged to take all necessary measures for this purpose. The rejection of certain expenses by the tax authorities may then have negative tax consequences for investors.

14. EVENT SUBSEQUENT TO THE BALANCE SHEET

On May 2, 2008, the Company granted a company the option to acquire an interest totalling 50% in the Sainte-Marguerite property in exchange for \$1,200,000 in exploration work to be done over four years and the issuance of 50,000 common shares of this company in favour of Puma Exploration Inc.

15. COMPARATIVE FIGURES

Certain comparative figures were reclassified to conform to the adopted presentation for the current year.



Board of Directors

André Proulx, M.A.
President and Chief Executive Officer

Anne Slivitzky, P. Geo.
Vice-President Exploration

Clément Duchesne, M.S.C.
Vice-President Finance and Secretary-Treasurer

André de Guise, P. Eng.
Director

Richard Boulay, P. Geo.
Director

Auditors

Mallette, L.L.P.
Rimouski

Legal Counsel

Miller Thomson Pouliot, L.L.P.
Montreal

Listed Shares - Transfer Agent

Computershare Trust Company of Canada
Montreal

Shares Listed

TSX Venture Exchange
Symbol: PUM

Capital stock

39,937,315 common shares issued
as at February 29, 2008