
New Frontiers in Mineral Exploration

Report and Accounts 2007



Lero Gold Corp. is a base and precious metal exploration company which is currently exploring and developing advanced stage gold and base metal assets in the Tien Shan metallogenic belt in Kyrgyzstan and the Rudny Altai metallogenic belt in Kazakhstan.

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The following discussion is management's assessment and analysis of the operating results and financial condition of Lero Gold Corp. ("Lero" or the "Company") and should be read in conjunction with the Consolidated Financial Statements for the period ended December 31, 2007 and related notes, which have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("Canadian GAAP") and all amounts are reported in United States dollars unless otherwise indicated. Canadian dollars are referred to herein as CAD\$.

Highlights 2007/8

2007

Feb	Acquisition of the Karchiga copper volcanogenic massive sulphide (VMS) project in Kazakhstan
Mar	Granting of the Barkol exploration licence in Kyrgyzstan to Lero
Jun	<p>Lero completed a second private placement with Gold Fields Exploration B.V. ("Gold Fields") to raise CAD\$233,420 to invest specifically into the Barkol exploration licence</p> <p>Lero entered into an agreement for the sale of all of the shares of Tournon to a subsidiary of Delta Industrial B.V.I. The sale of the shares did not complete, as announced by the Company on November 26, 2007</p> <p>Lero completes comprehensive re-interpretation of geophysical and geochemical data at the Taldybulak licence</p> <p>Lero commenced a >5,000m drilling programme in the Talas area in Kyrgyzstan</p>
Jul	Lero commenced a 1,800m confirmatory drilling programme at Karchiga project in Kazakhstan
Dec	<p>Lero completed a private placement of 10,000,000 common shares at a price of CAD\$0.25 per share to raise CAD\$2,500,000</p> <p>Oriel Resources plc disposed of 100 per cent. of its interest (30,000,000 common shares or approximately 49.35 per cent. of the issued share capital at that time) in the Company</p>

2008

Feb	Lero completes 1,879m diamond drilling programme at the Karchiga project
Mar	Lero appointed two new Directors and officers, Dr. Alexander Yakubchuk, as Director and Chief Executive Officer, and Massimo Carello, as a Non-Executive Director. Darryl Yea resigned as Non-Executive Chairman of the Company
Apr	<p>European Minerals announces intention to acquire Lero Gold Corp.</p> <p>Lero enters into a CAD\$60 million private placement</p> <p>Directors accepted David Swan's resignation from the position of Chief Financial Officer and Company Secretary</p> <p>Lero appoints Randy Reichert as Chief Operating Officer, Petro Mychalkiw as Chief Financial Officer and Tania Tchedayeva as Company Secretary</p>

Overview

Lero Gold Corp. is a base and precious metal exploration company which listed on the Toronto Venture Stock Exchange (TSX-V:LER) on July 27, 2006. The London based company is led by a senior management team with extensive expertise in mineral exploration and advanced project management.

Lero completed a reverse takeover transaction with Oriel Resources plc ("Oriel") on July 24, 2006 during which the Company acquired all of the issued and outstanding shares of Oriel's wholly owned subsidiary, Tournon Finance Ltd. In addition, it acquired a share purchase option between Oriel and Elcan Nominees Ltd. and Pinnacle Trustees Ltd ("Taldybulak option"), and acquired a share purchase option between Oriel, Elcan, Mohul Nominees Ltd and Pinnacle ("Caledone Finance Limited option"). As consideration for these assets, the Company issued to Oriel 30 million common shares at a deemed value of CAD\$10 million. After additional share placements to raise USD\$3.4million Oriel held approximately 63 per cent. of the Company's issued and outstanding share capital.

Lero is seeking and evaluating advanced exploration stage gold and base metal projects in some of the world's most promising but under-explored frontier regions within Kyrgyzstan, Kazakhstan and Russia.

Lero is currently exploring two licence areas within the Tien Shan gold belt, one of the largest and most prolific gold belts in the world: the Talas licence area comprising Korgontash, Kentash, Taldybulak, and newly acquired Barkol licences in north-western Kyrgyzstan and the Tokhtazan licence area comprising the Akdzhol and Tokhtazan licences in south western Kyrgyzstan.

In Kazakhstan, Lero is exploring the Karchiga licence area, located in the Rudny Altai metallogenic belt in the east of the country.

Lero's projects within the Tien Shan & Rudny Altai metallogenic belts

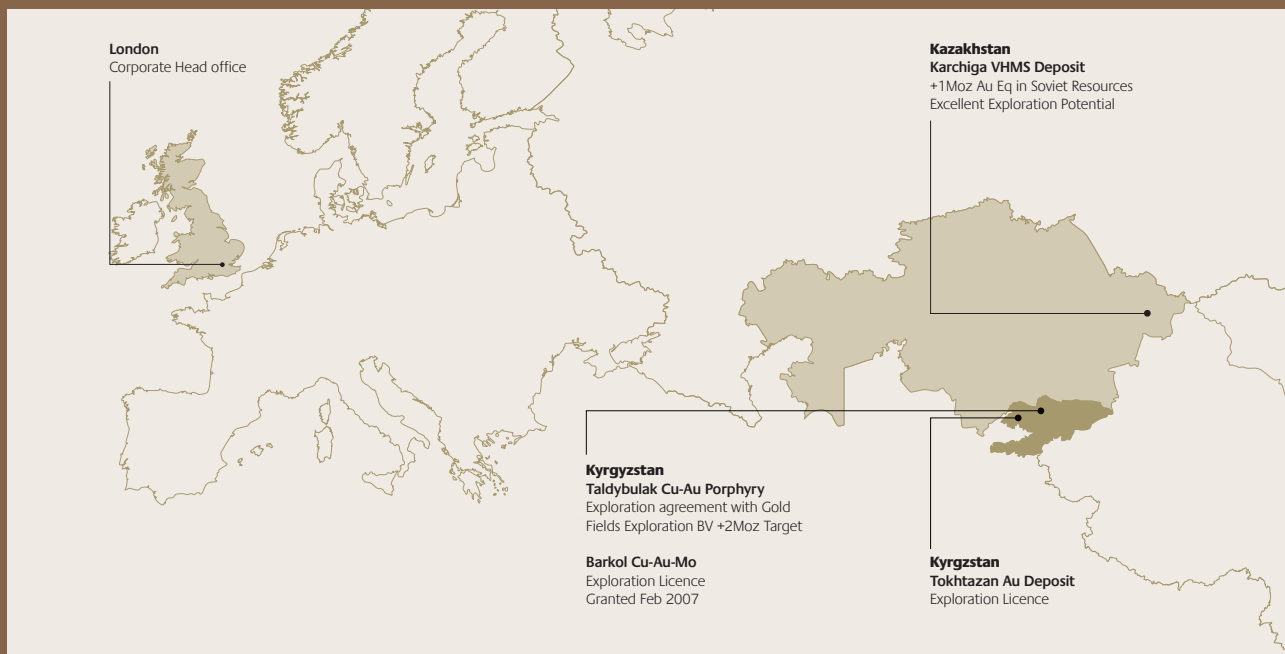
Lero's Kyrgyzstan-based projects lie within an area of the country dominated by the complex sequences which comprise the Tien Shan gold belt, itself forming the south western part of the Central Asian orogenic supercollage, also known in the Russian literature as the Urals-Mongolian fold belt. The Tien Shan mountains form an arc running through the country from west to east, with sub-parallel ranges separated by intermountain basins and valleys.

In addition, Lero's Kazakhstan-based Karchiga deposit is located within the north west striking, mid-Paleozoic Rudny Altai VMS terrane. This area is host to numerous world class VMS deposits, including the Leninigorsk, Zyryanovsk, Maleevsky and Ridder-Sokolnoye deposits. The Rudny Altai is ranked in the top four VMS belts of the world with over 70Mt of contained metal.

In the Rudny Altai, the Middle Devonian to middle Carboniferous volcanic and intrusive rocks overlie early Palaeozoic turbiditic rocks. Economic copper-zinc VMS deposits in the Rudny Altai are closely related to a Devonian bimodal (basalt and rhyolite) volcanic rock sequences, formed during the same time interval as most of the VMS deposits in the Urals and east-central Kazakhstan.

Mining and research areas

Canadian Dollars (\$)



Lero Gold (LER-TSXV): as of 28 May 2008

Canadian Dollars (\$)



1 Year Gold : June 2007 to May 2008

US Dollars (\$)



Lero's projects

Talas, Kyrgyzstan Exploration Area

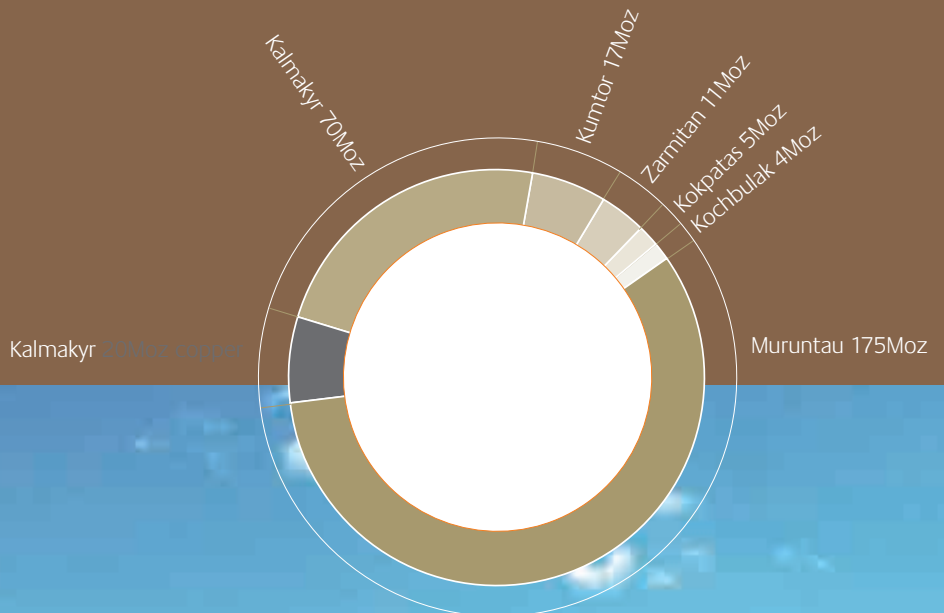
The Talas exploration area is located on the north slope of the Talas Valley, in the Talas Oblast, north-western Kyrgyzstan at elevations of 1,800 to 3,000m. The project is accessible year round via the main Bishkek-Talas road (270km from Bishkek). The Talas exploration area comprises four exploration licences, namely: Barkol, Taldybulak, Kentash and Korgontash with a combined area of 371km². Most attention paid and most work completed was at the Taldybulak licence, hosting the Taldybulak copper-gold ("Cu-Au") porphyry. Within the Korgontash licence area, Lero is also exploring the Tokhtonnisai copper-gold prospect. Barkol exploration licence, located immediately to the west of the Taldybulak licence, was granted to Lero in March 2007. The Barkol licence contains numerous occurrences of mineralisation, with one known copper-gold-molybdenum occurrence within a 2km² excision from the licence.

Tokhtazan, Kyrgyzstan Exploration Licences

The Tokhtazan deposit is located in the Jalal-Abad Oblast, western Kyrgyzstan and is covered by two exploration licences, Akdjol and Tokhtazan. Access to the deposit is via the main Bishkek-Osh bitumen road for 400km, then 14km on a gravel road. The nearest town and railway station, Tash-Kumyr, is located 31km from the Tokhtazan deposit, whilst the Kurpsai hydro-power station on the Naryn River is situated approximately 18km by road from the deposit.

Karchiga, Kazakhstan Exploration Licence

The 47.3km² Karchiga exploration licence contains the Karchiga copper-gold volcanogenic massive sulphide (VMS) deposit. The deposit is geologically robust and is situated 40km from the Chinese border, within the world-class Rudny Altai VMS belt. Significant potential exist for the discovery of additional mineralisation along the 10 strike km of the fertile VMS horizon contained within the licence perimeter.



Chairman's statement

“2007 was a significant year of evolution for Lero Gold Corp.”
Dr Sergey V Kurzin



Important and strategic relationships were built, key management appointments were made and significant resource calculations were reported for our Kyrgyz and Kazakh-based exploration projects.

During March 2008, to prepare itself for the up-coming challenges of 2008 and beyond, the Lero Board underwent restructuring. I would like to welcome to the team Dr Alexander Yakubchuk as Chief Executive Officer and Massimo Carello as Non-Executive Director. Both bring with them an important blend of industry and regional knowledge as well as significant management expertise which will be crucial for the future success of the Company.

Additional restructuring included myself being elected Chairman (previously Executive Director) and Nick Clarke taking over the position of Executive Director (previously President & CEO). Darryl Yea has stood down as Non-Executive Chairman, yet remains an adviser to the Board and I would personally like to thank him for his contribution and support of the Company. Mark Corra, who joined the board in February 2007 and Marc Prefontaine continue to hold the positions of Non-Executive Directors. I would also like to welcome Julian Woodcock to the company who has taken on the role of in-country Chief Geologist and is based in Bishkek, Kyrgyzstan.

On 18 April, 2008, Lero and European Minerals Corporation (“EMC”) jointly announced that both companies had entered into a binding heads of agreement pursuant to which EMC will acquire all of the outstanding common shares of Lero in exchange for common shares of EMC. Under the terms of the Acquisition, Lero shareholders will receive one common share of EMC for each issued share of Lero, representing a value of CAD\$0.98 per share based upon the 20-day volume weighted average price of EMC on the Toronto Stock Exchange for the 20-day period leading up to and including April 17, 2008. Combining EMC’s operating cash flow from its Varvarinskoye copper-gold deposit in Kazakhstan with Lero’s growth opportunities, the directors and I believe that the strategic fit between Lero and EMC will allow us to create a premier growth company.

In conjunction to the intended merger, Lero entered into a CAD\$60 million private placement for the continued exploration and drilling at Taldybulak-Talas and Karchiga and to fund a US\$25 million loan to EMC (the “Lero Loan”) for the further development of the Varvarinskoye project.

Lero’s directors constantly review emerging growth opportunities in an effort to identify those with strategic significance and the potential to be accretive to shareholder value. While our industry has become increasingly competitive, Lero’s objectives remain unchanged. Our intention is to expand our portfolio of properties, adding value while preserving the quality and ensuring their long-term economic potential. In that light and in addition to the proposed EMC merger, during 2007 Lero took the decision to sell its interest within its wholly-owned subsidiary, Tournon Finance Limited. Tournon is the 100% beneficial owner of Oriol in Kyrgyzstan LLP, which holds the exploration licences for the Tokhtazan and Akdjol areas in western Kyrgyzstan. Lero took the decision to sell the Tokhtazan asset after receiving a number of approaches from interested parties and is actively pursuing the sale of this asset.

I am very pleased that during April 2008, Lero reported NI 43-101 compliant resource estimates for the Karchiga VMS prospect in northeast Kazakhstan and the Taldybulak-Talas copper-gold porphyry prospect in northwest Kyrgyzstan. The Indicated categories are estimated to contain up to 1.6 million ounces of gold and 300 million pounds of copper in the Taldybulak-Talas project and in excess of 258 million pounds (117,000t) of high-grade copper

metal in the Karchiga deposit. Significant upside potential exists in Inferred resource categories, which will be subject to our immediate attention. These results provide Lero with a solid foundation to progress with a pre-feasibility study at Karchiga and fast track its construction and production within three years.

The Company’s 2007 exploration achievements have been matched in the capital markets by the raising of approximately US\$2.7 million through the completion of a CAD\$2.5 million private placement for the continued exploration of Lero’s projects and with Gold Field’s second investment into Lero of CAD\$233,420. Lero undertook to expend at least CAD\$2 million of the gross proceeds from the initial private placement of CAD\$2.5 million, together with all of the CAD\$233,420 of the gross proceeds from this second private placement as exploration expenses on the Kentash, Taldybulak, Korgontash and Barkol exploration licences of Kyrgyzstan. As the world’s fourth largest gold producer, we expect from Gold Fields to provide considerable additional financial resources and technical expertise to the Talas exploration programme.

Since the Company’s formation, the Lero Board’s vision has always been to attain significant capital growth within the next few years through the discovery and development of high-value gold and base metal deposits in and around the Central Asian region. We intend to selectively expand our portfolio of properties and add value, while preserving the quality and ensuring their long-term economic potential.

Given Gold Field’s involvement, the reported resource estimates for the Karchiga and Taldybulak-Talas projects and the potential merger with EMC, I believe the Company is well positioned to significantly grow its profile of base metal exploration and development opportunities within the Central Asian region.

Dr Sergey V Kurzin
Chairman

30 April 2008

Chief Executive Officer's statement

“Lero expects significant resource growth during 2008”

Dr Alexander Yakubchuk



On behalf of the Board of Directors, I am pleased to present Lero Gold Corp.'s financial and operational results for the 12 months ending 31 December 2007.

During 2007 Lero re-enforced its determination to progress the development of its Kyrgyzstan and Kazakhstan-based projects. A considerable amount of scheduled exploration work was completed at the Talas and Karchiga projects, leading to the two NI 43-101 compliant resource estimates reported during April 2008. In addition and in line with the Company's constant review of emerging growth opportunities, Lero's Board sees the proposed merger with EMC as a positive and strategic development with the potential to be accretive to shareholder value.

Throughout 2007 the Company's primary focus remained the exploration of the Talas group of licences, hosting the Taldybulak copper-gold porphyry prospect in Kyrgyzstan. Gold Fields' continuing involvement with Talas through its second investment of CAD\$233,420 during June 2007 and Lero's raising of CAD\$2.5 million in private placement funds during December 2007 has enabled the Company to continue to unlock and expand the resource through the application of the latest geoscientific techniques.

Results from the recently completed 6,658 metre drill programme in Talas group of licences confirm the potential for a large open pit copper-gold porphyry target at Taldybulak Central. These results were instrumental in calculating the Indicated resource of 1.6 million ounces of gold and 300 million pounds of copper, with additional drilling-supported upside potential in the Inferred categories.

Work has also been on-going at the Karchiga licence area in Kazakhstan where our geologists have intersected significant copper grades, confirming the dimensions of the known mineralisation and historic Soviet assays. I am very pleased the Karchiga deposit reported such a positive initial NI 43-101 compliant resource estimate which is generally in line with the historical estimate, yet exceeding it in terms of tonnage. Not many current exploration projects worldwide return such high copper grades, amenable to potential open pit extraction. In addition, to date only 5% of the entire licence territory has been explored by Lero and we still have a lot of further exploration potential based on geochemical and geophysical anomalies within the licence territory.

I am delighted with the proposed EMC merger as well as the CAD\$60 million private placement. Part of the raised funds is due to be used for the continued exploration and drilling at the Taldybulak-Talas and Karchiga projects to upgrade the existing individual resources and to expand the current resources bases. Lero and EMC's combination makes for a strong, well-funded company with impressive growth potential, led by an experienced and dedicated management team.

During 2008, Lero looks forward to increased market participation as its exploration efforts have shifted from early-stage exploration works to resource calculations. Our growth objective through the proposed EMC merger has led to the creation of a team consisting of a multi-national, multi-talented and highly experienced management group. This group has the expertise to seek, appraise and secure additional exploration and development opportunities in the broader arena at a time when resource issues are expanding in importance to equity markets.

Finally, I am pleased to have been asked to join such an impressively experienced and focused team, at what is a very exciting time. I eagerly look forward to working closely with the Company's consultants, advisors, partners and employees to build upon and develop our exciting portfolio of assets.

A handwritten signature in black ink, appearing to read 'Alexander Yakubchuk', written in a cursive style.

Dr Alexander Yakubchuk
Chief Executive Officer

30 April 2008

Review of operations

Talas exploration licences Kyrgyzstan

Licence Information

The Talas exploration area comprises the core assets of the Company in Kyrgyzstan including the Taldybulak, Kentash, Barkol and Korgontash licences. The primary exploration property is the Taldybulak copper-gold porphyry prospect.

For avoidance of confusion;

1. The Taldybulak copper-gold porphyry prospect within the Taldybulak exploration licence area is a separate asset from the Taldybulak Levoberezhny gold deposit previously owned by Central Asia Gold Limited, and
2. The Talas Copper Gold Limited Liability Company, the holder of the Lero's Taldybulak licence is a separate company from Talas Gold Mining Company, which was the owner of the Jerooy Gold Project.

Image 1: Talas Licence area



Licence Areas	Area (km ²)	Date Granted	Expiry Date
Barkol	223	16 March, 2007	16 March, 2009
Taldybulak	42	14 February, 2005	31 December, 2010
Kentash	46	14 February, 2005	31 December, 2009
Korgontash	66	30 March, 2005	31 December, 2009

Licence Locations

The Talas Exploration Area is located in the Western Kyrgyz Range on the north slope of the Talas Valley, in the Talas Oblast, north-western Kyrgyzstan at elevations of 1,800-3,000m. Lero's advanced stage Taldybulak and Tokhtonnisai projects are located within this area. The region includes deposits such as Andash (1Moz), Aktash, Jerooy (2.5Moz), Taldybulak Levoberezhny (3Moz), and Centerra's world class Kumtor deposit (17Moz). Lero's Talas projects are accessible year round via the Bishkek-Talas road (270km from Bishkek). A rail head is located 140km by road from the deposit and a 500kV power grid passes within 10km of the deposit.

The Taldybulak prospect is the main focus of exploration activity within the Taldybulak licence that covers an area of 43km². The Kentash licence is situated immediately east of Taldybulak and covers an area of 42km². The Korgontash licence which covers an area of 66km² is located approximately 25km east of Taldybulak and is adjacent to Aurum Mining plc's Andash licence. The Barkol licence is the westernmost licence, located immediately west of Taldybulak and covers an area of 223km².

Lero / Gold Fields Exploration B.V. partnership

In September 2006, Lero announced an agreement had been reached with Gold Fields Exploration B.V. (an indirect wholly-owned subsidiary of Gold Fields Limited) for the private placement of five million shares in the Company at CAD\$0.50 each, to raise CAD\$2.5 million. In November 2006, the private placement had been completed and pursuant to the terms of the agreement with Gold Fields, Lero has agreed to spend at least CAD\$2.0 million of the private placement funds on further exploration of Talas. In June 2007, Gold Fields completed a second private placement of 466,840 shares in the company at CAD\$0.50 each, to raise CAD\$233,420.

In connection with the private placement, Lero has also granted Gold Fields an option to enter into a joint venture agreement under which Gold Fields will have the right to earn up to a 60% interest in Talas project by funding exploration expenditures of up to CAD\$10 million, and increase its interest in the project by a further 10% (to a total of 70%) by funding a further CAD\$10 million.

Taldybulak

Kyrgyzstan

2007/2008 Highlights

- Lero releases Taldybulak-Talas 43-101 compliant resource estimate
- Comprehensive re-interpretation of geophysical and geochemical data completed
- Completion of a 6,180m drill programme
- Comprehensive re-interpretation of geophysical and geochemical data completed

Project History

In September 2006, Lero acquired 100% of the Taldybulak licence, hosting Taldybulak copper-gold porphyry prospect. Taldybulak was discovered during 1976 from a regional geochemical survey. During 1977 to 1979 the trenching programme over the copper-gold-silver-molybdenum anomalies outlined an elliptical gold-copper mineralisation zone with dimensions of 1,200m by 700m. The anomalies were tested at depth by sixteen 100-500m deep vertical diamond drill holes drilled on one north-south and one east-west fence lines. Ten of the drill holes intersected gold-copper mineralisation, in spite of only sporadic intervals being assayed. Two of the drill holes (DDH-06b and DDH-13) terminated in strong mineralisation at a depth of over 400m. Four additional holes were drilled to test additional targets, located 2 to 3 km to the east of the prospect. No further work was conducted on the deposit until the late 1990's when a British company drilled 11 shallow reverse circulation holes near the centre of the deposit.

The Taldybulak copper-gold porphyry prospect is the most advanced project at present in Lero's portfolio in Kyrgyzstan and is the major focus for the Company. Exploration activities in 2005-06 concentrated on geological, geochemical and geophysical assessment of the property, as well as confirmatory drilling.

2007 - 2008 Drilling Programme

A 2007 - 2008 drilling programme was completed to better delineate the extent and geometry at Taldybulak Central and assess the additional tonnage potential through the testing of peripheral targets along strike to the east, north west and south of the central high grade core.

Table 1 shows some of the more significant results from the recent Lero drilling campaign.

To date, exploration results confirm the Taldybulak prospect contains broad and continuous copper-gold porphyry mineralisation at above-average gold equivalent grades for this type of deposits.

Table 1: Significant intersections from Lero drilling of Taldybulak-Talas

Hole-ID	From (m)	To (m)	Length	Au (g/t)	Cu (%)	Area
TBDD07-07	0.00	402.8	402.8	0.75	0.18	Taldybulak Central West
*including:						
TBDD07-07	33.3	153.6	120.3	0.87	0.28	
TBDD07-07	180.0	212.0	32.0	1.87	0.11	
TBDD07-07	212.0	316.0	104.0	0.48	0.07	
TBDD07-07	316.0	408.2	92.2	0.90	0.23	
TBDD07-11	0.00	100.4	100.4	1.01	0.27	Taldybulak Central
TBDD07-14	123.8	186.7	62.9	0.65	0.23	Taldybulak Central
TBDD07-14	229.2	255.3	26.1	0.39	0.16	
TBDD07-05	0.00	242.7	242.7	0.64	0.12	Taldybulak Central
*including:						
TBDD07-05	3.0	43.2	40.2	0.51	0.30	
TBDD07-05	54.9	71.0	16.1	0.51	0.12	
TBDD07-05	79.0	139.3	60.3	1.23	0.07	

Table 2: Significant intersections

Hole-ID	From (m)	To (m)	Length	Au (g/t)	Cu (%)	Area
TBDD07-12	136.9	199.3	62.4	0.51	0.06	Taldybulak East
TBDD07-13	99.0	232.0	133.0	0.24	0.06	Taldybulak East

* Au Values un-cut

While the Company was successful in discovering previously unknown high-grade gold core in the western part of Taldybulak Central prospect, large areas of the system still remain untested to date, leading Lero and Gold Fields geologists to believe that Taldybulak-Talas has the potential to develop into a medium-to-high-tonnage deposit.

A continuous zone of significant Cu-Au mineralisation hosted in a quartz diorite-dacite porphyry with dimensions of 1,000m (strike) by up to 350m (width) and 500m (depth) has been delineated at Taldybulak Central. The higher grade intercepts in TBDD07-07 coincide with an extensive zone of previously unknown potassic-hematite altered porphyry, indicating the potential position of a higher grade core in the western part of Taldybulak Central. Mineralisation at Taldybulak Central is open at depth and along strike to the west.

In March 2008, Lero completed a 3,903m drilling program to better delineate the known extent and geometry of the Cu-Au porphyry body at Taldybulak Central and also 2,277m to assess the additional tonnage potential through the testing of peripheral targets along strike to the east and north west of the central high grade core in order to identify a 300Mt targeted size of porphyry.

Historically, Taldybulak East has been subjected to very limited exploration due to an almost total absence of outcrop, however the recent re-interpretation of data indicates that the prospect may host a fault offset of the Taldybulak porphyry or an entirely separate porphyry body. Although the overall geological controls and morphology of the Taldybulak East mineralisation are yet to be fully understood, the extent of the porphyry system has now been significantly increased with known porphyry mineralisation now drilled and mapped along a total strike length in excess of 2.5km. Several targets were generated from geophysical anomalies and regional mapping, roughly 2km to the east of Taldybulak Central.

Scout exploration drilling completed at a previously untested geophysical/geochemical anomaly at Taldybulak East returned early-stage encouraging results (Table 2).

Table 3: Taldybulak-Talas Copper-Gold Project, Mineral Resource Estimate

Cut-off Au g/t	Indicated						
	Mt	Au (g/t)	Au (Moz)	Cu (%)	Cu (Mlb)	Au_eq (g/t)	Au_eq (Moz)
0.20	107	0.53	1.83	0.17	388	0.95	3.24
0.30	79	0.63	1.61	0.17	301	1.07	2.71
0.40	61	0.72	1.40	0.18	238	1.17	2.27
0.50	45	0.81	1.18	0.18	181	1.27	1.84

Cut-off Au g/t	Inferred						
	Mt	Au (g/t)	Au (Moz)	Cu (%)	Cu (Mlb)	Au_eq (g/t)	Au_eq (Moz)
0.20	286	0.43	3.99	0.14	876	0.78	7.18
0.30	163	0.58	3.03	0.14	492	0.92	4.82
0.40	115	0.68	2.50	0.13	336	1.01	3.73
0.50	87	0.75	2.10	0.13	247	1.07	3.00

Note: Au_eq=Au g/t + 2.5x Cu %

Metal equivalent: metallurgical recoveries and net smelter returns are assumed to be 100%

Taldybulak-Talas Resource Estimate

Results from the recently completed geological modelling and resource evaluation studies have confirmed the potential for a large open-pitiable Cu-Au porphyry target at Taldybulak Central. These results have given Lero a solid foundation from which to calculate an NI 43-101 compliant resource estimate for Taldybulak Central and to further expand and advance exploration activities in 2008.

The resource estimate (Table 3) has been calculated at various gold cut-off grades and incorporates all drilling data obtained for the Taldybulak-Talas copper-gold project by end Q1 2008. At a 0.30g/t gold cut-off, the Indicated resource is 79Mt @ 0.63g/t Au and 0.17% Cu with the Inferred resources totalling 163Mt @ 0.58g/t Au and 0.14% Cu.

The resource is based on 20 historical Soviet holes (5,078m) and 34 diamond holes (8,484m) drilled by Lero from 2005 through to 2008; a total of 9,534m of surface trenching data was also included in the modelling and interpolation. The mineralisation is located within an east-west trending linear porphyry, with a surface exposure of 1,000m x 400m. The above resource is calculated down to a depth of 500m below surface and is fully supported by drilling; no extrapolation of the resource below the base of the current drilling information was undertaken. The mineralisation remains open to the west and at depth, where an interpreted high-grade core (0.7-0.9g/t Au) was intersected during the 2007 drilling programme.

The resources were calculated within a constrained geological wireframe, limited by external pyrite halo defined by an induced polarization survey and verified by drilling. Post-mineral dykes were modelled and excluded from the reported volume and interpolation run. Results from systematic variography analysis formed the basis for assigning resource categories with Indicated mineralisation being assigned to all material falling within an isotropic search ellipse with a maximum range of 100m and Inferred mineralisation being assigned within a 200m range. Log Normal Kriging was the selected algorithm utilised for the interpolation of grade.

Project Geology

The Taldybulak Cu-Au porphyry prospect features an irregularly shaped composite multiphase Late Ordovician diorite-monzodiorite stock with dimensions of 1,400 by 1,000m that intrudes Middle to Upper Ordovician andesitic volcanics. Within the stock, there are an abundance of large wall rock xenoliths and the presence of hydrothermal quartz-tourmaline breccia body in the eastern part of Taldybulak Central indicates that only the upper part of the intrusive body is currently exposed or the system may be tilted to the east so that the deeper portions are exposed in the west.

The diorite-monzodiorite stock is cut by a series of late to post-mineral dykes of various compositions including: gabbro, lamprophyre, granite, felsic porphyry, pyroxene-diabase, syenites and diorite dykes. A complex of concentric granodiorite dykes surrounding the stock indicates that it is likely to be underlain by a substantial multi-stage intrusive body; the source for the porphyry-type mineralising fluids. Zones of mineralisation and post-mineral dykes parallel the elongate east west axis.

Mineralisation

The mineralisation in the Taldybulak Central zone collectively forms an ellipse-shaped, east-west trending zone over an area of 1,100m by 600m centred on the intrusive stock. Copper-gold mineralisation is associated with sheeted quartz and quartz-stockwork veins, containing pyrite, chalcopyrite, rare bornite, molybdenite and native gold that occur within both the intrusive and host sediments. The mineralisation occurs at above average gold grades for this type of deposit. Large areas of the system remain untested to date leading Lero and Gold Fields geologists to believe that Taldybulak has the potential to develop into a medium to high tonnage deposit.

Mineralisation at Taldybulak occurs within an irregular-shaped multiphase Late Ordovician quartz diorite-dacite porphyry stock with dimensions of 1,400m by 1,000m that intrudes Middle to Upper Ordovician andesitic volcanics. New data suggests this envelope could be extended to the west while the structure has also been tested to and is still open below depths of 500m from surface.

Barkol

Kyrgyzstan

2007 Highlights

- Exploration licence granted to Lero
- Second private placement completed with Gold Fields to raise CAD\$233,420 for use to develop the Barkol licence
- Soil geochemical survey completed over areas of previously mapped alteration
- Scout IP survey completed over previously mapped alteration

Licence Information

In March 2007, Lero was granted the 223km² Barkol exploration licence, located immediately to the west from the Taldybulak licence, and was acquired at no cost to the company. The Barkol licence contains numerous occurrences of known mineralisation, with one small copper-gold-molybdenum deposit occurring within a 2km² excision from the Chonur licence. Lero has undertaken an estimated annual expenditure commitment on the Barkol licence of US\$200,000, with exploration work commenced during summer 2007.

Project History

The Company believes that the eastern part of the tenement has had little exploration for porphyry-style mineralisation due to the Lower Palaeozoic host rocks being masked by a veneer of post-mineralisation Devonian volcanics. The Company plans to conduct detailed exploration over areas of known mineralisation on the licence and apply geophysics to test for porphyry systems that may be concealed by the Devonian volcanics.

Project Geology

The Barkol licence contains numerous occurrences of known mineralisation, with one copper-gold molybdenum deposit occurring within a 2km² excision from the licence. The geology of the Barkol licence area is very similar to Taldybulak, being a continuation of lower Palaeozoic volcanics and sediments; however the eastern half of the tenement is partially overlain by post-mineralisation Devonian-aged volcanics. The Company believes that the licence has had little exploration for porphyry-style mineralisation due to the overlying volcanics. The Company plans to conduct detailed exploration over areas of known mineralisation on the tenement and apply geophysics to test for porphyry systems that may be concealed by the Devonian volcanics.

During 2007, Lero completed soil geochemical sampling over areas of historically mapped alteration. This returned some anomalous results for Au, Cu and other base metals. These areas were also covered by widely-spaced IP geophysical survey, which returned some chargeability anomalism in the areas west of Chonur exclusion licence and in the central western part of the Barkol licence. These anomalies will be followed up during 2008.

Korgontash

Kyrgyzstan

Highlights

- Soil geochemical survey completed
- Completion of a 478m drill programme

Licence Information

The Korgontash licence area hosts the Tokhtonnisai copper-gold skarn project, Talas Oblast, north-western Kyrgyzstan. Korgontash licence is located in the easternmost part of the copper-gold metallogenic trend on the southern slope of the Kyrgyz ridge. Lero's 66km² licence is located immediately adjacent to the Andash licence currently held by a Kyrgyz subsidiary of Aurum Mining plc. Aurum is an AIM listed company which has recently completed a feasibility study at their Andash deposit which contains reserves of over 1.1Moz gold equivalent. In the central part of the licence is the 2km² exclusion zone covered by Aktash licence, controlled by Turan Metals Ltd, a Kyrgyz-Kazakh joint-venture company.

Project History

Historical work included two vertical drill holes and 18 trenches which were completed during the 1980's. This historic trenching only tested a limited portion of the 300m of exposed structure.

The drilling and trenching returned anomalous values of both copper and gold although many of the historic samples were not assayed for gold. Historic significant drill intersections include: 30.7m at 1.3% Cu and 0.6g/t Au, 10m at 2.4% Cu and 0.6g/t Au and 22.5m at 0.9% Cu. Results of the re-sampling completed by Lero have confirmed the mineralised widths and shown a general trend to both higher gold and copper grades than had been reported from the earlier work. In addition, the results have verified the presence of a broad, consistent and continuous mineralised zone.

Project Geology

Mineralisation at Tokhtonnisai is of copper-gold skarn type resulting from the intrusion of granite, syenite and diorite into Lower to Middle Ordovician calcareous and terrigenous sediments, principally similar to the copper-gold skarn mineralisation at the nearby Aktash. Most of the licence covers the Late Ordovician granitoid batholith and the known mineralisation occurs on its northern periphery.

A trenching programme was completed in 2006 with the objective of validating the width and grade of a copper-gold anomaly outlined at Tokhtonnisai during the Soviet era.

A total of 10 trenches twinning Soviet era trenches were sampled. Some very encouraging results were obtained from the trenching programme (Table 4). During June 2006, 4 lines of DD-IP geophysics were completed across the prospect. Drilling in 2006 failed to adequately test the targets as it appears that the mineralisation dips at a shallower angle than had been interpreted, however, broad widths of low grade mineralisation were intersected in hole TTDD-01.

In 2007, Lero covered the area north of the contact with granitoid batholiths with widely spaced soil geochemical survey. This survey revealed gold and copper anomalism east of Tokhtonnisai and west of the Aktash exclusion licence. Due to late completion of the survey in November 2007 these targets were not followed up, but they will be more thoroughly assessed in 2008.

In 2007, Lero drilled 3 additional diamond drill holes at the Tokhtonnisai prospect, which returned some good intercepts, generally in line with the previous Soviet data (Table 5). holes at the Tokhtonnisai prospect, which returned some good intercepts, generally in line with the previous Soviet data.

Table 4: Significant Tokhtonnisai Historic Results

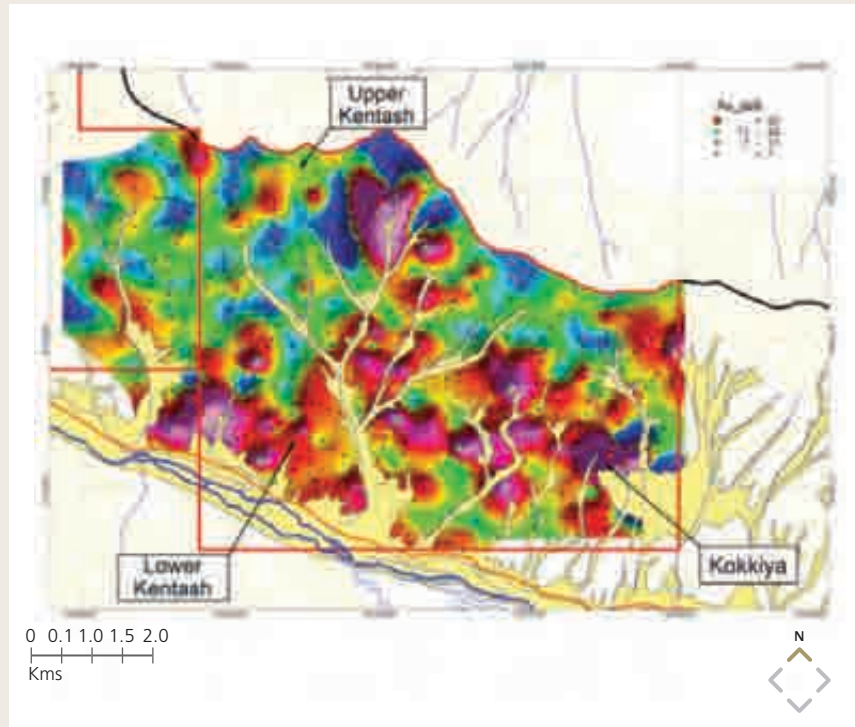
ID	Type	From (m)	To (m)	Length (m)	Au (g/t)	Cu (%)
TTTR-30	Trench	8	34	26	0.63	0.97
TTTR-31	Trench	4	20	16	3.08	1.55
including		16	17	1	18.2	4.69
TTTR-31	Trench	35	39	4	1.82	3.34
TTTR-32	Trench	1	6	5	1.06	1.35
TTTR-32	Trench	29	31	2	0.98	0.78
TTTR-32	Trench	38	43	5	0.07	1.08
TTTR-36	Trench	0	21	21	3.80	1.49
including		9	12	3	18.66	0.52
TTTR-37	Trench	8	18	10	0.28	0.67
TTTR-37	Trench	22	24	2	0.44	0.93
TTTR-37	Trench	59	68	9	0.52	0.75
TTTR-37	Trench	87	89	2	0.98	1.86
TTTR-38	Trench	101	125	24	0.39	0.43
TTTR-39	Trench	4	31	27	0.84	1.46
TTTR-39	Trench	53	84	31	0.24	1.07
TTDD-01	Drill hole	1.0	49.5	48.5	0.53	0.75
TTDD-02	Drill hole	114.5	121.5	7.0	1.14	1.65

Table 5: Significant Tokhtonnisai Drill Results, 2007

ID	Type	From (m)	To (m)	Length (m)	Au (g/t)	Cu (%)
TTDD07-03	Drill hole	158.8	196.6	38	0.57	1.2

Kentash Licence Kyrgyzstan

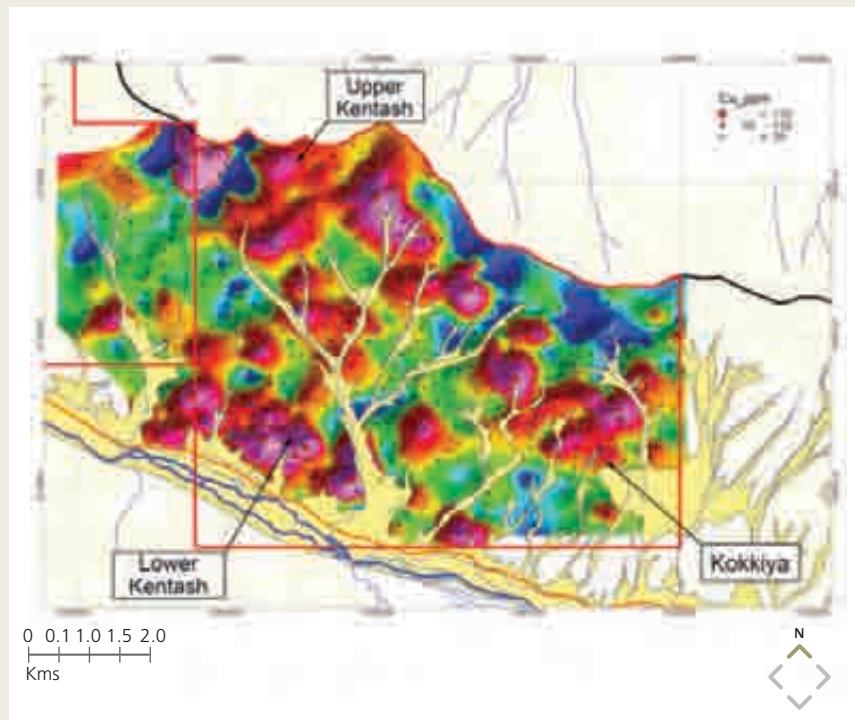
Image 2: Kentash Soil Geochemical Sampling Au, 2007



Limited work has been performed on the Kentash licence to date however stream sediment geochemistry completed during 2006 returned high copper and gold values, indicating potential for further occurrences of mineralisation along the corridor linking Andash and Taldybulak.

In 2007, Lero completed a widely-spaced soil geochemical survey over the entire Kentash licence. This returned some gold, copper and molybdenum anomalism in 3 areas which will be further assessed in 2008. In 2007, the widely-spaced IP survey revealed chargeability anomalies in the central part of the licence to be further assessed in 2008.

Image 3: Kentash, Soil Geochemical Sampling Cu, 2007



Tokhtazan group of Licences

Kyrgyzstan

Licence Information

The Tokhtazan group of licences contains Akdjol (4 km²) and Tokhtazan (108 km²) licences. The Company undertook limited work on the Tokhtazan properties during 2007. These were significantly obstructed due to a mud-flow that blocked access to the site during August 2007 and hence no access for drilling equipment was possible.

Project Geology

In the immediate Tokhtazan prospect setting, the Devonian-Carboniferous sequence has been thrust over the ophiolite-metabasalt formations whilst both suites have been overprinted by metamorphism. The entire sequence has subsequently been intruded by later Carboniferous-Permian age granodiorites, quartz-diorites, monzonite porphyries and quartz-syenite-porphyries of the Akdzhol complex.

Mineralisation at Tokhtazan is localised along the gently dipping thrust contact between the underlying Lower Palaeozoic metavolcanics and the overlying Carboniferous sediments.

Project Mineralisation

At Tokhtazan, a gently southward dipping thrust zone, which separates the Upper Proterozoic-Lower Palaeozoic schist from the overlying Devonian-Carboniferous sediments, is the principal structural control on mineralisation.

The bulk of the mineralisation occurs as blanket-like bodies up to 60m thick in places, comprised of as many as seven sub parallel zones from 1 to 20m thick. Linear steeply-dipping stockwork zones of quartz-pyrite veinlets occur within the Upper Proterozoic to Lower Palaeozoic sequence. The deposit is divided into a northern and southern section, the latter carrying the majority of mineralisation. The gold mineralisation in the south part of the deposit has been exposed by trenches over a length of approximately 450m, whilst the mineralisation in the north zone is exposed at surface over about 175m.

The alteration intensity is moderate and is represented by quartz-sericite-carbonate metasomatites, often with a stockwork of the quartz-carbonate-feldspar veinlets.

The deposit is strongly affected by faulting. The Kurpsai Fault cuts through the central part of the area and divides it into two blocks, with primarily intrusive rocks to the northwest and terrigenous to the southeast. The fault trends northeast and is seen as a thick, steeply-dipping schistose zone, dipping to the northwest at between 60-80°. It bounds the mineralisation to the northwest. Younger, north west trending faults displace the mineralisation.

2007 Exploration Works

The 2007 programme consisted of chip and channel sampling, which returned results in line with historical intercepts. The Company is actively seeking to dispose of this asset.

Within the Akdjol licence the company performed 3,140 cubic metres of trenching and road cut sampling, with some 2,532 samples collected. Within the Tokhtazan licence, 1,540 cubic metres of trenching and road cutting were performed, with 640 samples collected.

Karchiga

Kazakhstan

2007/2008 Highlights

- In February 2007, Lero acquired a 70% interest in GRK MLD Ltd that controls the Karchiga licence in eastern Kazakhstan
- 1,553 geochemical soil samples taken over a 200m x 100m grid that covers the entire 47.3km² contract area
- 16 line kilometres of DD-IP geophysics, a total of 9 lines were run in a south west to north east orientation
- 21 diamond drill holes for a total of 1,878.9m
- 250m of surface trenching completed

Licence Information

In February 2007, Lero Gold Corp. entered into an agreement to purchase 73.9% of "Eildon Enterprises Ltd" the registered and beneficial owner of 94.75% of the capital of GRK MLD LLP ("MLD"), a limited liability partnership incorporated under the laws of the Republic of Kazakhstan. Upon completion of this transaction Lero indirectly owns 70% of MLD.

MLD holds the rights to subsoil use for exploration and mining of copper on the Karchiginoskoye deposit ("Karchiga") in the Vostochno-Kazakhstanskaya (Eastern Kazakhstan) Area of the Republic of

Kazakhstan, and has entered into a contract with the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (the "Competent Authority"), which permits MLD to explore and mine at Karchiga, in accordance with the laws of the Republic of Kazakhstan. The consideration for the acquisition of the Eildon shares will be the repayment by Lero of certain historic expenses and the assumption of certain liabilities in connection with the exploration of Karchiga, and the issuance by Lero of 2,000,000 common shares.

Licence Location

The Karchiga copper-gold licence area, which covers a total area of 47.3km² is a Middle Palaeozoic metamorphosed volcanogenic massive sulphide deposit (VMS) located in the extreme northeast of the Republic of Kazakhstan, within 40km of the Chinese border. The project is readily accessible and is situated on gentle undulating terrain.

The Karchiga deposit is located within the north-west striking, Middle Palaeozoic, Rudny Altai VMS belt, the host of numerous world class VMS deposits, including the Leninigorsk, Zyryanovsk, Maleevsky and Ridder-Sokolnoye deposits.

Project History

The Karchiga deposit was originally exploited by Chinese artisans in ancient times and was re-discovered and explored by Soviet geologists during the 1940's and 50's. The Soviet era exploration included more than 100 cored drill holes and an exploration shaft into the ore body. In 1956 the USSR State Committee on Ore Reserves approved a C1 + C2 category reserve estimate for the Karchiga deposit of 6.3Mt grading 2.77% Cu and 0.8 g/t Au. It must be noted that the Soviet era reserve estimate is not NI 43-101 compliant and has not been validated in detail by Lero.

Project Geology and 2007 Exploration Works

Mineralisation at Karchiga occurs as shallow dipping tabular bodies of massive and disseminated chalcopyrite-pyrrhotite-pyrite ranging from 2 to 25m thick that are hosted by highly metamorphosed amphibolite and micaceous schist. The mineralisation appears to be geologically continuous for 1km of strike length and robust.

The 2007 programme consisted of geophysical surveys, geological mapping and geochemical sampling to identify new mineralised targets along the 10km of strike length of the VMS horizon. Eight widely-spaced IP profiles were completed during 2007 and revealed the presence of additional chargeable targets which require in-fill geophysical profiling. The soil geochemical assays are pending during the release of this MD&A.

In 2007, Lero drilled 21 confirmatory holes totalling 1,879 m and 3 trenches within the historically identified resource at Karchiga. The exploration results have confirmed the dimensions of the known mineralisation and historic Soviet assays completed between 1941 and 1984. The better intercepts are shown in Table 6.

2008 Resource Estimate

On 22 April 2008, Lero reported a National Instrument 43-101 compliant resource estimate for the Karchiga VMS deposit (Table 7).

The resource incorporates the 1,879m of confirmation diamond drilling completed by Lero in Q4 2007 and 86 historical Soviet diamond drill holes and trenches totalling 10,330m. At a 0.50% copper cut-off, the Indicated resource is 4.75Mt @ 2.46% Cu while the Inferred resources total 2.81Mt @ 1.81% Cu.

Table 6: Significant intersections from 2007 Lero drilling

Hole ID	From	To	Length *	Cu	Zn	Type	Zone
K-305	0	60	60	0.78	0.03	Oxide	Central-Trench
KGDD-14	25.00	42.50	17.50	4.56	0.01	Sulphide	Central
KGDD-13	73.60	76.40	2.80	4.48	0.34	Sulphide	Central
KGDD-15	55.80	65.50	9.70	3.22	0.09	Sulphide	Central
KGDD-05	43.50	47.40	3.90	2.97	0.13	Sulphide	Central
KGDD-12	14.50	17.60	3.10	2.29	0.16	Sulphide	Central
KGDD-12	36.00	42.90	6.90	2.91	0.17	Sulphide	Central
KGDD-12	50.20	56.60	6.40	0.34	0.28	Sulphide	Central
KGDD-19	55.70	69.20	13.50	2.41	0.08	Sulphide	Central
KGDD-06	55.70	72.90	17.20	2.10	0.20	Sulphide	Central
KGDD-10	34.60	43.30	8.70	1.82	0.18	Sulphide	Central
KGDD-07	30.40	48.00	17.60	1.70	0.17	Sulphide	Central
KGDD-04	58.80	62.20	3.40	1.34	0.44	Sulphide	Central

* Not true thickness

Table 7: Karchiga Copper Project, Resource estimate April 2008

Cut-off (%) Cu	Indicated Sulphide			Inferred Oxide			Inferred Sulphide		
	Tonnes (Mt)	Cu (%)	Copper (Mlb)	Tonnes (Mt)	Cu (%)	Copper (Mlb)	Tonnes (Mt)	Cu (%)	Copper (Mlb)
0.3	5.10	2.32	261	0.86	1.30	26.9	2.21	1.77	86.5
0.5	4.75	2.46	258	0.71	1.49	26.3	2.10	1.85	86.3

* Not true thickness

Karchiga Central lodes contain 4.75Mt @ 2.46% Cu of the resource within sulphide (Indicated) and 0.71Mt @ 1.49% Cu within oxide (Inferred) material at a 0.50% Cu cut-off. The balance of the resource is contained within an Inferred sulphide resource at Karchiga northeast. The north east lodes, which are blind to surface, are located some 200m across strike and lie 150m stratigraphically above the Karchiga Central mineralised zone.

The mineralisation is located within a series of stacked shallow-dipping massive and disseminated sulphide bodies, primarily consisting of chalcopyrite-pyrrhotite and pyrite mineralisation. The lodes have a strike of in excess of 1km and are intersected at depths reaching 200m. The majority of the high grade sulphide mineralisation is concentrated within 100m from surface. Indication of the presence of easterly-plunging higher grade copper shoots is evident from the modelling completed to date and follow-up drilling is planned to evaluate the down dip potential during the 2008 field season.

The resource was calculated using Ordinary Kriging on composite drill hole samples selected within a 0.5% Cu wireframe. All wireframe models were constructed from interpretation of geology and grade boundaries and used to assign block categories within the grade interpolation model. Material types and sample data was subsequently extracted and subset within discrete lodes and grade interpolation constrained to each individual lode separately. A total of seven separate wireframes were constructed to constrain drill hole data. Specific gravity measurements were carried out for the different material types collected from Karchiga diamond drill core and an in-situ bulk density value assigned to the block model. Eight hundred and fifty eight samples of which 35 standards and 42 duplicates were analysed in Alex Stewart Laboratories in Ust-Kamenogorsk, Kazakhstan and Bishkek, Kyrgyzstan.

Image 4: Location of Karchiga licence area

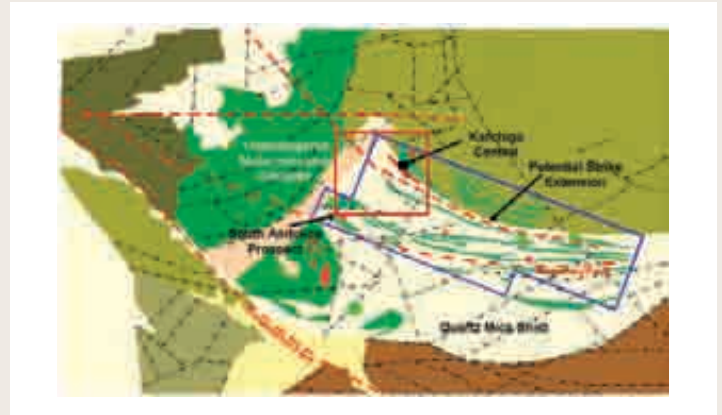


Image 5: Geology of the Karchiga Cu VMS

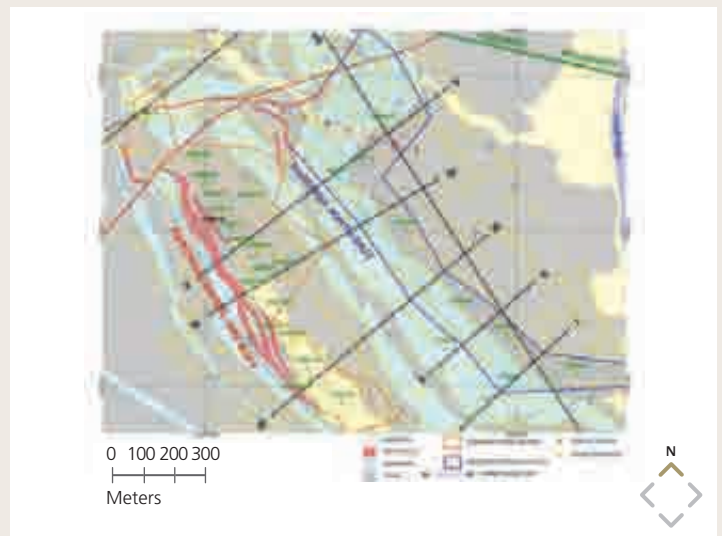
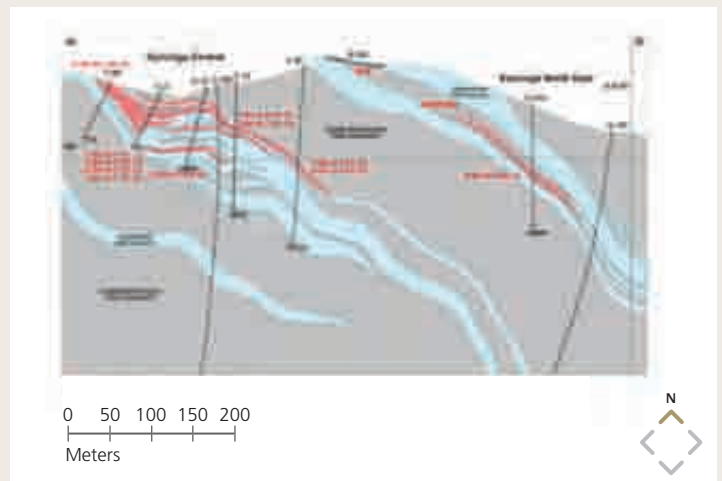


Image 6: Copper project, permit cross section IV - IV



Kyrgyzstan and Kazakhstan

Economy

Kyrgyzstan is a landlocked country situated in Central Asia on China's north west border and is slightly smaller in size than South Dakota (198,500km²). The country has a highly educated (98.7% literacy rate) population of 5.2 million people and an economy that is dominated by primary and secondary industries, with agriculture and mining and industry accounting for 75% and 25% of GDP respectively. The capital city, Bishkek, is located in the north of the country and has a population of approximately 900,000 people. Bitumen roads and an in-country air service provide internal access between the key population centres.

Following the breakup of the Soviet Union in 1991, the former Kyrgyz Soviet Socialist Republic became an independent country and a member of the Commonwealth of Independent States. It has had a progressive start to its independence, being the first country in Central Asia to join the World Trade Organisation ("WTO"), have its own currency, allow private ownership of land and promote liberal attitudes. The government has also worked hard to tackle issues such as inflation, which raised immediately post independence, but was estimated at only 5% in a recent survey. Current investment in the Central Asian region is now put at some US\$20 billion indicating the level of foreign investor confidence and underpinning the foundation of a modern economic society. Comprehensive sovereign risk insurance is also freely available.

Kyrgyzstan Economy

The country produces abundant hydroelectric power and has significant deposits of gold, uranium and rare earth metals, as well as other deposits of copper, mercury, bismuth. It also has minor deposits of coal, oil and natural gas.

The geology of Kyrgyzstan is dominated by the complex sequences that comprise the Tien Shan mountain belt. The mountains form an arc running through the country from west to east, with sub-parallel ranges separated by intermountain basins and valleys. The region identified today by the Tien Shan Mountains lies in a zone in which crustal movements, continental collision, accretion, subduction, rifting and arc development have all taken place repeatedly since the early Proterozoic. Several major linear metallogenic belts have been identified that represent ancient sutures that formerly separated continental blocks and identify the location of palaeoceanic basins.

As a consequence of the tortuous history, the region has been exceptionally well endowed with mineral resources and hosts some of the greatest known gold deposits in the world, notably Muruntau (175Moz) and Kumtor (17Moz), Zarmitan (11Moz), Kokpatas (5Moz), Kochbulak (4Moz) and the giant Kalmakyr porphyry copper-gold complex that contains resources in excess of 70Moz of gold and 20Mt of copper. Numerous other gold and base metals deposits have been discovered in the Tien-Shan Belt, many of which are either being mined or still under investigation.

The Kumtor mine provides an excellent precedent of how the Kyrgyz Republic has transformed its economy and it's commercialising the vast natural resources of the country.

The mine is located in the Tien Shan mountain range in the northeast of the country at an elevation of over 4,000m. It is operated by the Kumtor Operating Company, a wholly owned subsidiary of Centerra Gold Inc. The deposit was first reviewed by Cameco in 1992 and by 1994, a feasibility study had been completed and construction was underway. It is the largest gold mine operated in Central Asia by a western-based company, having produced more than 6.1Moz of gold between 1997 and the end of 2006. As of December 31st, 2007, Centerra's proven and probable reserves totalled 4.9Moz of contained gold. Centerra's measured and indicated resources totalled 3.6 Moz of contained gold.

The Kyrgyz economy is heavily weighted toward gold export. Kumtor accounts for 18% of GDP of the Republic and is operated with the co-operation of the Government under a legislated mining code and a ten year stability agreement. It is one of the largest investment projects in the region, with over US\$450 million having been spent on its development.

Kazakhstan Economy

Kazakhstan is the largest nation and economy in Central Asia, and the ninth largest nation by area in the world. It possesses enormous fossil fuel reserves as well as minerals and metals. It also has considerable agricultural potential with its vast steppe lands accommodating both livestock and grain production, as well as developed space infrastructure, which took over all launches to the International Space Station from the Space Shuttle. Kazakhstan's industrial sector rests on the extraction and processing of these natural resources and also on a relatively large machine building sector specialising in construction equipment, tractors, agricultural machinery, and some military items.

Since 2000, Kazakhstan's economy has grown sharply, aided by increased prices on world markets for Kazakhstan's leading exports - oil, metals and grain. GDP grew 9.6% in 2000, up from 1.7% in 1999. Since 2001, GDP has been among the highest in the world. In 2006, Kazakhstan's economy grew by 8.5% with GDP per capita growth reaching US\$8,536. Business with booming Russia and China, as well as neighbouring CIS nations have helped to propel this growth.

Oil and gas is the leading economic sector. Production of oil and gas condensate in Kazakhstan amounted to 61.9 million tons in 2005, which was 4.3% more than in 2004. Kazakhstan exported 52.4 million tons of oil and gas condensate a year in 2004 and 2005. Natural gas production in Kazakhstan in 2005 amounted to 14.5 billion cubic meters, a 25% increase from 2004. Kazakhstan holds about 4 billion tons of proven recoverable oil reserves and 3 trillion cubic meters of gas. Industry analysts believe that planned expansion of oil production, coupled with the development of new fields, will enable the country to produce as much as 3 million barrels per day by 2015, lifting Kazakhstan into the ranks of the world's top 10 oil-producing nations. Kazakhstan's 2005 oil exports were valued at US\$17.4 billion, representing over 70% of overall exports.

Kazakhstan is the third country in the world for uranium production volumes, and it owns the world second biggest uranium reserves after Australia. It has also the largest silver, zinc and nickel markets in West Asia.

Board of directors



Dr. Sergey V. Kurzin
Chairman

Dr. Sergey Kurzin is currently Executive Chairman of Oriel Resources Plc. Dr. Kurzin is a Russian born research engineer who moved to the United Kingdom in 1990 and has been instrumental in initiatives to secure and progress several important FSU mining assets including: Julietta: high grade gold deposit in Magadan, Russian Federation (Bema Gold); Kupol: high grade epithermal gold deposit in Chukotka, Russian Federation (Bema Gold); and the Varvarinskoye deposit, Kazakhstan (European Minerals Corporation - ex-VP Corporate Development). Dr. Kurzin has been an officer and consultant for the following companies' active in the FSU: Bema Gold, Arian Resources Corp. (acquired by Bema), European Mineral Corporation, Consolidated Puma Minerals Corp., Zincox, Eurasia Mining plc and UrAsia Energy Ltd.



Dr Alexander Yakubchuk
Chief Executive Officer

Dr Yakubchuk joined Lero in January 2008, bringing more than 14 years experience gained in Australia, Canada, China, some European Union countries, Mongolia, Russia and the states of the FSU including Kyrgyzstan and Kazakhstan. Most recently he held the position of Exploration Manager for Europe and the CIS for Gold Fields International Services Ltd. Dr Yakubchuk also held the position of Chief Geologist for QGX Ltd in Mongolia and Branch Manager for BHP Minerals International Exploration Inc. in Russia and lectured as an Associate Professor at Lomonosov Moscow State University for 5 years. He negotiated the exploration alliance with Lero Gold Corp., the placement by Gold Fields into EMED Mining and discovered the +3Moz Degdekan Gold Deposit, Magadan, Russia. Dr Yakubchuk has previously consulted to companies such as BHP-Billiton, Norlisk Nickel, Goldcorp, Rio Tinto, World Bank and Inco.



Nick Clarke
Executive Director

Nick Clarke is currently Managing Director of Oriel resourcing plc. He is a Chartered Engineer with 33 years mining experience since qualifying from Camborne School of Mines. He has spent some 16 years in production management in the mining industries of South Africa, Ghana, and Saudi Arabia where he held senior management positions in production and technical service departments. He has worked on a number of world-class mines including Ashanti Goldfields Corporation, Ghana and Mahd adh Dahab Mine, Saudi Arabia. In 1993 he joined CSM Consultants Limited (now Wardell Armstrong International Limited) to manage the mining, geology and processing consultancy department. Since this time he built the company into an internationally recognised minerals consultancy serving clients in the mining and financial services sectors and was appointed Managing Director in 1997.



Marc Prefontaine
Non-executive Director

Mr. Prefontaine has been President and CEO of Grayd Resource Corp. since 2002. He graduated with a B.Sc. in Geology from the University of Alberta and a M.Sc. in Mineral Exploration from Queen's University. He is a Professional Geologist with over 19 years experience in all facets of mineral exploration including Exploration Manager, and has worked extensively throughout North and South America, South Africa and Central Asia for major companies as well as reputable junior companies. In Combination with his extensive technical knowledge, Mr. Prefontaine also brings experience in management, corporate promotion and investor relations to the Company.



Mark Corra
Non-executive Director

Mr. Corra is Senior VP Finance and CFO of B2Gold Corp. since April 2007, prior to this he spent 17 years with Bema Gold Corporation, first as Controller when he joined in 1990 and was later appointed Vice President Finance in 1995. Mr. Corra started his career at Placer Dome where he spent 11 years in various positions in the accounting department. A Certified Management Accountant, with a diploma in financial management from the British Columbia Institute of Technology, he oversees financial reporting, cash management, tax planning and is a member of the management committee for B2Gold. Over the years he has also acted as CFO for Consolidated Puma Minerals Corp., Victoria Recourses Corp. and Consolidated Westview Resource Corp.



Massimo Carello
Non-executive Director

Mr Carello currently holds non-executive positions with Uranium One Inc. and ACUFON International Ltd. Mr Carello has over 30 years of international senior management and director level experience and has been a former Chairman and CEO of Fiat UK and Diners Club UK.

Auditors' Report to the Shareholders of Lero Gold Corp.

We have audited the consolidated balance sheets of Lero Gold Corp. as at December 31, 2007 and 2006 and the consolidated statements of operations and deficit, comprehensive income (loss), accumulated other comprehensive income 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Dale Matheson Carr-Hilton Labonte LLP
Chartered Accountants

Vancouver, Canada
April 8, 2007

Consolidated Balance Sheets

as at December 31, 2007 and 2006

	2007 \$	2006 \$
ASSETS		
Current assets		
Cash and cash equivalents	2,931,125	3,498,671
Receivables and prepaid expenses	92,068	159,411
	3,023,193	3,658,082
Equipment (Note 4)	137,145	73,974
Mineral property rights and interests (Notes 3 and 5)	6,223,693	5,284,426
	9,384,031	9,016,482
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	265,366	221,631
Due to related party (Note 8)	1,136,771	1,111,762
	1,401,137	1,323,393
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	12,972,339	9,816,698
Contributed surplus (Note 6)	1,449,866	830,015
Deficit	(7,318,740)	(3,135,322)
Other comprehensive income	878,429	171,698
	7,981,894	7,683,089
	9,384,031	9,016,482
Going concern (Note 1)		
Commitments (Note 5)		
Subsequent events (Note 11)		

Approved on behalf of the Board:



Nicholas R. Clarke
Director



Alexander Yakubchuk
Director

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

Consolidated Statements of Operations and Deficit for the years ended December 31, 2007 and 2006

	2007 \$	2006 \$
Income (expenses)		
Impairment of geological information (Note 5)	-	(383,143)
Interest income	90,378	55,221
Other income (Note 7)	93,690	-
Amortization and depreciation	(23,090)	(163,109)
General and administration (Note 6(b))	(1,925,537)	(1,593,084)
Mineral property exploration and evaluation expenditures (Note 5)	(2,389,382)	(893,253)
Foreign exchange (loss)/gain	(29,477)	143,322
Net loss	(4,183,418)	(2,834,046)
Deficit, beginning of year	(3,135,322)	(301,276)
Deficit, end of year	(7,318,740)	(3,135,322)
Basic and diluted net loss per share	(0.07)	(0.07)
Weighted average number of shares outstanding – basic and diluted	60,605,170	40,578,730

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

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income for the years ended December 31, 2007 and 2006

	2007 \$	2006 \$
Net loss for the year	(4,183,418)	(2,834,046)
Other Comprehensive Income		
Foreign currency translation	706,731	171,698
Comprehensive loss for the year	(3,476,687)	(2,662,348)
Accumulated other comprehensive income – beginning of year	171,698	–
Other comprehensive income	706,731	171,698
Accumulated other comprehensive income – end of year	878,429	171,698

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

Consolidated Statements of Cash Flows

for the years ended December 31, 2007 and 2006

	2007 \$	2006 \$
Cash flows from operating activities		
Net loss	(4,183,418)	(2,834,046)
Adjustments to reconcile net loss to cash flow from operating activities:		
Foreign exchange gain/(loss)	29,477	(143,322)
Stock based compensation	615,851	830,015
Impairment of geological information	-	383,143
Amortization and depreciation	23,090	163,109
Forgiveness of debt	39,424	-
Changes in non-cash working capital:		
Receivables and prepaid expenses	69,524	46,927
Accounts payable and accrued liabilities	(72,226)	689,630
Cash used in operating activities	(3,478,277)	(864,544)
Cash flows from investing activities		
Acquisition of Kami, net of cash acquired	-	(1,446,773)
Cash acquired on acquisition of ELE, net of transaction costs	-	12,663
Acquisition of Karchiga, net of cash acquired	(64,324)	-
Acquisitions of equipment	(86,261)	(19,046)
Payment of historical costs	(700,000)	-
Cash used in investing activities	(850,585)	(1,453,156)
Cash flows from financing activities		
Common shares issued	2,447,446	5,375,407
Proceeds from exercise of warrants	541,313	60,923
Proceeds from exercise of options	65,826	-
Loan funding	-	65,000
Cash flow from financing activities	3,054,585	5,501,330
Effect of exchange rate changes	706,731	171,698
(Decrease)/Increase in cash and cash equivalents	(567,546)	3,355,328
Cash and cash equivalents – beginning of year	3,498,671	143,343
Cash and cash equivalents – end of year	2,931,125	3,498,671

Supplemental cash flow information

On February 1, 2007, 2,000,000 common shares with a fair value of \$765,630 were issued, as part of the consideration for the acquisition of Eildon Enterprises Ltd (Note 3 (a)).

On July 24, 2006, 30,000,000 common shares with a fair value of \$2,062,876 were issued to Oriel Resources plc resulting in the reverse takeover of ELE by Tourmon (Note 3 (b)).

On October 6, 2006, 3,757,679 common shares with a fair value \$1,617,391 were issued, as part of the consideration for the exercise of the option to acquire the entire share capital of Kami (Note 3(b)).

The Company did not pay any cash for interest or taxes during the years ended December 31, 2007 and 2006.

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

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

1 Nature and continuance of operations

Lero Gold Corp. ("Lero", or the "Company"), is a Canadian registered gold and base metals exploration company based in the United Kingdom that is seeking and evaluating gold and base metal projects in the former Soviet Union countries.

Lero was incorporated under the Company Act (British Columbia) on December 19, 1994 under the name "The Electric Mail Company Inc". On March 29, 2004, the Company was transitioned under The Business Corporations Act (British Columbia) and its name was changed to ELE Capital Corporation. During the year ended December 31, 2006 the Company changed its name to Lero Gold Corp.

The consolidated financial statements reflect the acquisition from Oriel Resources plc ("Oriel") of certain assets by Lero on July 24, 2006, including a 100% interest in Tournon Finance Limited ("Tournon"). As the shareholders of Tournon acquired control of Lero following the Tournon acquisition, this transaction, described as a reverse takeover, has been accounted for as an acquisition of Lero by Tournon (See Note 3). Tournon was incorporated in the British Virgin Islands under the International Companies Act of the British Virgin Islands on December 8, 2004.

The consolidated financial statements reflect the acquisition by Lero on February 1, 2007 of 73.9% of Eildon Enterprises Ltd ("Eildon") the registered and beneficial owner of 94.75% of the capital of GRK MLD LLP ("MLD"), a limited liability partnership incorporated under the laws of the Republic of Kazakhstan (See Note 3).

The Company is in the development stage and is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred exploration expenditures are dependant upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the Company's ability to obtain the necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

These consolidated financial statements have been prepared with the assumption that the Company will be able to realise its assets and discharge its liabilities in the normal course of business. Continued operations of the Company are dependent on the Company's ability to receive continued financial support as needed, and ultimately on generating profitable operations in the future. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations.

2 Basis of presentation and significant accounting policies

These consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

These consolidated financial statements and their accompanying notes are presented in United States dollars. Canadian dollars are referred to as "C\$".

The Company has adopted the following significant accounting policies:

a Changes in accounting policies

January 1, 2007, the Company adopted five new accounting standards issued by the Canadian Institute of Chartered Accountants (CICA): Handbook Section 1530, *Comprehensive Income*, Handbook Section 3855, *Financial Instruments – Recognition and Measurement*, Handbook Section 3251, *Equity*, Handbook Section 3861, *Financial Instruments – Disclosure and Presentation* and Handbook Section 3865, *Hedges*. These standards were adopted prospectively and accordingly, comparative amounts for prior periods have not been restated.

- i 3861 Financial Instruments – Disclosures and Financial Instruments – Presentation: Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not restated and therefore, the comparative figures have not been restated.
- ii On adopting these new standards, the Company designated its cash and term deposits as held-for-trading, which are measured at fair value. Marketable securities are designated as available for sale which are measured at fair value. Receivables are classified under loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities, and due to related parties are classified as other financial liabilities, which are measured at amortized cost.
- iii Financial assets classified as loans and receivables, as well as other financial liabilities, have a fair value equivalent to their carrying value due to the short term nature of their maturity.
- iv 1530 Comprehensive Income: The new standard is effective for fiscal years beginning on or after October 1, 2007 and establishes standards for reporting comprehensive income, defined as a change in value of net assets that is not due to owner activities, by introducing a new requirement to temporarily present certain gains and losses outside of net income. The Company's other comprehensive income represents changes in shareholders' equity arising from the net unrealised foreign currency gain/(loss) on the Company's net investment in foreign operation.

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

- v 3251 Equity: The new standard establishes standards for the presentation of equity and changes in equity during the reporting period.
- vi 3855 Financial Instruments – Recognition and Measurement: Section 3855 requires that all financial assets and financial liabilities (including derivatives) be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial asset or liability has been classified as held-for-trading, available-for-sale, held-to-maturity, loans and receivables or other liabilities.

Financial instruments classified as held-for-trading are measured at fair value and unrealised gains and losses are included in net income in the period in which they arise.

Available-for-sale assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as held-for-trading, held-to-maturity, or loans and receivables. Available-for-sale assets are measured at fair value with unrealised gains and losses recorded in other comprehensive income until realised, at which time they will be recognised in net income.

Other accounting implications arising upon the adoption of Section 3855 include the use of the effective interest method (“EIM”) for any transaction costs or financing fees earned or incurred for financial instruments measured at amortized cost, and the recognition of the fair value of the obligation undertaken in issuing a guarantee that meets the definition of a guarantee pursuant to Accounting Guidelines 14, Disclosure of Guarantees (AcG 14). No subsequent re-measurement at fair value is required unless financial guarantee qualifies as a derivative. If the financial guarantee meets the definition of a derivative, it is re-measured at fair value at each balance sheet date.

- vii 3865 Hedges: The new standard establishes standards for when and how hedge accounting may be applied.
- viii These new standards replace accounting standard 3861 Financial Instruments Disclosure.

b Basis of consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries. All inter-company transactions and balances have been eliminated on consolidation.

In accordance with the guidance relating to reverse takeover accounting and disclosures, the consolidated financials statements as at December 31, 2006 reflected the results of operations and cash flows of Tournon until the date of the reverse takeover on July 24, 2006 and included those of Lero subsequent to the date of the reverse takeover on July 24, 2006.

The consolidated financials statements as at December 31, 2007 also reflect the results of operations and cash flows of Eildon and its subsidiary GRK MLD LLP from the date of acquisition on February 1, 2007.

c Functional and reporting currency

The Company's reporting currency is the United States dollar. The Company and its subsidiaries operate in Canada and in the countries of the Former Soviet Union. The financial results of subsidiaries have been translated into United States Dollars using the current rate method. The current rate method provides that all assets and liabilities are translated at the year-end rate of exchange and all revenue and expense items are translated at the average rate of exchange prevailing during the period. Exchange gains and losses arising from this translation, representing the net unrealised foreign currency translation gain/(loss) on the Company's net investment in those foreign operations, are recorded as a component of Other Comprehensive Income, as the Company is reporting in a currency other than its functional currency in accordance with Canadian GAAP.

d Cash and cash equivalents

Cash and cash equivalents include cash and other short instruments with an original maturity of three months or less.

e Mineral property interests and rights

The Company records mineral properties at the lower of cost or estimated recoverable value. The Company includes option acquisition and exercise costs as components of the cost of mineral properties. The carrying value of mineral properties are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

f Mineral property exploration and evaluation expenditures

Mineral property exploration and evaluation expenditure incurred are charged to operations in the period in which they are incurred. When a project reaches a stage whereby a positive assessment of its technical feasibility and economic viability can be reasonably determined, such as the result of a pre-feasibility study, then to the extent that they are recoverable, all further exploration and development costs will be capitalised as a deferred development and exploration costs in the balance sheet.

g Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided to write off the cost or valuation, less estimated residual values, of all equipment evenly over their estimated useful lives.

Equipment and vehicles	10% – 33% per annum
Office equipment and furniture	20% – 100% per annum

h Environmental protection and asset retirement obligation costs

The Company recognises liabilities for statutory, contractual or legal obligations associated with the retirement of property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, the fair value of the liability for an assets retirement obligation is recognised in the period incurred. The net present value is added to the carrying amount of the associated asset and amortized over the asset's useful life. The liability is accreted over time through periodic charges to earnings and it is reduced by actual costs of reclamation. The Company's estimates of reclamation costs could change as a result of changes in regulatory requirements and assumptions regarding the amount and timing of the future expenditures. Expenditures relating to ongoing environmental programs are charged against operations as incurred or capitalised and amortized depending on their relationship to future earnings. At December 31, 2007, the Company's asset retirement obligation was not material.

i Income taxes

The Company uses the liability method of accounting for income taxes. Under the liability method, future tax assets and liabilities are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of liabilities and their respective tax bases and for tax losses and other deductions carried forward. Upon business acquisitions, the liability method results in a grossing up of mining interests to reflect the recognition of the future tax liabilities for the tax effect of such differences. Future tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. A reduction in respect of the benefit of a future tax asset (a valuation allowance) is recorded against any future tax asset if it is not likely to be realised. The effect on future tax assets and liabilities of a change in tax rates is recognised in income in the period in which the change is substantively enacted.

j Stock compensation

The Company uses the fair value method of accounting for all stock option awards. Under this method, the Company recognises a compensation expense for all stock options based on the fair value of the options on the date of grant, which is determined by using an option pricing model. The fair value of the options is expensed over the vesting period of the options.

k Loss per share

Earnings per share calculations are based on the weighted average number of common shares and common share equivalents issued and outstanding during the year. Diluted earnings per share is calculated using the treasury method which requires the calculation of diluted earnings per share by assuming that outstanding stock options, warrants, and restricted share units with an average market price that exceeds the average exercise prices of the options and warrants for the year, are exercised and the assumed proceeds are used to repurchase shares of the Company at the average market price of the common shares for the year. The loss per share for the year ended December 31, 2006 were calculated, based on the number of shares issued in the reverse take over and not the number of shares outstanding in the accounting parent, in accordance with Canadian GAAP.

l Financial Instruments

The Company's financial instruments comprise of cash and cash equivalents, accounts receivables, accounts payable and accrued liabilities and amounts due to related party. The fair value of the financial instruments approximates their carrying values due primarily to their immediate or short-term maturity.

m Measurement uncertainty and risk management

The preparation of financial statements in conformity 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 liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results may differ from those estimates. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral properties, carrying value of mineral properties, future income tax effects and the determination of fair value for stock based transactions.

Recent Accounting Pronouncements

General Standards of Financial Statement Presentation

The CICA accounting standards board amended Section 1400 to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The Company does not expect the adoption of this amendment to have an impact on its consolidated financial statements.

Capital Disclosures

In December 2006, the CICA issued Section 1535 which specifies the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences on non-compliance. The mandatory effective date is for annual and interim financial statements for years beginning on or after October 1, 2007. This new requirement must be adopted by the Company effective January 1, 2008. The Company does not expect the adoption of this amendment to have an impact on its consolidated financial statements.

Section 3862, Financial Instruments Disclosures

Section 3863, Financial Instruments Presentation

These sections will replace Section 3861, Financial Instruments Disclosure and Presentation, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new Sections will place increased emphasis on disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks. The mandatory effective date is for annual and interim financial statements for years beginning on or after October 1, 2007. The Company will begin application of these sections effective January 1, 2008. It is not anticipated that the adoption of these new accounting standards will materially impact the amounts reported in the Company's financial statements as they related primarily to disclosure.

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

Transition to International Financial Reporting Standards

In 2006, Canada's Accounting Standards Board (AcSB) ratified a strategic plan that will result in the convergence of Canadian GAAP, as used by public companies, with International Financial Reporting Standards over a transitional period. The AcSB has developed and published a detailed implementation plan, with a changeover date for fiscal years beginning on or after January 1, 2011. This initiative is in its early stages as of the date on these consolidated financial statements. Accordingly, it would be premature to assess the impact of the initiative on the Company at this time.

3 Acquisitions

a Acquisition of Eildon Enterprises Ltd

On February 1, 2007, the Company completed the acquisition of 73.9% of Eildon Enterprises Ltd ("Eildon") the registered and beneficial owner of 94.75% of the capital of GRK MLD LLP ("MLD"), a limited liability partnership incorporated under the laws of the Republic of Kazakhstan. On completion, the Company owns 70% of MLD. MLD holds the rights to subsoil use for exploration and mining of copper on the Karchiginskoye Deposit in the Vostochno-Kazakhstanskaya (Eastern-Kazakhstan) Area of the Republic of Kazakhstan, referred to as the Karchiga property. In terms of property license agreement the Company has an expenditure commitment on the Karchiga property of \$2,500,000 over the period ending January 16 2010. The consideration paid was 2,000,000 common shares of the Company with a fair value of \$765,630 plus a signing bonus of \$65,000 and the assumption of liabilities totaling \$104,321 for total consideration of \$934,951. Under the terms of the subsoil use license, the Company has agreed to repay certain historic costs totaling \$718,374 that the Republic of Kazakhstan incurred for a geological survey of the license area. The payment of the liability is contingent on commercial production of the Karchiga project.

The allocation of the purchase price is summarised below:

	Book value \$	Fair value adjustments \$	Fair value \$
Net assets acquired:			
Receivables and prepaid expenses	2,181	-	2,181
Cash and cash equivalents	676	-	676
Other creditors	(7,172)	-	(7,172)
Mineral property rights and interests	7,182	932,084	939,266
	2,867	932,084	934,951
Consideration satisfied by:			
Fair value of shares			765,630
Transaction costs			65,000
Liabilities assumed			104,321
Total cost of acquisition			934,951

b Acquisition of mineral property rights and interests on reverse merger

On July 24, 2006, the Company acquired from Oriel 100% of the issued share capital of Tournon Finance Limited ("Tournon"); an option to acquire the entire issued share capital of Kami Associates Limited ("Kami") and an option to acquire the entire issued share capital of Caledone Finance Limited ("Caledone") in consideration for the issuance of 30,000,000 common shares of the Company. As the shareholders of Tournon acquired control of the Company following the Tournon acquisition, this transaction is a reverse takeover and was accounted for using the purchase method in accordance with the provisions for reverse takeover accounting with Tournon (the legal subsidiary) being treated as the accounting parent and Lero (the legal parent) being treated as the accounting subsidiary. The purchase price was determined by reference to the carrying value of the net assets acquired from the Company, the fair value of options acquired, and the carrying value of certain intercompany loans forgiven by Oriel. The allocation of the purchase price to each of the components of the acquisition is summarised in the table below:

	Fair value of shares issued in consideration \$
Acquisition of net assets of ELE	33,587
Acquisition of Tournon	749,633
Acquisition of option to acquire Kami	1,279,656
	2,062,876

i Acquisition of Tournon

Tournon is the registered and beneficial owner of 100% of the capital of Oriel in Kyrgyzstan LLC ("Oik"), a limited liability company incorporated under the laws of the Republic of Kyrgyzstan. Oik holds the rights to subsoil use for exploration and mining of gold at the Tokhtazan deposit, Western Kyrgyzstan, referred to as the Tokhtazan property. The Tokhtazan licence was issued to Oik for a nominal fee in 2005. As part of the license Oik assumed a liability of \$800,000 payable for historical exploration expenses incurred on the Tokhtazan property. Of this liability, \$700,000 was outstanding at December 31, 2006. This remaining liability was settled in cash during 2007. The expectation at December 31, 2006 of settlement by issuance of common shares of the Company with a fair value of \$700,000 has been reversed during 2007 (See Note 6(b)). In connection with the Tournon acquisition, Oriel forgave \$749,633 owing from Tournon and Oik. In 2007, a further amount of \$39,426 was forgiven by Oriel in connection with the Tournon and Oik acquisitions.

ii Acquisition of option to acquire Kami

During 2006 the Company acquired from Oriel, an option to acquire the entire issued share capital of Kami, which owns the entire issued and outstanding share capital of Talas Copper Gold LLC ("Talas"). Talas is a limited liability company incorporated under the laws of the Republic of Kyrgyzstan. Talas is the registered owner of four exploration licences over the Taldybulak copper-gold porphyry deposit in the Talas region of the Republic of Kyrgyzstan, referred to as the Taldybulak property. As the former shareholders of Oriel control the Company subsequent to the reverse takeover, there was no change of control of this option. Accordingly, the value assigned to this option is deemed to be Oriel's carrying value of the Kami option immediately prior to the transaction being \$1,339,048.

iii Acquisition of option to acquire Caledone

The option to acquire the entire issued share capital of Caledone expired without exercise during 2007.

iv Acquisition of Kami

On September 18, 2006, the Company exercised the option to acquire the entire issued share capital of Kami (See Note 3(b) (ii)). In consideration, the Company paid a total of \$3,192,458. The consideration was paid by way of a cash payment of \$1,500,000 on September 13, 2006 and the issuance of common shares in the Company with a fair value \$1,617,391 issued on October 6, 2006.

The allocation of the purchase price is summarised in the table below:

	Book value \$	Fair value adjustments \$	Fair value \$
Assets and liabilities acquired:			
Equipment	5,968	-	5,968
Cash and cash equivalents	53,227	-	53,227
Receivables and prepaid expenses	37,215	-	37,215
Accounts payable and accrued liabilities	(49,330)	-	(49,330)
Mineral property rights and interests	760,696	2,384,682	3,145,378
	807,776	2,384,682	3,192,458

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

4 Equipment

The following table summarises the Company's equipment:

	2007	2007	Net book	2006	2006	Net book
	Cost	Accumulated	value	Cost	Accumulated	value
	\$	depreciation	\$	\$	depreciation	\$
		\$			\$	
Equipment	58,266	(18,216)	40,050	17,752	(6,004)	11,748
Computer equipment	23,947	(7,747)	16,200	27,502	(6,167)	21,335
Motor vehicles	92,735	(11,840)	80,895	43,437	(2,546)	40,891
	174,948	(37,803)	137,145	88,691	(14,717)	73,974

5 Mineral property rights and interests

The following table summarises the Company's mineral property rights and interests:

	2007	2007	Net book	2006	2006	Net book
	Cost	Accumulated	value	Cost	Accumulated	value
	\$	depletion and	\$	\$	depletion and	\$
		impairment			impairment	
		\$			\$	
Karchiga	939,266	–	939,266	–	–	–
Taldybulak	4,484,427	–	4,484,427	4,484,426	–	4,484,426
Tokhtazan	1,412,902	(612,902)	800,000	1,412,902	(612,902)	800,000
	6,836,595	(612,902)	6,223,693	5,897,328	(612,902)	5,284,426

Through its 70% interest in MLD, the Company holds the rights to subsoil use for exploration and mining of copper on the Karchiginskoye Deposit in the Eastern-Kazakhstan Area of the Republic of Kazakhstan, referred to as the Karchiga property. Under the terms of the property license agreement, the Company has an expenditure commitment on the Karchiga property of \$2,500,000 over the period ending January 16 2010. See Note 3 (a). To December 31, 2007 the Company has incurred \$735,000 towards this commitment.

The Taldybulak mineral property is recorded at \$4,484,427 (2006: \$4,484,426) representing the Taldybulak 2006 option acquisition cost of \$1,339,048 and fair value on an option exercised in 2006 at \$3,145,378 (See Note 3(b)(ii)). Under the terms of the property license agreements the Company has an expenditure commitment on the Taldybulak property of \$2,800,000 (2006: \$2,800,000) over the period ending December 31, 2010. To December 31, 2007 the Company has incurred \$2,717,270 towards this commitment.

In connection with the private placement completed in November 2006 (See Note 6(b)(v)), the Company granted Gold Fields Limited ("Gold Fields") an option to enter into a joint venture agreement under which Gold Fields will have the right to:

- Earn up to a 60% interest in the Taldybulak property by financing exploration expenditures of C\$10,000,000; and
- Increase its interest in the property by a further 10% (to a total of 70%) by financing the expenditure of a further C\$10,000,000. Thereafter, Gold Fields and the Company will contribute to the project requirements on a pro rata basis through to development.

Pursuant to the terms of the agreement with Gold Fields, the Company has committed to spend \$1,800,000 of the private placement funds of \$2,145,185 (see Note 6(b)(v)) on further exploration of the Taldybulak property. At December 31, 2007 \$1,730,064 (2006: \$113,125) had been spent on this property.

The Tokhtazan mineral property is recorded at \$800,000 (2006: \$800,000) representing the assumption of liabilities of \$800,000 on acquisition (See Note 3(b)(i)). Under the terms of the property license agreements, the Company has an expenditure commitment on the Tokhtazan property of \$900,000 (2006: \$900,000) over the period ending January 11, 2009. To December 31, 2007 the Company has incurred \$918,000, exceeding this commitment by \$18,000.

During the year ended December 31, 2005 the Company acquired geological data at a cost of \$612,902 relating to the Tokhtazan property. The acquisition costs were originally being depreciated over a four year period. At December 31, 2006 management determined that this information no longer had any future benefits and accordingly fully impaired the carrying value of \$383,143.

6 Share capital and contributed surplus

a Authorised

Unlimited common shares with no par value.

b Issued and fully paid common shares

	Number of shares	Share capital \$	Contributed surplus \$
Balance December 31, 2005	2,043,190	101	–
Issued pursuant to:			
February private placement (i)	10,000,000	1,944,314	–
June private placement (ii)	5,500,000	1,285,908	–
Acquisition of ELE (iii) (Note 3b)	30,000,000	2,062,876	–
Acquisition of Kami (iv) (Note 3b)	3,757,679	1,617,391	–
November private placement (v)	5,000,000	2,145,185	–
Exercise of warrants	284,000	60,923	–
Grant of share options	–	–	830,015
Obligation to issue shares (vi)	–	700,000	–
Balance December 31, 2006	56,584,869	9,816,698	830,015
Reversal of obligation to issue shares (vi)	–	(700,000)	–
Issued pursuant to:			
Exercise of warrants	1,543,000	541,313	–
Exercise of options (viii)	200,000	101,252	(35,426)
Acquisition of Eildon (vii)	2,000,000	765,630	–
June private placement (ix)	466,840	201,093	–
December private placement (x)	10,000,000	2,246,353	–
Grant of share options	–	–	615,851
Loan forgiven (Note 3b(i))	–	–	39,426
Balance December 31, 2007	70,794,709	12,972,339	1,449,866

- i On February 14, 2006 the Company completed a private placement of 10,000,000 units at a price of C\$0.25 per unit for gross proceeds received of \$2,145,186 (C\$2,500,000), which was held in escrow and released to the Company on completion of the reverse takeover. Effective July 24, 2006, the Company issued the 10,000,000 units. Each unit is comprised of one common share and one half of one share purchase warrant. Each warrant will be exercisable to acquire one additional common share of the Company at a price of C\$0.50 until February 14, 2007 and at a price of C\$0.75 until February 14, 2008. No value was attributed to these warrants. In connection with this private placement, share issue costs of \$200,872 were incurred. In addition, the Company issued 1,000,000 agents' warrants, exercisable at C\$0.25 per share before February 14, 2008. The grant date fair values of the agents' warrants, estimated to be \$173,500 have been included in share capital on a net basis and accordingly have not been recorded as a separate component of shareholders' equity.
- ii On June 6, 2006 the Company completed a private placement of 5,500,000 units at a price of C\$0.30 per unit for gross proceeds of \$1,415,823 (C\$1,650,000) which was held in escrow and released to the Company on completion of the reverse takeover. Effective July 24, 2006, the Company issued the 5,500,000 units. Each unit is comprised of one common share and one half of one share purchase warrant. Each warrant will be exercisable to acquire one additional common share of the Company at a price of C\$0.50 until February 14, 2007 and at a price of C\$0.75 until February 14, 2008. No value was attributed to these warrants. In connection with this private placement, share issue costs of \$129,915 were incurred.
- iii On July 24, 2006 the Company issued 30,000,000 shares in consideration for (i) 100% of the issued capital of Tournon; (ii) an option to acquire all of the issued and outstanding shares of Kami; and (iii) an option to acquire all of the issued and outstanding shares of Caledone (See Note 3(b)).
- iv On October 6, 2006, the Company issued 3,757,679 common shares with a fair value of \$1,617,391 representing part of the consideration for the exercise of the option to acquire the entire share capital of Kami (See Note 3(b)).
- v On November 3, 2006, the Company completed a private placement of 5,000,000 common shares at a price of C\$0.50 per share to Gold Fields Exploration B.V., a subsidiary of Gold Fields for total proceeds of \$2,145,185 (See Note 5).
- vi The Tokhtazan licence was issued to Oik for a nominal fee in 2005. As part of the licence, Oik assumed a liability of \$800,000 payable for historical exploration expenses incurred on the Tokhtazan property. Of this liability, \$700,000 was outstanding at December 31, 2006. This remaining liability was settled by cash in the year ended December 31, 2007.
- vii On February 1, 2007, the Company completed the acquisition of 73.9% of Eildon. As part of the consideration, the Company issued 2,000,000 common shares with a fair value of \$765,630.

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December 31, 2006 and 2005

- viii On April 19, 2007, the Company issued 200,000 common shares with a fair value of \$65,827. In connection with this issue \$35,426 was transferred from contributed surplus to share capital.
- ix On June 12, 2007, the Company completed a private placement of 466,840 common shares at a price of C\$0.50 per share to Gold Fields Exploration B.V., a subsidiary of Gold Fields, for proceeds of \$201,093, net of share issue costs of \$5,730.
- x On December 21, 2007, the Company completed a private placement of 10,000,000 common shares at a price of C\$0.25 per share for proceeds of \$2,246,353, net of share issue costs of \$267,726.

c Stock Options

The Company has a "rolling" stock option plan (the "Plan") in compliance with the TSX-V's policy for granting stock options. Under the Plan, the number of share options granted may not exceed 10% of the total number of issued and outstanding shares of the Company. The exercise price of each option shall not be less than the market price of the Company's common shares at the date of the grant.

A summary of the change in outstanding stock options is presented below:

	Number of options	Weighted average exercise price	Weighted average life
Balance, December 31, 2005	–	–	–
Granted July 24, 2006	4,000,000	C\$0.35	
Granted November 20, 2006	400,000	C\$0.38	
Balance, December 31, 2006	4,400,000	C\$0.35	4.59 years
Granted August 3, 2007	400,000	C\$0.38	
Granted December 21, 2007	200,000	C\$0.74	
Granted December 21, 2007	1,100,000	C\$0.61	
Exercised – Options granted July 24, 2006	(200,000)	C\$0.35	
Expired – Options granted November 20, 2006	(25,000)	C\$0.60	
	5,875,000	C\$0.41	3.97 years

Stock options presented follow a re-pricing of 400,000 options granted November 20, 2006 from C\$0.60 to C\$0.38. The fair value of the options re-priced was estimated using the Black Scholes option pricing model. As a result of the repricing there was no additional charge to stock-based compensation.

The following table summarises information about the stock options outstanding and exercisable at December 31, 2007:

Number of options granted	Exercised/Expired	Outstanding	Exercisable	Exercise price	Expiry date
4,000,000	200,000	3,800,000	3,800,000	C\$0.35	July 24, 2011
400,000	25,000	375,000	375,000	C\$0.38	November 20, 2011
400,000	–	400,000	400,000	C\$0.38	August 3, 2012
200,000	–	200,000	200,000	C\$0.74	December 21, 2012
1,100,000	–	1,100,000	1,100,000	C\$0.61	December 21, 2012
6,100,000	225,000	5,875,000	5,875,000	C\$0.43	

The fair value of the 1,700,000 (2006: 4,400,000) options granted during the period was estimated to be \$615,851 (2006: \$830,015) using the Black-Scholes option pricing model. This estimated fair value has been recorded within general and administration expenses in the results of operations, with a corresponding credit to contributed surplus.

The following assumptions were used for the Black-Scholes valuation of the stock options granted:

Risk-free interest rate	4.25%
Expected life	2.5 years
Annualised volatility	98.55%
Dividend rate	0.00%

d Warrants

A summary of the changes in outstanding warrants is presented below:

	Number of warrants	Weighted average exercise price	Weighted average life
Balance, December 31, 2005			
Issued	7,750,000	C\$0.50	
Agent's warrants issued	* 1,000,000	C\$0.25	
Exercised	(284,000)	C\$0.25	
Balance, December 31, 2006	8,466,000	C\$0.48	1.12 years
Agent's warrants issued	328,000	C\$0.75	
Agent's warrants issued	142,000	C\$0.50	
Exercised	(887,000)	C\$0.50	
Exercised	(656,000)	C\$0.25	
Balance, December 31, 2007	7,393,000	C\$0.44	1.23 years

* On exercise of each Agent's warrant the Agent receives one common share and one half warrant. During 2006 and 2007 470,000 Agent's warrants were issued in respect of 940,000 Agent's warrants exercised.

The following table summarises information about the warrants outstanding and exercisable at December 31, 2007:

Granted	Exercised and forfeited	Outstanding	Exercise price	Expiry date
14 Feb 2006	940,000	60,000	C\$0.25	February 14, 2008
25 July 2006	750,000	7,000,000	C\$0.50	June 25, 2008
14 Feb 2007	137,000	333,000	C\$0.75	February 14, 2008
	1,827,000	7,393,000		

7 Other Income

On June 19, 2007 the Company entered into an agreement for the sale of all of the shares of its wholly owned subsidiary Tournon, which through its wholly-owned subsidiary Oriel in Kyrgyzstan LLP, holds the Company's exploration and mining licence for the Tokhtazan and Akdjol areas in western Kyrgyzstan. The sale did not complete and the deposit of \$93,690 was retained by the Company in line with the terms of the sale and purchase agreement.

8 Related party transactions and balances

During the year ended December 31, 2007 the Company was charged \$149,836 (2006 – \$56,101) for consulting services by a company controlled by a director.

During the year ended December 31, 2007 the Company was charged \$Nil (2006 – \$56,484) by three directors for management and consulting fees for consulting services.

During the year ended December 31, 2007 the Company was charged \$Nil (2006 – \$22,046) for corporate finance fees to a company controlled by a director. In addition, \$Nil (2006 – \$18,371) was charged for management and consulting fees by this director.

During the year ended December 31, 2007 the Company was charged \$Nil (2006 – \$3,086) for rent by a company controlled by a director.

Amounts due to related party at December 31, 2007 of \$1,136,771 (December 31, 2006 – \$1,111,762) is owing to Oriel. The loan is unsecured, bears no interest, has no fixed terms of repayment and is denominated in US dollars. During the year ended December 31, 2007 the Company was charged \$197,216 (2006 – \$29,167) for expenses by Oriel.

During the year ended December 31, 2007 Oriel disposed of its controlling interest in the Company; however, the Company and Oriel continue to have directors and officers in common.

These transactions are in the normal course of operations and are measured at the exchange amount.

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9 Income taxes

The Company and its subsidiaries have incurred tax losses for the period and an income tax charge is not anticipated. The potential benefit of these taxation losses, calculated at the rates of tax prevailing in the countries in which the losses were incurred, amount to approximately \$538,000 (2006 – \$ 528,000). This amount has not been recognised in the financial statements as the recovery of this benefit is dependent on the future profitability of certain subsidiaries, the timing of which cannot be reasonably foreseen.

The provision for income taxes reported differs from the amounts computed by applying the cumulative Canadian federal and provincial income tax rates to the loss before tax provision due to the following:

	2007 \$	2006 \$
Loss before income taxes	(4,183,418)	(2,834,046)
Statutory tax rate	31%	35.6%
Expected income tax recovery	(1,296,860)	(1,008,921)
Non deductible expenses	908,538	418,585
Difference in tax rates between Kyrgyzstan, Kazakhstan and Canada	15,934	62,037
Less: benefit of income tax recovery not recognised	372,388	528,299
Income tax provision	–	–

The Company has approximately C\$1,866,000 (2006 – C\$3,720,000) of non-capital losses which can be applied in Canada to reduce future taxable income, expiring as follows:

Year of Expiry	Amount C\$
2008	8,000
2009	–
2010	–
2014	62,000
2015	36,000
2026	655,000
2027	1,105,000
	1,866,000

The Company has approximately \$228,000 (2006 – \$308,000) of non-capital losses which can be applied in Kyrgyzstan and Kazakhstan to reduce future taxable income. These losses expire in 2012.

The Company's tax-effected future income tax assets are estimated as follows:

	2007 \$	2006 \$
Non-capital losses available	607,000	618,000
Other tax values in excess of book value	8,000	115,000
Share issue costs	116,000	–
Potential future income tax assets	731,000	733,000
Less: valuation allowance	(731,000)	(733,000)
Future income tax asset	–	–

10 Segmented information

(a) Operating segment – The Company's operations are primarily directed towards the acquisition, exploration and production of gold and base metal projects in the natural resources sector.

(b) Geographic segments – The Company's assets and expenses by geographic area for the year ended December 31, 2007 are as follows:

	Kyrgyzstan and Kazakhstan \$	Canada and United Kingdom \$	Total \$
Equipment	137,145	–	137,145
Total assets	6,546,387	2,837,644	9,384,031
Equipment expenditures	86,261	–	86,261
Expenses			
Amortization and depreciation	(23,090)	–	(23,090)
General and administration	(286,850)	(1,638,687)	(1,925,537)
Mineral property exploration and evaluation expenditures	(2,387,463)	(1,919)	(2,389,382)
Foreign exchange (gain) loss	235,678	(265,156)	(29,477)
Other income	–	93,690	93,690
Interest income	788	89,590	90,378
Net loss	(2,444,403)	(1,722,482)	(4,183,418)

(c) Geographic segments – The Company's assets and expenses by geographic area for the year ended December 31, 2006 are as follows:

	Kyrgyzstan and Kazakhstan \$	Canada and United Kingdom \$	Total \$
Equipment	73,974	–	73,974
Total assets	5,432,030	3,584,452	9,016,482
Equipment expenditures	19,046	–	19,046
Expenses			
Impairment of geological information	(383,143)	–	(383,143)
Amortization and depreciation	(163,109)	–	(163,109)
General and administration	(188,076)	(1,405,007)	(1,593,084)
Mineral property exploration and evaluation expenditures	(472,102)	(415,151)	(893,253)
Foreign exchange (gain) loss	104,481	38,840	143,322
Interest income	142	55,079	55,221
Net loss	(1,107,807)	(1,726,239)	(2,834,046)

11 Subsequent events

On April 18, 2008 the Company entered into a binding heads of agreement pursuant to which European Minerals Corporation ("EMC") will acquire all of the outstanding common shares of the Company in exchange for common shares of EMC pursuant to a plan of arrangement.

On April 18, 2008 the Company entered into an agreement with Canaccord Adams Limited ("Canaccord") to sell, on a bought-deal, private placement basis, an aggregate of 47,058,824 common shares of the Company at a price of C\$0.85 per common share for gross proceeds of C\$40,000,000 ("the Offering"). On April 29, 2008 the Company further announced that Canaccord Adams Limited has exercised its underwriter's option in full to increase the size of the previously announced bought deal private placement to an aggregate of 70,588,235 common shares of the Company at a price of Cdn \$0.85 per common share for gross proceeds of Cdn \$60,000,000. In addition, the Company has granted to Canaccord an over-allotment option to purchase up to an additional 15% of the number of Offering shares at the issue price, exercisable for a period of up to 30 days following the closing of the Offering.

The Company shall pay to Canaccord Adams Limited an underwriter's commission equivalent to 6% of the gross proceeds raised and broker warrants over 4% of the number of shares purchased by the underwriter at the issue price.

The net proceeds from the Offering will be used primarily to fund a \$25,000,000 loan from the Company to EMC, to fund continued exploration and drilling on the Company's Taldybulak and Karchiga projects with the remainder being used for working capital and potential acquisitions.

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December 31, 2006 and 2005

CAUTIONERY STATEMENT REGARDS FORWARD LOOKING STATEMENTS

Certain statements in this MD&A constitute forward-looking statements. The words “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “should”, “believe”, “potential” and similar expressions are intended to identify forward-looking statements. Such forward-looking statements, including but not limited to statements with respect to anticipated rates of production, the estimated costs and timing of the Company’s planned work programs and reserves determination involve known and unknown risks, uncertainties and other factors which may cause the actual rates of production, costs and results to be materially different from estimated rates of production, costs or results expressed or implied by such forward-looking statements.

The Company believes the expectations reflected in these forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Factors that could cause actual results to differ materially from those anticipated in these forward-looking statements include, among others, uncertainties associated with estimating reserves, competition for, among other things, capital, acquisitions of reserves, undeveloped properties and skilled personnel, risks related to international operations, general risks associated with mining operations, risks associated with equipment procurement and equipment failure and volatility in market prices. Although the Company has attempted to take into account important factors that could cause actual costs or operating results to differ materially, there may be other factors that cause costs of the Company’s program or results not to be as anticipated, estimated or intended.

Additional information relating to the Company is available on SEDAR at www.sedar.com or from the Lero Gold Corp. website at www.lerogold.com.



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