

JANINA RESOURCES LIMITED
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007 and 2006

AUDITORS' REPORT

To the Shareholders,
Janina Resources Limited

We have audited the consolidated balance sheets of Janina Resources Limited as at June 30, 2007 and 2006 and the consolidated statements of loss and deficit 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 June 30, 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.

Vancouver, Canada
September 19, 2007

"AMISANO HANSON"
Chartered Accountants

JANINA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
June 30, 2007 and 2006

	<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Current			
Cash		\$ 1,458,553	\$ 4,052
GST receivable		3,587	7,832
Mining tax credit receivable		-	75,390
Prepaid expenses		<u>1,875</u>	<u>-</u>
		<u>\$ 1,464,015</u>	<u>\$ 87,274</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities – Note 5		\$ 89,803	\$ 49,492
Due to related parties – Note 4		-	12,500
Loan payable – Note 4		<u>-</u>	<u>12,500</u>
		<u>89,803</u>	<u>74,492</u>

SHAREHOLDERS' EQUITY

Share capital – Notes 4 and 5	1,836,690	592,638
Share subscriptions – Note 9	275,000	-
Deficit	<u>(737,478)</u>	<u>(579,856)</u>
	<u>1,374,212</u>	<u>12,782</u>
	<u>\$ 1,464,015</u>	<u>\$ 87,274</u>

Commitments – Notes 4 and 8
Subsequent Events – Notes 4 and 9

APPROVED BY THE DIRECTORS:

<u>“Anthony Dutton”</u> Anthony Dutton	Director	<u>“Donald Padgett”</u> Donald Padgett	Director
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SEE ACCOMPANYING NOTES

JANINA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
for the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
General and administrative expenses		
Accounting and auditing fees – Note 5	\$ 31,225	\$ 22,100
Bank charges and interest – Note 5	9,470	1,304
Consulting fees	17,509	12,625
Legal fees	61,646	58,399
Management fees – Note 5	22,500	38,500
Office	715	6,726
Rent and administration – Note 5	-	22,000
Shareholder information	694	3,797
Transfer agent fees and filing fees	<u>21,522</u>	<u>19,423</u>
Loss before other items and income taxes	(165,281)	(184,874)
Other items:		
Interest income	7,659	1,729
Write-off of resource property – Note 3	<u>-</u>	<u>(299,810)</u>
Loss before income taxes	(157,622)	(482,955)
Future income tax recovery	<u>-</u>	<u>3,066</u>
Net loss for the year	(157,622)	(479,889)
Deficit, beginning of the year	<u>(579,856)</u>	<u>(99,967)</u>
Deficit, end of the year	<u>\$ (737,478)</u>	<u>\$ (579,856)</u>
Basic and diluted loss per share	<u>\$ (0.02)</u>	<u>\$ (0.06)</u>
Weighted average number of shares outstanding	<u>8,524,712</u>	<u>7,656,704</u>

SEE ACCOMPANYING NOTES

JANINA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Activities		
Net loss for the year	\$ (157,622)	\$ (479,889)
Adjustments to reconcile net loss used in operations:		
Write-off resource property	-	299,810
Future income tax recovery	-	(3,066)
Interest accrual	<u>9,003</u>	<u>-</u>
	(148,619)	(183,145)
Changes in working capital items related to operations:		
Receivables – mining tax credit	75,390	(49,718)
– GST	4,245	(3,963)
Prepaid expenses	(1,875)	-
Deferred listing costs	-	126,076
Accounts payable and accrued liabilities	<u>40,311</u>	<u>(115,623)</u>
	<u>(30,548)</u>	<u>(226,373)</u>
Financing Activities		
Due to related parties	-	1,500
Increase in loans payable	87,000	12,500
Issuance of common shares, net	1,123,049	369,138
Share subscriptions received	<u>275,000</u>	<u>-</u>
	<u>1,485,049</u>	<u>383,138</u>
Investing Activity		
Increase in resource property costs (net)	<u>-</u>	<u>(159,204)</u>
Increase (decrease) in cash during the year	1,454,501	(2,439)
Cash, beginning of the year	<u>4,052</u>	<u>6,491</u>
Cash, end of the year	<u>\$ 1,458,553</u>	<u>\$ 4,052</u>
Supplemental disclosure of cash flow information		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
Non-cash Transactions – Note 6		

SEE ACCOMPANYING NOTES

JANINA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007 and 2006

Note 1 Nature of Operations – Note 9

The Company was incorporated under the laws of the Province of British Columbia on December 11, 2002 as 659975 BC Ltd. and, on November 10, 2003, changed its name to Janina Resources Limited. The Company listed its common shares for trading on the TSX Venture Exchange (“TSX”) as a junior mineral exploration company on July 12, 2005.

The Company is in the development stage. In a development stage company, management devotes most of its activities in evaluating various business opportunities. The ability of the Company to emerge from the development stage is dependent upon its successful efforts in evaluating and acquiring or developing a business opportunity, raising additional equity financing and/or generating significant revenue. There is no guarantee that the Company will be able to raise enough equity to develop and implement a business plan.

Note 2 Summary of Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates that have been made using careful judgement. Actual results may differ from these estimates.

The financial statements have, in management’s opinion, been properly prepared within the framework of the significant accounting policies summarized below:

a) Principles of Consolidation

For the year ended June 30, 2007, the financial statements include the accounts of the Company and its wholly-owned subsidiary, 0792380 B.C. Ltd., a company incorporated under the British Columbia Business Corporations Act on May 28, 2007. All inter-company transactions and balances have been eliminated.

b) Financial Instruments

The carrying values of cash, prepaid expenses, accounts payable and accrued liabilities, due to related parties and loan payable approximate their fair values due to the short maturity of those instruments. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Note 2 Summary of Accounting Policies – (cont'd)

c) Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

d) Mining Tax Credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These mining tax credits are earned in respect to exploration costs incurred in Yukon, Canada and are recorded as a reduction of the related deferred exploration expenditures.

e) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the “if converted” method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

f) Stock-based Compensation

Canadian generally accepted accounting principles require the fair value of all share purchase options to be expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

Note 2 Summary of Accounting Policies – (cont'd)

g) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely-than-not that they can be realized.

h) Recent Accounting Pronouncements

Financial Instruments – Recognition and Measurement

In January 2005, the Canadian Institute of Chartered Accountants (“CICA”) released new Handbook Section 3855, “Financial Instruments – Recognition and Measurement”, effective for annual and interim periods beginning on or after October 1, 2006. This new section prescribes when a financial instrument is to be recognized on the balance sheet and at what amount, sometimes using fair value and other times using cost-based measures. It also specifies how financial instrument gains and losses are to be presented and defines financial instruments to include accounts receivable and payable, loans, investments in debt and equity securities and derivative contracts.

The Company does not believe that this new standard will have a significant impact on its results of operations or financial position.

Comprehensive Income and Equity

In January 2005, the CICA released new Handbook Section 1530, “Comprehensive Income”, and Section 3251, “Equity”, effective for annual and interim periods beginning on or after October 1, 2006. Section 1530 establishes standards for reporting comprehensive income. The section does not address issues of recognition or measurement for comprehensive income and its components. Section 3251 establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements in this section are in addition to Section 1530.

The Company does not believe that this new standard will have a significant impact on the presentation of its results of operations or financial position.

Note 3 Resource Properties

Yukon Olympic Property

During the year ended June 30, 2006, management had decided to abandon this property. Accordingly, the acquisition costs of \$55,000 and deferred exploration expenditure of \$244,810 were written off.

Note 4 Share Capital

Authorized:

Unlimited number of common shares without par value

Issued:

		<u>Number</u>	<u>Amount</u>
Balance, June 30, 2005		4,475,000	\$ 178,500
For cash:			
Initial public offering	– at \$0.18	3,000,000	540,000
Share issuance costs		-	(178,832)
Exercise of agent’s warrants	– at \$0.18	44,280	7,970
For mineral property acquisition	– at \$0.18	<u>250,000</u>	<u>45,000</u>
Balance, June 30, 2006		7,769,280	592,638
For cash:			
Private placement	– at \$0.145	7,915,523	1,147,750
Share issuance costs		-	(24,701)
Issued for debt	– at \$0.15	<u>806,691</u>	<u>121,003</u>
Balance, June 30, 2007		<u>16,491,494</u>	<u>\$ 1,836,690</u>

Private Placement:

On May 29, 2007, the Company completed a private placement of 7,915,523 units at a price of \$0.145 per unit for gross proceeds of \$1,147,750. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional common share at a price of \$0.29 until May 29, 2009.

Note 4 Share Capital – (cont'd)

Shares for Debt:

During the year ended June 30, 2007, the Company issued promissory notes totalling \$112,000 (June 30, 2006 - \$Nil) to a director and an officer of the Company and two shareholders for advances or loans. The promissory notes bore interest at the Bank of Canada prime rate per annum plus 5% and were repayable within 30 days of written demand. On June 13, 2007, the promissory notes and accrued interest totalling \$121,003 was settled through the issuance of 806,691 common shares of the Company at \$0.15 per share.

Escrow:

At June 30, 2007 the Company had 1,491,750 (2006: 2,486,250) common shares held in escrow, which will be released in three instalments of 497,250 common shares on July 12, 2007, January 12, 2008 and July 12, 2008.

Commitments:

Share Purchase Warrants

A summary of the Company's outstanding share purchase warrants as at June 30, 2007 is presented below:

	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, June 30, 2006 and 2005	-	-
Issued	<u>7,915,523</u>	<u>\$0.29</u>
Balance, June 30, 2007	<u>7,915,523</u>	<u>\$0.29</u>

At June 30, 2007, there were 7,915,523 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share at \$0.29 per share until May 29, 2009.

Note 4 Share Capital – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation

By resolution dated August 27, 2007, the Company proposed to adopt a stock option plan under which up to 10% of the issued shares of the Company as at the date of approval of the plan by the board may be reserved for issuance to the directors, officers, employees and consultants and their employees. The stock option price shall be equal to the market price prevailing on the date the stock option is granted less applicable discount, if any, permitted by the policies of the TSX Venture Exchange and approved by the board. The options shall not be more than five years after grant date. The Company may determine the time during which options shall vest and the method of vesting or that no vesting restriction shall exist. Options granted to consultants performing investor relations shall vest in stages over 12 months with no more than 25% of the options vesting in any three month period.

This plan is subject to shareholder approval.

There are no outstanding stock options as at June 30, 2007.

Note 5 Related Party Transactions – Note 8

During the years ended June 30, 2007 and 2006, the Company was involved in the following related party transactions. All transactions with related parties are recorded at the exchange amount:

- a) The Company paid management fees of \$Nil (June 30, 2006 - \$38,500) to a company with a director in common.
- b) The Company paid rent and administration of \$Nil (June 30, 2006 - \$22,000) to companies with directors in common.
- c) The Company paid accounting fees of \$Nil (June 30, 2006 - \$9,000) to a company with a director in common.
- d) The Company paid interest of \$4,023 (June 30, 2006 - \$Nil) to a director of the Company and a company with a director in common.

The above-noted transactions have been in the normal course of operations and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

As at June 30, 2007, accounts payable of \$26,061 (2006 - \$3,180) is owing to a director for expenses paid by the director on the Company's behalf.

Note 5 Related Party Transactions – Note 8 – (cont'd)

During the year ended June 30, 2007, the Company issued 400,154 common shares valued at \$0.15 per share to a director and a company with a director in common in settlement of \$60,023 in debt.

Note 6 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. During the year ended June 30, 2007, promissory notes and accrued interest totalling \$121,003 were settled by the issuance of 806,691 common shares of the Company at \$0.15 per share. During the year ended June 30, 2006, the Company issued 250,000 common shares valued at \$0.18 per share totalling \$45,000 pursuant to a mineral property option agreement.

These transactions have been excluded from the statements of cash flows.

Note 7 Corporation Income Taxes

At June 30, 2007, the Company has accumulated Canadian Exploration and Development Expenses totalling \$211,433 available for deduction in future years and has accumulated non-capital losses totalling \$495,179, which are available to reduce taxable income of future years. Exploration expenses renounced to investors are not available to the Company. The non-capital losses expire as follows:

2011	\$	37,239
2015		42,593
2016		217,019
2027		<u>198,328</u>
	\$	<u>495,179</u>

The provision for income taxes in the statements of operations differs from the amount that would be computed by applying the expected tax rate to the loss before income taxes. The expected tax rate used was 34% (2006: 34%). The principal reasons for differences between such expected income taxes and the amount actually recorded are as follows:

	<u>2007</u>	<u>2006</u>
Expected income tax recovery	\$ 53,605	\$ 161,897
Add (deduct):		
Resources property written off	-	(101,546)
Share issue costs	8,398	12,114
Adjustment of future tax expense	-	1,038
Benefits of current year's losses not recognized	<u>(62,003)</u>	<u>(73,503)</u>
Future income tax expense	<u>\$ -</u>	<u>\$ -</u>

Note 7 Corporation Income Taxes – (cont'd)

Future income tax assets or liabilities on the balance sheets are comprised of temporary differences. The significant components of the Company's future tax assets (liabilities) are as follows:

	<u>2007</u>	<u>2006</u>
Non-capital losses	\$ 168,361	\$ 100,540
Share issue costs	55,360	48,455
Exploration and development expenses	71,887	69,162
Valuation allowance	<u>(295,608)</u>	<u>(218,157)</u>
	<u>\$ -</u>	<u>\$ -</u>

Note 8 Commitments

The Company entered into a Consulting Agreement dated June 1, 2007 for an initial term of 12 months. The Company is obligated to pay \$22,500 for months one and two and \$30,000 for months three to twelve during the term of the Consulting Agreement.

Note 9 Subsequent Events

- a) Subsequent to June 30, 2007, the Company closed a private placement of 20,110,000 subscription receipts (the "Subscription Receipts") of 0792380 BC Ltd. ("Newco"), its wholly owned subsidiary, at \$0.50 per subscription receipt for proceeds of \$10,055,000 (the "Offering") which included the sale of 2,000,000 Subscription Receipts by the Agent pursuant to an agency agreement among the Agent, Newco and the Company for proceeds of \$1,000,000. The Offering was made in connection with the Company's proposed business combination (the "Proposed Transaction") by way of amalgamation of Newco and Horn Rare Metals Ltd. ("HRM"). The Proposed Transaction will be completed upon the issuance, by the Registrar of Corporations pursuant to the Business Corporations Act (British Columbia), of a certificate of amalgamation and upon satisfaction of the terms and conditions of a subscription receipt agreement made among the Company, Newco, Agent and the transfer agent (the "Escrow Release Conditions").

The proceeds of the offering, \$10,055,000, have been deposited in escrow (the "Escrow Funds") in an interest-bearing account pending satisfaction of the Escrow Release Conditions. At June 30, 2007, the Company had received \$275,000 as share subscriptions for this private placement.

Note 9 Subsequent Events – (cont'd)

a) – (cont'd)

Immediately prior to the completion of the Proposed Transaction, each one Subscription Receipt will automatically convert into one unit of Newco (a “Unit”). Each Unit will be comprised of one common share of Newco (a “Newco Share”) and one-half common share purchase warrant of Newco (a “Newco Warrant”) having an exercise price of \$0.75 with a term of 24 months from the date of issue. Immediately thereafter, as part of the Proposed Transaction, each one Newco Share will be automatically exchanged for one common share of the Company and each whole Newco Warrant will be exchanged for one share purchase warrant of the Company, entitling the holder to acquire one further common share of the Company at a price of \$0.75 for a period of 24 months.

If the Escrow Release Conditions are not satisfied by December 1, 2007, the Escrowed Funds together with interest thereof will be returned to the holders of the Subscription Receipts and the Subscription Receipts will be cancelled. Upon completion of the Proposed Transaction, the net proceeds of the Offering will be released to Newco and the Agent will be paid a cash commission of \$80,000 and will receive broker warrants to acquire up to 160,000 common shares of the Company at a price of \$0.50 for 12 months from the date of issue.

The Subscription Receipts are subject to a hold period that expires four months and a day after the later of (i) July 24, 2007, and (ii) the date that Newco becomes a reporting issuer in a province or territory of Canada.

- b) By amalgamation agreement dated September 2007 between the Company, Newco and HRM, Newco and HRM will amalgamate to form a new company (“Amalco”). Each HRM share shall be exchanged for 12.19512 common shares of the Company, each Newco share held by the Company shall be exchanged into one common share of Amalco, each Newco share held by any person other than the Company shall be exchanged for one common share of the Company and each whole Newco warrant shall be exchanged for one whole warrant of the Company.