

Interim financial statements of

Metropolitan Mining Inc.

July 31, 2008
(Unaudited)

Metropolitan Mining Inc.

July 31, 2008

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Metropolitan Mining Inc.

July 31, 2008

Notice to reader

The interim financial statements which follow are prepared by management and are neither audited nor reviewed by the Company's auditors.

Metropolitan Mining Inc.

July 31, 2008

Accounts receivable		8,603	-
	\$	1,056,295	609,281
Investment in Resource Property (<i>Note 3</i>)	\$	242,357	135,772
	\$	1,298,652	\$ 745,053

LIABILITIES

CURRENT

Accounts payable & accrued liabilities	\$	21,220	\$ 58,696
	\$	21,220	\$ 58,696
Asset Retirement Obligation (<i>Notes 2c</i>)	\$	20,000	\$ 20,000

SHAREHOLDERS' EQUITY

Common shares (<i>Note 5b</i>)	\$	1,387,118	\$ 718,886
Unexercised Warrants (<i>Note 6</i>)		42,000	-
Unexercised Stock options (<i>Note 5c</i>)		67,222	-
Deficit		(238,908)	(52,529)
	\$	1,257,432	\$ 666,357
	\$	1,298,652	\$ 745,053

APPROVED ON BEHALF OF THE BOARD

"Michael G. Thomson"

Director

"Bruce Biles"

Director

Metropolitan Mining Inc.

July 31, 2008

Interim statement of operations, comprehensive loss, and deficit (Unaudited)

	Six months ended	Three months ended
	July 31	July 31
	2008	2008
REVENUE	\$ -	\$ -
EXPENSES		
Accounting (Note 4)	9,000	4,375
Audit & Professional fees	13,700	1,200
Filing and listing fees	35,736	28,236
Legal	6,780	6,184
Management & consulting fees (Note 4)	38,690	19,027
Stock based compensation (Note 5c)	67,222	67,222
Office and telephone	6,742	5,804
Travel and accommodation	13,218	10,415
	\$ 191,088	\$ 142,463
LOSS BEFORE THE UNDERNOTED ITEMS	\$ (191,088)	\$ (142,463)
Other Income (Expense)	(378)	
Interest income	5,087	891
LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (186,379)	\$ (141,572)
DEFICIT - BEGINNING OF PERIOD	(52,529)	(97,336)
DEFICIT - END OF PERIOD	\$ (238,908)	\$ (238,908)
BASIC AND DILUTED EARNINGS (LOSS)		
PER SHARE	\$ (0.020)	\$ (0.015)
WEIGHTED AVERAGE NUMBER		
OF SHARES OUTSTANDING	9,209,770	9,500,740

Metropolitan Mining Inc.

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Interim Statements of Cash Flows (Unaudited)

	Six months ended		Three months ended	
	July 31		July 31	
	2008		2008	
OPERATING ACTIVITIES				
Net loss	\$	186,379	\$	141,572
Items not involving cash				
Stock Based Compensation		(67,222)		(67,222)
	\$	119,157	\$	74,350
Change in non-cash working capital items				
Accounts receivable		8,603		2,546
Accounts payable		37,476		48,375
	\$	165,236	\$	125,271
INVESTING ACTIVITIES				
Investment in Resource Property	\$	106,585	\$	-
	\$	106,585	\$	-
FINANCING ACTIVITY				
Share capital issued for cash, net of issuance costs	\$	710,232	\$	753,764
	\$	710,232	\$	753,764
NET CASH (OUTFLOW) INFLOW		438,411		628,493
CASH, BEGINNING OF PERIOD		609,281		419,199
CASH, END OF PERIOD	\$	1,047,692	\$	1,047,692
SUPPLEMENTAL CASH FLOW INFORMATION:				
Interest received	\$	5,087	\$	891

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1. Nature of business and continuance of operations

Metropolitan Mining Inc. ("the Company") was incorporated on July 16, 2007 under the Business Corporations Act of British Columbia and is engaged principally in the acquisition, exploration and development of resource properties. On June 6, 2008, the Company became a reporting issuer in the Provinces of Ontario, Alberta and British Columbia. On July 15, 2008, the Company completed an initial public offering and its common shares were listed and called for trading on the TSX Venture Exchange (the "Exchange") on July 18, 2008.

The recovery of the Company's investments in resource properties and the attainment of profitable operations are dependent upon the completion of necessary investment agreements, the discovery and development of economic ore reserves and the ability to arrange sufficient financing to bring the ore reserves into production. The ultimate outcomes of these matters cannot presently be determined because they are contingent on future events.

These financial statements have been prepared on the going concern basis which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business.

These financial statements do not reflect adjustments to the carrying amounts of assets and liabilities, the reported revenues and expenses and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate.

The Company has established a business branch in the province of Salta in Argentina for the purpose of its planned operations there (Note 3).

2. Significant accounting policies

The interim consolidated financial statements do not include all information and note disclosures required by Canadian GAAP for annual financial statements, and therefore should be read in conjunction with the Company's audited financial statements for the year ended January 31, 2008. In addition, year to year comparisons were unavailable as no operating activity took place prior to July 31, 2007. These financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles, including the following:

(a) Use of Estimates

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 assets and 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.

(b) Cash Equivalents

Cash equivalents consist of highly liquid investments which are readily convertible into cash, with a maturity of three months or less when purchased.

(c) Environmental Protection and Asset Retirement Obligations

The Company recognizes the fair value of asset retirement obligations in the period in which they incur if a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to

Metropolitan Mining Inc.

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expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability.

The operations of the Company may be affected by changes in environmental regulations, including those for future removal and site restoration costs. The likelihood of new regulations and their overall effect upon the Company may vary from region to region and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation.

(d) Mineral Interests

The Company follows the method of accounting for its mineral interests whereby all costs related to exploration and development are capitalized when incurred on an individual prospect basis until such time as an economic ore body defined as the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the ore recovered. Costs for abandoned prospects are written off.

The recoverability of the amounts capitalized for undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to obtain the necessary financing to complete development, and the likelihood of achievement of future profitable production or proceeds from the disposition of the property. Capitalized property costs are written down if it has been determined that impairment in value has occurred. For a producing property, or where cash flows may be projected, estimated values are based on projected discounted future net cash flows.

Title to mineral properties involves certain inherent risks due to difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyance history.

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded until the payments are made or received. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

(e) Foreign Currency Translation

The Company's functional currency is the Canadian dollar. The Company follows the temporal method of accounting for the translation of its integrated foreign operations. Under this method, monetary assets and liabilities are translated to Canadian dollars at the period end exchange rates. Non-monetary assets and liabilities are translated into Canadian dollars using historical rates of exchange. Revenues and expenses are translated into Canadian dollars at average rates for the period. Exchange gains and losses are included in net income. Transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the transaction dates.

(f) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities, measured using substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

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(g) Stock-based Compensation

The Company applies the provisions of Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870 (Stock-based compensation and other stock-based payments) to account for the issuance of stock options. The fair value of stock options is determined using the Black-Scholes Option Pricing Model, which requires assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares, and expected life of the options.

Compensation cost of stock options is measured at fair value at the date of grant and is expensed on a systematic basis over the vesting period. The fair value of an option granted by the Company is reported as contributed surplus until the option is exercised, at which time the amount is recorded as share capital.

The fair value of direct awards of stock is determined by the quoted market price of the stock.

(h) Earnings (Loss) Per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares, using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate.

(i) Financial instruments, hedges and comprehensive income

The Company has adopted CICA Handbook Section 1530 - Comprehensive Income, CICA Handbook Section 3855 - Financial Instruments: Recognition and Measurement, and CICA Handbook Section 3865 - Hedges. These new Handbook Sections set out requirements for the recognition and measurement of financial instruments, as well as standards as to when or how hedge accounting may be applied. Handbook Section 1530 also establishes standards for reporting and displaying comprehensive income. Comprehensive income is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income but that are excluded from net income.

Under these standards, all financial instruments are classified into one of the following five categories: Held-for-trading, Held-to-maturity investments, Loans and receivables, Available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are reported on the balance sheet and are measured at fair value, with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost. Subsequent measurement and recognition of changes in fair value of financial instruments depend on the initial classification.

Held-for-trading financial investments are measured at fair value and all gains and losses are included in net income in the period in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in other comprehensive income until the asset is removed from the balance sheet

The Company has designated its cash and equivalents as Held-for-trading. The Company has classified its accounts payable and accrued liabilities as other financial liabilities.

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3. Investment in Resource Property

The Company entered into a Letter of Understanding ("LOU") effective October 18, 2007 with Argentine Frontier Resources Inc. ("AFRI"), a British Columbia company, setting out the principle terms by which Salta Exploraciones S.A. ("SESA"), a wholly owned Argentinean subsidiary of AFRI would be prepared to enter into an option agreement in respect to a 5,684 hectare site located in Salta, Argentina (the "Fruso Property").

Under the terms of the LOU, the Company agreed to spend a minimum of US\$100,000 on a pre-defined exploration program on the Fruso Property to facilitate the preparation of a technical report in the form required by National Instrument 43-101 (the "43-101 Report"), by an independent qualified consulting geologist, recommending further exploration work on the Fruso Property at a cost of at least U.S. \$200,000.

As of July 31, 2008, the Company had incurred \$222,357 of exploration and related expenditures on the Fruso Property, which included a USD\$25,000 option payment and the issuance of 200,000 common shares to AFRI at a deemed value of \$0.20 per share. The Company has recognized an estimated liability of \$20,000 in respect to trench filling and other costs, which has been recorded as an additional cost of the investment, such that the total carrying cost of the investment is \$242,357 at July 31, 2008.

	July 31, 2008	January 31, 2008
Metropolitan Properties		
Acquisition (Option Payments)	\$ 65,205	\$ -
Deferred Exploration:		
Assaying and laboratory	35,215	4,438
Drilling	-	-
Engineering and consulting	5,890	3,815
Trenching and geophysical	275	127,183
Permits and fees	-	336
Stock compensation expense	-	-
Total deferred expenditures for the year and period	41,380	135,772
Balance – beginning of year and period	135,772	-
<i>Balance – end of year and period</i>	<i>\$ 242,357</i>	<i>\$ 135,772</i>

Effective March 31, 2008, the Company entered into a formal option agreement with SESA and AFRI (the "Option Agreement") which granted the Company an exclusive option to acquire up to a 60% interest in the Fruso Property and to negotiate a joint venture agreement, by completing the following:

- (i) Payments of cash of U.S. \$25,000 upon receipt of the 43-101 Report, U.S. \$25,000 one year after the initial payment and U.S. \$200,000 upon exercising the option to acquire a 60% interest.
- (ii) Issuance of 200,000 common shares of the Company before the Company files a preliminary prospectus relating to the initial public offering (Note 5(b)).

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- (iii) Incurring minimum qualifying expenditures of U.S. \$1,250,000 in respect to the Fruso Property within three years of the effective date of the Option Agreement, including a minimum of U.S. \$250,000 in each year.

Following receipt of the 43-101 Report dated February 26, 2008, the Company paid US\$25,000 to AFRI on March 18, 2008 and issued 200,000 common shares on March 31, 2008 to AFRI in accordance with the terms of the Option Agreement.

The Company may terminate the Option Agreement, at any time, subject to certain requirements set out in the Option Agreement, including the Company bearing the cost of reclamation procedures.

4. Related party transactions

During the three month period ending July 31, 2008, the Company paid or accrued \$18,000 in management fees to a director and officer of the Company and \$4,375 in accounting fees to an officer of the Company. As at July 31, 2008, an amount of \$9,221 was owed by the Company to directors and officers related to expenses and services provided, which is included in accounts payable and accrued liabilities.

These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, unless otherwise noted.

5. Capital stock

(a) *Authorized*

The Company is authorized to issue an unlimited number of common voting shares without par value.

(b) *Issued and fully paid*

	Number of common shares	Amount
		\$
Balance, January 31, 2008	8,779,001	718,886
Property option payment	200,000	40,000
Initial public offering	3,000,000	628,232
Balance, July 31, 2008	11,979,001	1,387,118

On March 31, 2008, the Company issued 200,000 common shares of the Company at an assigned price of \$0.20 per share to AFRI pursuant to the Option Agreement described in Note 3.

On July 15, 2008 the Company closed an initial public offering of 3,000,000 common shares of the Company at a price of \$0.30 per common share, for gross proceeds of \$900,000 (the "Offering"). The Offering was placed by Company's agent, First Canada Capital Partners Inc. ("FCCP"), on July 15, 2008. Net proceeds of the Offering after deduction of the agent's commission of \$81,000 and related legal, disbursement and filing fees, amounted to \$670,232 (includes \$42,000 allocated to the value of the 300,000 agent warrants received by FCCP). The agent warrants are exercisable into 300,000 common shares of the Company at \$0.30 per share for a period of eighteen months from the closing date of the Offering (the "Agent Warrants").

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(c) *Share purchase options*

The following stock options were granted under the Company's stock option plan (the "Plan") disclosed in the Company's prospectus dated June 6, 2008. Options granted under the Plan are exercisable for a term of five years from the closing date of the Offering and are subject to a vesting schedule: 20% of the options will vest on the listing date of the common shares on the Exchange and an additional 20% of the options will vest every six months thereafter. All options will vest within 24 months after the date of listing of the common shares on the Exchange. The terms of the Plan are subject to the requirements of the Exchange.

	Exercise Price	Expiry Date	Number of Shares Common
Options Outstanding as of January 31, 2008			-
<u>Allotted April 7, 2008</u>	\$ 0.30	July 15, 2013	1,800,000
<u>Total shares under option</u>			1,800,000

The Company has adopted the Black-Scholes Option Pricing Model to determine the estimated fair value of stock options used to calculate compensation for employees and consultants using the following assumptions:

- no dividends were expected to be paid;
- a weighted average annual risk free rate of 3.1%;
- an expected life of 4.75 years, representing the remaining life of the options without allowance for forfeitures;
- an expected stock price volatility factor of 100%.

In arriving at the expected volatility management considered the trading data and volatility factors used by other public mining companies and the trading volatility experienced by the Company since trading commenced on the Exchange on July 18, 2008.

The total fair value of the 1,800,000 options amounted to \$246,600, representing a per share option value of \$0.137. Based on 360,000 stock options being vested on July 15, 2008 and every six months thereafter, a stock option compensation charge of \$67,222 was recognized during the period and a corresponding credit was carried to contributed surplus.

Option pricing models require the use of highly subjective estimates and assumptions, changes in which can materially affect the value estimates.

(d) *Escrow Shares*

The Company has entered into an escrow agreement dated April 18, 2008, as amended, pursuant to National Policy 46-201 in respect to 6,480,000 shares issued to officers, directors and insiders. The agreement provides for an anticipated staged release for trading of the shares over a 36 month period from the date of the listing of the shares of the Company on the Exchange.

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6. Warrants

The Company had the following warrants outstanding as of July 31, 2008.

	Exercise price	Expiry Date	Number of warrants	Value
Outstanding as of January 31, 2008				
Agent Warrants Issued July 15, 2008	\$0.30	July 15, 2013	300,000	\$42,000
Balance as of July 31, 2008				

The value of the above warrants was established at \$0.14 per warrant using the Black Scholes model which utilized the following assumptions: expected dividend yield of nil, expected stock price volatility of 100 %, risk free interest rate of 3.00%, expected life of warrants of 18 months.

7. Financial instruments

Financial instruments of the Company are cash, and accounts payable and accrued liabilities.

The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. At April 30, 2008, the Company held all of its cash funds in trust with its solicitor in an account, beyond the insured amount of \$100,000. Subsequent to April 30, 2008 the Company transferred all cash funds held in trust with its solicitor to a Canadian chartered bank and invested surplus funds in an interest bearing certificate of deposit.

The cost amounts of cash and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these instruments.

The Company incurs certain of its expenditures, related to the property described in Note 3, in United States dollars, and as such, is exposed to currency risk due to fluctuations in exchange rates. The Company does not undertake significant hedging activities to reduce its exposure to this risk.

8. Geographic Information

The Company has operations in Canada and Argentina. Information by geographic region is as follows:

	July 31, 2008
Assets by geographic area	
Argentina	\$ 242,357
Canada	1,056,295
	<u>\$ 1,298,652</u>
Revenue by geographic area for the 6 month period	
Argentina	\$ -
Canada	5,087
	<u>\$ 5,087</u>

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9. Income Taxes

The Company has non-capital losses carried forward for Canadian income tax purposes of approximately \$96,000 which will expire if unused, in years 2028 and 2029.

There are no significant differences between income tax amounts calculated at Canadian statutory tax rates and the amounts recorded in the financial statements, except that the tax benefit of the loss carried forward has not been recognized in the financial statements as the ability of the Company to realize the benefit is uncertain.

10. Subsequent Events

The Company entered into a drilling contract on September 18, 2008 (the "Drilling Contract") with Connors Argentina S.A., a subsidiary of Boart Longyear Limited (ASX: BLY). It is anticipated that the Program can be carried out in roughly 30 – 35 days at an estimated cost of U.S. \$585,000. As part of the assurances required under the Drilling Contract, the Company made a cash advance of \$52,360 (US\$50,000) on September 22, 2008.