

WSR Gold Inc.
(formerly Westchester Resources Inc.)
(Incorporated under the laws of Ontario)

(A Development Stage Company)

Consolidated Financial Statements

March 31, 2007 and 2006

June 22, 2007

Auditors' Report

To the Shareholders of
WSR Gold Inc. (formerly Westchester Resources Inc.)

We have audited the consolidated balance sheets of WSR Gold Inc. (formerly Westchester Resources Inc.) (A Development Stage Company) as at March 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for each of 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 March 31, 2007 and 2006 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada

“McCarney Greenwood LLP”

McCarney Greenwood LLP
Chartered Accountants
Licensed Public Accountants

WSR Gold Inc. (formerly Westchester Resources Inc.)
(A Development Stage Company)
(Incorporated under the laws of Ontario)

Consolidated Balance Sheets

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	March 31,	
	2007	2006
Assets		
Current assets		
Cash and cash equivalents	\$ 1,333,122	\$ 4,837
Short-term investments	1,367,165	19,987
Sundry receivables	114,510	155,406
Prepaid expenses	13,865	-
	2,828,662	180,230
Oil and gas properties (Note 3)	-	2,100,950
Equipment (Note 4)	2,663	-
Mining interest (Note 5)	2,360,708	-
	2,363,371	2,100,950
	\$5,192,033	\$2,281,180
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 91,056	\$ 330,590
Due to related party (Note 9(a))	-	52,545
Advances payable (Note 9(a))	52,545	-
	143,601	383,135
Asset retirement obligation (Note 6)	-	65,661
	143,601	448,796
Shareholders' Equity		
Share capital		
Authorized		
Unlimited number of common shares		
Unlimited number of special shares		
500,000 preference shares		
Issued (Note 7(b))	15,132,287	7,851,497
Warrants (Note 7(d) and (e))	1,869,799	693,472
Contributed surplus (Note 8)	1,100,887	604,957
(Deficit)	(13,054,541)	(7,317,542)
	5,048,432	1,832,384
	\$5,192,033	\$2,281,180

Approved by the Board "Thomas Pladsen" Director

"Donald Rankin" Director

WSR Gold Inc. (formerly Westchester Resources Inc.)
(A Development Stage Company)
Consolidated Statements of Operations and Deficit

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	Year ended March 31, 2007	Year ended March 31, 2006	Cumulative from date of inception of development stage (December 8, 2006) to March 31, 2007
Revenue			
Oil and gas revenue	\$ 427,016	\$ 353,205	\$ -
Interest income	33,925	34,744	14,533
Less: royalties	(37,667)	(10,371)	-
	<u>423,274</u>	<u>377,578</u>	<u>14,533</u>
Expenses			
Production and operating costs	409,988	286,086	-
General and administrative	471,861	403,322	157,922
Stock-option compensation (Note 7(c))	707,930	181,026	239,279
Depletion	520,103	161,681	-
Depreciation	773	-	773
Accretion (Note 6)	1,830	-	-
Mining property expenditures	-	29,301	-
	<u>2,112,485</u>	<u>1,061,416</u>	<u>397,974</u>
Net (loss) for the period before other expenses	(1,689,211)	(683,838)	(383,441)
Write-down of oil and gas properties	(3,646,352)	(3,366,662)	-
Write-down of mining properties	-	(103,139)	-
Loss on disposal of oil and gas properties (Note 3)	(762,636)	-	(15,668)
Net (loss) for the period before income taxes	(6,098,199)	(4,153,639)	(399,109)
Future income tax recovery (Note 10(b))	361,200	-	361,200
Net (loss) for the period	(5,736,999)	(4,153,639)	(37,909)
(Deficit), beginning of period	(7,317,542)	(3,163,903)	(13,016,632)
(Deficit), end of period	<u>(\$13,054,541)</u>	<u>(\$7,317,542)</u>	<u>(\$13,054,541)</u>
Basic and diluted (loss) per share (Note 7(f))	<u>(\$0.10)</u>	<u>(\$0.11)</u>	

	Year ended March 31, 2007	Year ended March 31, 2006	Cumulative from date of inception of development stage (December 8, 2006) to March 31, 2007
Cash flows from operating activities			
Net (loss) for the period	(\$5,736,999)	(\$4,153,639)	(\$37,909)
Add items not affecting cash:			
Depletion	520,103	161,681	-
Depreciation	773	-	773
Accretion (Note 6)	1,830	-	-
Stock-based compensation	707,930	181,026	239,279
Loss on disposal of oil and gas properties	762,636	-	15,668
Write-down of oil and gas properties	3,646,352	3,366,662	-
Write-down of mining property	-	103,139	-
Future income tax recovery	(361,200)	-	(361,200)
	<u>(458,575)</u>	<u>(341,131)</u>	<u>(143,389)</u>
Changes in non-cash components of working capital:			
Sundry receivables	(54,660)	(155,406)	(85,487)
Prepaid expenses	(13,865)	-	(9,198)
Accounts payable and accrued liabilities	1,714,802	(5,229)	(24,398)
Cash flows (used by) operating activities	<u>1,187,702</u>	<u>(501,766)</u>	<u>(262,472)</u>
Cash flows from investing activities			
Purchase of short-term investments	(1,347,178)	(19,987)	(872,985)
Oil and gas property expenditures	(4,754,412)	(2,613,130)	-
Exploration expenditures	(560,708)	-	(560,351)
Equipment purchases	(3,436)	-	(3,436)
Cash flows (used by) investing activities	<u>(6,665,734)</u>	<u>(2,633,117)</u>	<u>(1,436,772)</u>

	Year ended March 31, 2007	Year ended March 31, 2006	Cumulative from date of inception of development stage (December 8, 2006) to March 31, 2007
Cash flows from financing activities			
Common shares issued for cash, net of issue costs	3,222,928	-	(53,284)
Flow-through shares issued for cash	1,000,000	-	-
Warrants exercised for cash	2,209,139	138,600	620,500
Broker warrants exercised for cash	74,250	-	74,250
Stock options exercised for cash	300,000	-	-
Cash flows from financing activities	<u>6,806,317</u>	<u>138,600</u>	<u>641,466</u>
Changes in cash and cash equivalents for the period	1,328,285	(2,996,283)	(1,057,778)
Cash and cash equivalents, beginning of period	4,837	3,001,120	2,390,900
Cash and cash equivalents, end of period	<u>\$1,333,122</u>	<u>\$ 4,837</u>	<u>\$1,333,112</u>
Supplement schedule of non-cash transactions			
Shares issued as part of the acquisition of mining interest (Note 5)	\$1,800,000	\$ -	\$1,800,000
Shares issued to terminate mining interest (Note 5)	\$ -	\$ 15,050	\$ -

1. Nature of operations

WSR Gold Inc. (formerly Westchester Resources Inc.) ("WSR" or the "Company") is a publicly listed Canadian junior resource company with mining interests in Guyana, South America. The Corporation filed articles of amendment to change its name from Westchester Resources Inc. to WSR Gold Inc. on February 15, 2007.

During the year, the Company's management decided to change the focus of the Company from oil and gas to mineral exploration and development. The Company acquired an interest in a mineral property on October 19, 2006 and subsequently disposed of its revenue producing oil and gas properties on December 8, 2006. As of that date, the Company is considered to be in the development stage.

The preparation of these 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 the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts and revenues and expenses during the reported period. Actual results may differ from these estimates.

2. Significant accounting policies

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Electrum Slater Resource Corporation, Spiral Mountain Corporation, and Tupper Shields Copper Corporation. The Company's subsidiaries have currently suspended their exploration and development activities and therefore are inactive.

(b) Revenue recognition

Revenue from the sale of petroleum and natural gas is recorded on a gross basis when title passes to an external party and is recognized based on volumes delivered to customers at contractual delivery points and rates. The costs associated with the delivery, including production, transportation and production-based royalty expenses are recognized in the same period in which the related revenue is earned and recorded. Interest income is recorded on the accrual basis.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and brokers, and short-term deposits with maturities of three months or less.

(d) Short-term investments

Short-term investments represent investments in guaranteed investment certificates with maturity dates of more than ninety days from year end and money market funds. Short-term investments are carried at cost. The carrying value of the guaranteed investment certificates and money market funds held by the Company approximates their fair value. All guaranteed investment certificates are held with Canadian chartered banks.

(e) Income taxes

Income taxes are accounted for using the asset and liability method of income tax allocation. Under this method, future income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values. Future income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the substantially enacted tax laws and rates that are anticipated to apply in the period of realization.

(f) Stock-based compensation

Under the fair value method, compensation cost attributable to all stock options granted are measured at fair value at the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital and the contributed surplus balance is reduced.

The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Company accounts for actual forfeitures as they occur.

(g) Mining interests

Mining properties including deferred exploration expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit-of production basis. The cost of mining properties abandoned or sold and the deferred exploration expenditures relating to the mining claims on these properties are charged to operations in the current year. Should a mining property become impaired as evidenced by unfavorable exploration results, or a decision to discontinue further work, the acquisition cost and the related deferred exploration and development expenditures on these properties will be expensed.

(h) Oil and gas properties

(i) Petroleum and natural gas properties

The Company follows the full cost method of accounting whereby all costs related to the acquisition of, exploration for and the development of petroleum and natural gas reserves are initially capitalized into two cost centers, Canada and the United States. Costs capitalized include land acquisition costs, geological and geophysical expenditures, lease rentals on undeveloped properties, costs of drilling productive and non-productive wells, together with overhead and interest directly related to exploration and development activities, and lease and well equipment.

Gains or losses are not recognized upon disposition of petroleum and natural gas properties unless such a disposition would alter the rate of depletion and depreciation by more than 20%.

During the year, all of the oil and gas properties were sold.

(ii) Depletion

Costs capitalized are depleted and amortized using the unit-of-production method based on estimated proved petroleum and natural gas reserves before royalties as determined by independent engineers. For purposes of this calculation, petroleum and natural gas reserves before royalties are converted to a common unit of measure on the basis of their relative energy content where one barrel of oil or liquids equals six thousand cubic feet of gas.

In determining its depletion base, the Company includes estimated future capital costs to be incurred in developing proved reserves and excludes the cost of significant unproved properties until it is determined whether proved reserves are attributable to the unproved properties or impairment has occurred. Unproved properties are evaluated separately for impairment based on management's assessment of future drilling.

(iii) Ceiling test

Under the full cost method of accounting, a limit is placed on the carrying amount of petroleum and natural gas properties. A ceiling test is performed to recognize and measure impairment, if any.

Impairment is recognized if the carrying amount of petroleum and natural gas properties, less the cost of unproved properties not subject to depletion (the "adjusted carrying amount"), exceeds the estimated undiscounted future cash flows from the Company's proved reserves. The future cash flows are based on forecast prices and costs, as provided by an independent third party. If recognized, the magnitude of the impairment is measured by comparing the adjusted carrying amount to the estimated, discounted future cash flows of the Company's proved plus probable reserves. Any recognized impairment is recorded as additional depletion and depreciation expense.

(i) Equipment

Computer hardware

Computer hardware is recorded at cost, net of accumulated amortization. The cost of computer hardware is amortized over its estimated useful life, at the rate of 45% per annum using the declining-balance method.

(j) Asset retirement obligation

The Company measures the expected costs required to retire its mining and oil and gas properties at a fair value which approximates the costs a third party would incur in performing the tasks necessary to abandon the field and restore the site. The fair value is recognized in the financial statements at the present value of expected future cash outflows required to satisfy the obligation. Asset retirement costs are depleted using the unit of production method based on estimated reserves and are included with depletion and depreciation expense. The accretion of the liability for the asset retirement obligation is included with depletion and depreciation expense.

(k) Foreign currency translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in operations in the current period.

(l) Joint venture accounting

All of the Company's exploration and production activities are conducted jointly with others and, accordingly, these financial statements reflect only the Company's proportionate interest in such activities.

(m) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to shareholders. To recognize the forgone tax benefits to the Company, the carrying value of the shares issued is reduced by the tax effect of the benefits renounced to subscribers. The tax effect is recorded on the date that the renouncement forms are filed with tax authorities.

(n) Earnings per share

Basic earnings per share is calculated based on the weighted average number of common shares outstanding during the year. The diluted weighted average number of shares is adjusted for the dilutive effect of options. Under the treasury stock method, only "in the money" options are included in the weighted average diluted number of shares. It is also assumed that any proceeds obtained upon the exercise of options plus the unamortized portion of stock-based compensation would be used to purchase common shares at the average price during the year. The weighted average number of shares is then reduced by the number of shares acquired.

3. Oil and gas properties

	2007				2006		
	<u>Cost</u>	<u>Write down</u>	<u>Accumulated Depletion & Depreciation</u>	<u>Net Book Value</u>	<u>Cost</u>	<u>Accumulated Depletion & Write-down</u>	<u>Net Book Value</u>
Petroleum and natural gas properties	\$ -	\$ -	\$ -	\$ -	\$5,627,732	\$3,526,782	\$2,100,950
	\$ -	\$ -	\$ -	\$ -	\$5,627,732	\$3,526,782	\$2,100,950

On December 8, 2006, WSR sold to Aspen Group Resources Corporation ("Aspen"), 100% of its 50% interest in the properties that are subject to the joint venture in Manitoba, Saskatchewan and North Dakota, all assets owned by the joint venture and all other interests held by WSR in the joint venture. The purchase price for the Company's 50% interest in the joint venture was equal to and offset by the aggregate amount owing at closing by the Company to Aspen in respect to the joint venture. The purchase price is inclusive of the value of all current and future site reclamation costs and liabilities associated with all wells drilled under the joint venture. A loss on disposal of oil and gas properties of \$ 762,636 was recorded.

Net book value as at May 31, 2006	\$ 2,100,950
Additions	4,754,412
Depletion	(520,103)
Write-down	(3,646,352)
Net book value before disposition	<u>2,688,907</u>
Net assets in the oil and gas joint venture	(1,858,780)
Asset retirement obligation incurred during the year (Note 6)	67,768
Asset retirement obligation settled upon disposition of oil and gas properties (Note 6)	<u>(135,259)</u>
Loss on disposition	<u>\$ 762,636</u>

As a result of this sale, there are no reserves remaining as at March 31, 2007 and as such a ceiling test calculation has not been performed.

4. Equipment

	2007			2006		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Computer hardware	\$ 3,436	\$ 773	\$ 2,663	\$ -	\$ -	\$ -
	\$ 3,436	\$ 773	\$ 2,663	\$ -	\$ -	\$ -

5. Mining interests

Peters Mine

	Year Ended March 31, 2007	Year Ended March 31, 2006
Acquisition costs	\$ 1,800,000	\$ -
Exploration expenditures	560,708	-
	<u>\$ 2,360,708</u>	<u>\$ -</u>

On October 19, 2006, WSR entered into an option agreement (the "Agreement") with Guyana Goldfields Inc. to earn a 50% interest in the Peters Mine property in Guyana (the "Peters Mine Property"). WSR has been granted the right to earn a 50% interest in the Property by issuing 5,000,000 common shares of the Company to Guyana Goldfields Inc. and by spending an aggregate of \$5,000,000 in exploration expenditures on the Property over a three-year period. The value of shares issued was deemed to be \$0.36 per share for a total fair value of \$1,800,000. To date, there have been mining expenditures of \$560,708 as part of the requirements under the Agreement.

During the year ended March 31, 2006, the Company terminated its option to earn a 100% interest in the Satterly Lake property that had been acquired on May 14, 2003. The cost to terminate the agreement was \$12,000 cash and the issuance of 35,000 common shares. The shares issued were valued at \$0.43 (\$15,050). These amounts are included in the statement of operations and deficit as a component of mining property expenditures.

6. Asset retirement obligation

The total future asset retirement obligations were estimated by management based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon said wells and facilities and the estimated timing of the costs to be incurred in future periods. As at March 31, 2007 the Company has estimated the total undiscounted asset retirement obligation to be \$nil (2006 - \$99,051). The Company used a credit adjusted risk free rate of nil% (2006 - 6.0%) and an estimated inflation rate of nil% (2006 - 2.2%) to calculate the present value of the asset retirement obligation.

A summary of the changes to the asset retirement obligations balance for each of the years ended March 31 is as follows:

	2007	2006
Balance, beginning of year	\$ 65,661	\$ 45,565
Liabilities incurred	67,768	40,086
Accretion expense	1,830	1,561
Liabilities settled upon disposition of oil and gas properties	(135,259)	(21,551)
Balance, end of year	<u>\$ -</u>	<u>\$ 65,661</u>

7. Share capital

(a) Authorized

Unlimited number of voting common shares
 Unlimited number of preferred shares, issuable in series

(b) Issued

	2007		2006	
	Number	Stated Value	Number	Stated Value
Balance, beginning of year	38,571,263	\$7,851,497	38,228,263	\$7,535,447
Private placement (i)	7,000,000	1,575,000	-	-
Private placement (ii)	13,500,000	2,025,000	-	-
Warrant valuation (i), (ii)	-	(1,917,000)	-	-
Flow-through shares issued (i)	3,333,333	1,000,000	-	-
Tax effect of flow-through shares (iii)	-	(361,200)	-	-
Warrants exercised	4,468,056	2,209,139	308,000	78,918
Warrant value transferred to common shares (Note 7(d))	-	444,679	-	62,524
Shares issued to acquire mining interest (Note 5)	5,000,000	1,800,000	-	-
Shares issued to terminate mining agreement (Note 5)	-	-	35,000	15,050
Warrants expired	-	434,879	-	99,876
Broker units issued (ii)	945,000	141,750	-	-
Broker warrants exercised	330,000	74,250	-	-
Value of broker warrants transferred to common shares (Note 7(e))	-	32,670	-	59,682
Warrant valuation (Note 7(e)(i))	-	(330)	-	-
Stock options exercised (Note 7(c))	1,000,000	300,000	-	-
Stock option value transferred to common shares (Note 8)	-	212,000	-	-
Cost of issues	-	(690,047)	-	-
Balance, end of year	<u>74,147,652</u>	<u>\$15,132,287</u>	<u>38,571,263</u>	<u>\$7,851,497</u>

(i) On April 4, 2006, the Company raised gross proceeds of \$2,575,000 to fund its continuing development program in the Daly Field. In connection with the financing, WSR issued 3,333,333 flow-through common shares (the "Flow-Through Shares") at a price \$0.30 per Flow-Through Share and 7,000,000 units (the "Units") at a price of \$0.225 per Unit. Each Unit consisted of one common share of the Company and one share purchase warrant. Each share purchase warrant may be exercised to acquire one common share of the Company at a price of \$0.30 for a period of 12 months, provided that if after August 5, 2006, the closing price of the common shares of the Company on the principal market on which such shares trade is equal to or exceeds \$0.50 for 20 consecutive trading days, the Company may provide written notice to the warrant holder that the expiry date shall accelerate to the date which is the later of 30 days following the date of delivery of the written notice and the date a press release is issued by the Company announcing the reduced expiry date. All of the securities issued and issuable in connection with the financing have a hold period expiring August 5, 2006. The fair value assigned to these warrants was calculated using the Black-scholes option pricing model with the following assumptions: dividends 0%, expected volatility 115.4%, risk-free interest rate 4.04%, and an expected life of 1 year. The fair value assigned was \$567,000.

In connection with the financing, the Company issued 775,000 broker warrants to Jones Gable & Company Limited. Each broker warrant is exercisable for one Unit at a price of \$0.225 for a period of 12 months. The fair value assigned to these warrants was calculated using the Black-scholes option pricing model with the following assumptions: dividends 0%, expected volatility 115.4%, risk-free interest rate 4.04%, and an expected life of 1 year. The fair value assigned was \$76,725 and was charged to the cost of issue.

(ii) On November 17, 2006, the Company completed a private placement whereby the Company issued 13,500,000 units at a price of \$0.15 per unit for total proceeds of \$2,025,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant may be exercised to acquire one common share of the Company at a price of \$0.25 for a period of 24 months, (the "Warrant Term"), provided that, in the event that the closing price of the Company's common shares is \$0.60 or more for 20 consecutive trading days at any time during the 12 month period following the closing of the financing and following the expiry of applicable hold periods, the Company may reduce the Warrant Term to the date that is 30 days following the issue of a the Company release announcing the new expiry date, provided that it also gives written notice to the warrant holders of the reduced Warrant Term. The fair value assigned to these warrants was calculated using the Black-scholes option pricing model with the following assumptions: dividends 0%, expected volatility 156%, risk-free interest rate 3.94%, and an expected maturity of 2 years. The fair value assigned was \$1,350,000.

In connection with the offering, the agents received a commission of 945,000 units equaling 7% of the gross proceeds raised from the offering at a deemed price of \$0.15 per Unit. The deemed value of the 945,000 common shares was \$141,750. The fair value assigned to the 945,000 warrants was calculated using the Black-scholes option pricing model with the following assumptions: dividends 0%, expected volatility 156%, risk-free interest rate 3.94%, and an expected maturity of 2 years. The fair value assigned was \$94,500.

(iii) During the year, the Company renounced for Canadian income tax purposes \$1,000,000 in expenditures to the subscribers of the flow-through shares. As a result, \$361,200 was charged to share capital as the tax effect of the renunciation of these expenditures.

(c) **Stock-Based Compensation**

The Company maintains an employee stock option plan under which the Board of Directors, or a committee appointed for such a purpose, may from time to time grant to employees, officers, directors or, or consultants to, the Company, options to acquire common shares in such numbers, for such terms, and at such exercise prices, as may be determined by the Board of Directors or such committees.

The stock option plan provides that the maximum number of common shares in the capital of the Company that may be reserved for issuance for all purposes under the stock option plan shall be equal to 10% of the total issued and outstanding common shares and that the maximum number of common shares which may be reserved for issuance to any one optionee pursuant to share options may not exceed 5% of the common shares outstanding at the time of grant.

The options are valid for a maximum of 5 years from the date of issue. Vesting terms are at the discretion of the board.

The changes in stock options for each of the years ended March 31, 2007 and 2006 are as follows:

	2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of year	2,060,000	\$0.42	1,860,000	\$0.40
Granted	1,500,000	0.60	200,000	0.60
Exercised	(1,000,000)	(0.30)	-	-
Expired/cancelled	(400,000)	(0.53)		-
	2,160,000	\$0.58	2,060,000	\$0.42

Exercise Price	Average Remaining Contractual Life (Years)	Number Outstanding	Number Exercisable	Weighted Average Exercise Price
\$0.30	1.49	160,000	160,000	\$0.30
\$0.70	2.27	100,000	100,000	\$0.70
\$0.60	2.30	200,000	200,000	\$0.60
\$0.60	3.00	200,000	200,000	\$0.60
\$0.50	4.03	200,000	100,000	\$0.50
\$0.67	4.13	200,000	100,000	\$0.67
\$0.60	4.64	900,000	900,000	\$0.60
\$0.60	4.71	100,000	100,000	\$0.60
\$0.60	4.90	100,000	100,000	\$0.60
	<u>3.84</u>	<u>2,160,000</u>	<u>1,960,000</u>	<u>\$0.58</u>

During the year ended March 31, 2007, under the fair-value method, \$707,930 (2006 - \$181,026) in compensation expense was recorded in the statement of operations and deficit for stock options granted.

The weighted average fair value of the share options granted in 2007 was \$0.51 (2006 - \$0.27) using the Black-Scholes option pricing model with the following assumptions:

	<u>2007</u>	<u>2006</u>
Risk free interest rate	4.01%	3.82%
Expected dividend yield	0%	0%
Stock price volatility	161.56%	192.34%
Expected life of options	4.9 years	4.9 years

(d) Warrants

	2007		2006	
	Number	Stated Value	Number	Stated Value
Balance, beginning of year	5,827,500	\$ 693,472	6,627,500	\$855,872
Private placement (Note 7(b)(i) and (ii))	21,445,000	2,011,500	-	-
Exercise of warrants	(4,468,056)	(444,679)	(308,000)	(62,524)
Expired during the year	(3,654,444)	(434,879)	(492,000)	(99,876)
Broker warrants exercised (Note 7(e)(i))	330,000	330	-	-
Balance, end of year	19,480,000	\$1,825,744	5,827,500	\$693,472

(e) Broker warrants

	2007		2006	
	Number	Stated Value	Number	Stated Value
Balance, beginning of year	-	\$ -	800,000	\$162,400
Private placement (Note 7(b)(i))	775,000	76,725	-	-
Exercise of warrants (i)	(330,000)	(32,670)	(294,000)	(59,682)
Expired during the year	-	-	(506,000)	(102,718)
Balance, end of year	445,000	\$ 44,055	-	\$ -

- (i) In connection with the April 4, 2006 private placement, 775,000 broker warrants were issued of which 330,000 were exercised in the fourth quarter. The fair value of the 330,000 broker warrants was \$32,670. Each broker unit is exercisable for one unit as at a price of \$0.225 for a period of 12 months. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant may be exercised to acquire one common share at a price of \$0.30 for a period of 12 months. The fair value assigned to these 330,000 warrants was calculated using the Black-scholes option pricing model with the following assumptions: dividends 0%, average expected volatility 87%, average risk-free interest rate 4.01%, and an average expected maturity of 14 days. The fair value assigned was \$330.

Exercise price per share	Expiry date	Number of Warrants Outstanding at March 31,	
		2007	2006
\$0.70	May 19, 2006	-	5,827,500
\$0.225	April 4, 2007	445,000	-
\$0.30	April 4, 2007	5,045,000	-
\$0.25	November 17, 2008	<u>14,435,000</u>	<u>-</u>
		<u>19,925,000</u>	<u>5,827,500</u>

(f) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted loss per share. Under this method, it is assumed that proceeds on the exercise of stock options and warrants are used by the Company to repurchase Company shares at the average market price. During the year, the average market price of the Company shares was \$0.49 (2006 – \$0.32).

A reconciliation of the denominators for the basic and diluted net income per share calculations is as follows:

	2007	2006
Basic weighted average shares	58,517,949	38,414,559
Effect of dilutive stock options and warrants (i)	<u>-</u>	<u>-</u>
Diluted weighted average shares	<u>58,517,949</u>	<u>38,414,559</u>

(i) Stock options and warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

8. Contributed surplus

A summary of changes in the Company's contributed surplus balance for the years ended March 31 is as follows:

	2007	2006
Balance, beginning of year	\$ 604,957	\$423,931
Stock-based compensation	707,930	181,026
Options exercised during the year	<u>(212,000)</u>	<u>-</u>
Balance, end of year	<u>\$1,100,887</u>	<u>\$604,957</u>

9. Related party transactions

- (a) The amount due to related party was money owing to the spouse of a director in the amount of \$52,545. The amount was non-interest bearing and due on demand. In April 2006, the director resigned from his position with the Company, therefore the balance has been reclassified as advances payable.
- (b) A corporation owned by an officer of the Company performed accounting services for the Company for fees in the amount of \$57,888 (2006 - \$32,394). Included in the accounts payable at year end is \$16,739 (2006 - \$10,121) owing to this corporation.
- (c) In 2005, the Company entered into a management agreement with a company controlled by an officer who was also a director of the Company. In April 2006, the director resigned from his position with the Company. During the year the Company paid the sum of \$nil (2006 - \$55,000) as management fees under this agreement.
- (d) During the year, \$90,000 (2006 - \$90,000) in management fees were paid to the former CEO who is now a director of the Company. Included in accounts payable at year end is \$Nil (2006 - \$15,000).

These transactions were in the normal course of business and were measured at the exchange amount which is the amount of consideration established, agreed to and paid by the related parties based on standard commercial terms.

10. Future income taxes

- (a) Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts for tax purposes.

The company has one future tax liability which arose from a difference between the carrying amount of the resource properties and their tax basis and one future tax asset resulting from non-capital losses carried forward. The reason for the difference on the resource properties is due to the issuance of flow-through shares to investors which results in the expenditures being renounced to the investors. As a result the tax basis of the resource properties is much lower than their carrying amount for accounting purposes. Since the resource properties are classified as long-term the associated future income tax liability will also be classified as long-term. The future tax liability and asset are as follows:

	2007	2006
Future tax liability:		
Resource properties	\$ (361,200)	\$ -
Future tax asset:		
Non-capital losses carried forward applied to reduce future income tax liability	361,200	-
	<u>\$ -</u>	<u>\$ -</u>

In accordance with CICA Handbook EIC 146, the benefit of non-capital losses carried forward has been used to reduce the future income tax liability. This requirement has been applied commencing prospectively.

Significant components of the future income tax asset are as follows:

	2007	2006
Resources properties	\$ 2,679,357	\$ 1,293,846
Non-capital loss carry forward	746,239	1,229,886
Share issue costs	210,110	151,727
	<u>3,635,706</u>	<u>2,675,459</u>
Non-capital losses carried forward applied to reduce future income tax liability	(361,200)	-
Valuation allowance	(3,274,506)	(2,675,459)
	<u>\$ -</u>	<u>\$ -</u>

The Company provided a valuation allowance equal to the future tax asset because it is not more likely than not that they will be realized.

(b) The Company's income tax (recovery) for each of the years ended is as follows:

	2007	2006
Current income tax (recovery)	\$ -	\$ -
Future income tax (recovery)	(361,200)	
	<u>\$ (361,200)</u>	<u>\$ -</u>

(c) Income tax expense differs from that which would be expected from applying the combined effective Canadian federal and provincial corporate tax rates of 36.12% (2006 – 36.12%) to income before income taxes as follows:

	2007	2006
Expected income tax recovery	\$(2,202,669)	\$(1,500,294)
Increase (decrease) resulting from:		
Depletion, depreciation and accretion	188,801	58,464
Write-down of mining properties	-	37,254
Write-down of oil and gas properties	1,317,061	1,216,038
Non-deductible stock-option compensation	255,704	65,387
Loss on disposal of oil and gas properties	275,464	-
Terminal loss	(96,854)	
Mining property expenditures	-	10,583
Share issue costs	(77,816)	(50,576)
Asset retirement obligation costs incurred	-	(7,784)
Others	18,112	-
Taxable benefit not recognized	322,197	170,928
	<u>\$ -</u>	<u>\$ -</u>

(d) The Company has estimated tax pools totaling \$12,429,004 (2006 - \$9,478,497), as follows:

	Rate of claim	2007	2006
Canadian exploration expense	100%	\$ 109,139	\$ 109,139
Canadian development expense	30%	5,734,960	2,840,904
Canadian oil and gas property expense	10%	-	879,484
Foreign exploration and development expense	10%	3,933,769	1,591,391
Undepreciated capital cost	45%	3,436	-
Undepreciated capital cost	25%	-	262,094
Non-capital losses		2,066,000	3,375,422
Share issue costs	various	581,700	420,063
		<u>\$12,429,004</u>	<u>\$9,478,497</u>

The non-capital losses will expire as follows:

Year of expire	Amount
2008	\$ 202,000
2009	52,000
2010	35,000
2014	100,000
2015	333,000
2026	452,000
2027	<u>982,000</u>
	<u>\$2,066,000</u>

11. Financial instruments

(a) Fair values

The fair values of sundry receivables, accounts payable and accrued liabilities and due to related party approximate their carrying value due to the relatively short-term maturity of these financial instruments.

(b) Commodity price risk

The nature of the Company's operations results in exposure to fluctuations in commodity prices. Management continuously monitors commodity prices and initiates instruments to manage exposure to these risks when it deems necessary.

(c) Other risks

It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments.

12. Segment information

The Company's operations are comprised of one reporting operating segment engaged in the exploration of mineral resources and oil and gas properties. The Company's subsidiaries have currently suspended their exploration and development activities. As the operations comprise a single reporting segment amounts disclosed in the financial statements for revenue, expenses, net (loss) for the year also represent segment amounts.

Geographic information

During a portion of fiscal 2007, the Company generated revenue in Canada through an interest in an oil and gas property located in Manitoba. The interest was sold effective October 1, 2006 and the Company acquired an option on a mining property in Guyana, South America. The mining property is not revenue generating.

13. Subsequent events

Subsequent to the end of fiscal 2007, 4,715,000 \$0.30 warrants (proceeds of \$1,414,500), 445,000 \$0.225 broker warrants (proceeds of \$100,125) and 775,000 \$0.30 warrants (proceeds of \$232,500) attached to the broker warrants, representing all the remaining warrants and broker warrants from the April 2006 equity financing, were exercised for total proceeds of \$1,747,125.

Subsequent to the end of fiscal 2007, a total of 210,000 \$0.25 warrants were exercised for total proceeds of \$52,500.

On April 19, 2007, the Company granted options to a consultant to acquire 100,000 common shares of the Company at \$0.60 per share over a period of 5 years. These options have an estimated value of \$43,300 which will be expensed on the date that they were granted since they vest immediately. The fair value was estimated using the Black-Scholes option pricing model using the following assumptions: dividend yield 0%; expected volatility 159.60%; risk-free interest rate 4.12%; and an expected life of 5 years.

14. Commitments

Under the terms of the October 19, 2006 Agreement with Guyana Goldfields Inc, WSR is committed to spend an aggregate of \$5,000,000 in exploration expenditures on the Peters Mine property over a three-year period. To date, there have been exploration expenditures of \$560,708 with the remaining expenditures to be incurred by October 19, 2009.

15. Comparative figures

Certain prior year figures have been reclassified to conform to the current year's presentation.