

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

Consolidated Financial Statements
June 30, 2007

(Expressed in Canadian dollars except where otherwise noted)

These interim consolidated financial statements have not been audited or reviewed by the Corporation's external auditors.

WSR Gold Inc. (formerly Westchester Resources Inc.)**(A Development Stage Company)**

(Incorporated under the laws of Ontario)

Consolidated Balance Sheets

	June 30, 2007	March 31, 2007
Assets	(Unaudited)	(Audited)
Current assets		
Cash and cash equivalents	\$1,304,023	\$1,333,122
Short-term investments	2,860,163	1,367,165
Sundry receivables	13,640	114,510
Prepaid expenses	59,764	13,865
	4,237,590	2,828,662
Equipment (Note 3)	2,276	2,663
Mining interest (Note 4)	2,811,705	2,360,708
	2,813,981	2,363,371
	\$7,051,571	\$5,192,033
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 239,098	\$ 91,056
Advances payable (Note 7(a))	52,545	52,545
	291,643	143,601
Shareholders' Equity		
Share capital (Note 5(b))	17,379,212	15,132,287
Warrants (Note 5(d))	1,422,499	1,869,799
Contributed surplus (Note 6)	1,195,537	1,100,887
Deficit	(13,237,320)	(13,054,541)
	6,759,928	5,048,432
	\$7,051,571	\$5,192,033

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

For the three months ended June 30,	2007	2006
Revenue		
Oil and gas revenue	\$ -	\$ 106,944
Less: royalties	-	(3,124)
Interest income	<u>25,600</u>	<u>8,507</u>
	25,600	112,327
Expenses		
Production and operating costs	-	85,033
General and administrative	113,342	97,153
Stock-option compensation (Note 7(c))	94,650	58,013
Depletion, depreciation and accretion	<u>387</u>	<u>162,931</u>
	208,379	403,130
Net loss for the period	\$ (182,779)	\$ (290,803)
Deficit, beginning of period	<u>(13,054,541)</u>	<u>(7,317,542)</u>
Deficit, end of period	\$ (13,237,320)	\$ (7,608,345)
Basic and diluted loss per share (Note 7(e))	\$ (0.00)	\$ (0.11)

WSR Gold Inc. (formerly Westchester Resources Inc.)
(A Development Stage Company)
Unaudited Consolidated Statements of Cash Flows

For the three months ended June 30,	2007	2006
Cash flows from operating activities		
Net loss for the period	\$ (182,779)	\$ (290,803)
Add items not affecting cash:		
Depletion, depreciation and accretion	387	58,013
Stock-based compensation	94,650	162,931
	<u>(87,742)</u>	<u>(69,859)</u>
Changes in non-cash components of working capital	<u>\$ 203,013</u>	<u>\$ (265,363)</u>
Cash flows generated (used by) operating activities	<u>\$ 115,271</u>	<u>\$ (335,222)</u>
Financial Activities		
Common Shares issued for cash, net of issue costs	-	1,302,575
Flow-through shares issued for cash	-	1,000,000
Warrants exercised for cash	1,699,500	1,521,139
Broker warrants exercised for cash	100,125	-
	<u>\$ 1,799,625</u>	<u>\$ 3,823,714</u>
Investment Activities		
Acquisition of property, plant and equipment	-	(2,150,320)
Mining interests	(450,997)	-
Purchase of short term investment	(1,492,998)	-
	<u>\$ (1,943,995)</u>	<u>\$ (2,150,320)</u>
Net change in cash	\$ (29,099)	\$ 1,338,172
Cash, beginning of period	<u>1,333,122</u>	<u>24,824</u>
Cash, end of period	<u>\$ 1,304,023</u>	<u>\$ 1,362,996</u>

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 last fiscal year, the Company’s management decided to shift 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.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and follow the same accounting policies and methods of application as the most recent annual consolidated financial statements dated March 31, 2007, except for the items discussed in note 2 below. These financial statements should be read in conjunction with those annual financial statements and notes thereto. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in Canada for complete financial statements. In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for fair presentation have been included. Operating results for the three-month period ended June 30, 2007 and 2006 are not necessarily indicative of the results that may be expected for the year ending March 31, 2008.

2. Significant accounting policies

In January 2005, the Canadian Institute of Chartered Accountants (“CICA”) issued Handbook Sections 3855, “Financial Instruments – Recognition and Measurement”, Section 1530, “Comprehensive Income” and Section 3865 “Hedges”. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1st, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective April 1st, 2007. The new standards and accounting policy changes are as follows:

Financial Instruments – Recognition and measurement (Section 3855)

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading, loans and receivables or other financial liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held-for-trading are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized on the statement of loss.

Significant accounting policies (continued)

Upon adoption of this new standard, the Company has designated its cash and short-term investment as held-for-trading, which is measured at fair value. Sundry receivables and prepaid are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued charges are classified as other financial liabilities, which are measured at amortized cost.

The Company has evaluated the impact of Section 3855 on its financial statements and determined that no adjustments are currently required.

Comprehensive Income (Section 1530)

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources. In accordance with this new standard, the Company now reports a consolidated statement of comprehensive loss and a new category, accumulated other comprehensive income, in the shareholders' equity section of the consolidated balance sheet. The components of this new category will include unrealized gains and losses on financial assets classified as available-for-sale. The Company has evaluated the impact of Section 1530 on its financial statements and determined that no adjustments are currently required.

Hedges (Section 3865)

Section 3865 provides alternative treatments to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Company has evaluated the impact of Section 3865 on its financial statements and determined that no adjustments are currently required.

3. Equipment

	June 30, 2007			March 31, 2007		
	<u>Cost</u>	<u>Accumulated Depletion & Depreciation</u>	<u>Net Book Value</u>	<u>Cost</u>	<u>Accumulated Depletion & Depreciation</u>	<u>Net Book Value</u>
Computer hardware	\$ 3,436	\$ 1,160	\$ 2,276	\$ 3,436	\$ 773	\$ 2,663
	\$ 3,436	\$ 1,160	\$ 2,276	\$ 3,436	\$ 773	\$ 2,663

WSR Gold Inc.
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Unaudited Consolidated Notes to Financial Statements
June 30, 2007 and 2006

4. Mining interests

Peters Mine

	Three-Month Ended 6/30/2007	Year Ended 3/31/2007
Acquisition costs	\$1,800,000	\$1,800,000
Exploration expenditures	1,011,705	560,708
	<u>\$2,811,705</u>	<u>\$2,360,708</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 \$1,011,705 as part of the requirements under the Agreement.

5. Share capital

	Units	\$ Amount
Balance, March 31, 2006	38,571,263	\$7,851,497
Issued under private placement	20,500,000	1,683,000
Flow-through shares issued	3,333,333	638,800
Warrants	4,468,056	3,088,697
Broker warrants	1,275,000	248,340
Stock options	1,000,000	512,000
Share issue cost		(690,047)
Issue to acquire mining interest	5,000,000	1,800,000
Balance, March 31, 2007	74,147,652	\$ 15,132,287
Issued on exercise of warrants	5,700,000	1,699,500
Issue on exercise of broker warrants	445,000	100,125
Warrants valuation	-	447,300
Balance June 30, 2007	<u>80,292,652</u>	<u>\$ 17,379,212</u>

5. Share capital (continued)

(c) Stock-Based Compensation

The changes in stock options for the three month ended June 30, 2007 and the year ended March 31, 2007 are as follows:

June 30, 2007		March 31, 2007	
Number of Options	Weighted Average Price	Number of Options	Weighted Average Price
2,160,000	\$ 0.58	2,060,000	\$ 0.42
100,000	0.60	1,500,000	0.60
-	-	(1,000,000)	(0.30)
-	-	(400,000)	(0.53)
2,260,000	\$ 0.58	2,160,000	\$ 0.58

The following schedule describes the remaining average life remaining on these stock options:

Exercise Price Range	Remaining Life in years	Options Outstanding	Options Exercisable
\$0.30	1.24	160,000	160,000
\$0.5 - \$0.70	3.83	2,100,000	2,000,000
	3.63	2,260,000	2,160,000

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 and were 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.

5. Share capital (continued)

(b) Warrants

The following schedules describe the warrants transactions during the fiscal year ended March 31, 2006 and the three month ended June 30, 2007 and balances outstanding at the end of each period:

	<u>Warrants</u>		<u>Broker Warrants</u>	
	<u>Number of Warrants</u>	<u>Stated Value</u>	<u>Number of Warrants</u>	<u>Stated Value</u>
Balance, March 31, 2006	5,827,500	\$ 693,472	-	\$ -
Ussued on private placement	21,445,000	2,011,500	775,000	76,725
Exercise of warrants	(4,468,056)	(444,679)	(330,000)	(32,670)
Expired during the year	(3,654,444)	(434,879)		
Broker warrants exercised	330,000	330		
Balance, March 31, 2007	19,480,000	\$ 1,825,744	445,000	\$ 44,055
Exercise of warrants	(5,700,000)	(403,690)		
Exercise of Broker warrants	445,000	445	(445,000)	(44,055)
Balance at June 30, 2007	14,225,000	\$1,422,499	-	\$ -

During the first quarter of 2008, 445,000 Broker warrants were exercised for net proceeds of \$100,125. On exercise of these warrants 445,000 new warrants were issued, each warrant exercisable into one common share of the Company \$0.30 per warrant. The fair value assigned to the issued warrants was calculated using the Black-Scholes option-pricing model assuming a dividend rate of 0%, average expected volatility of 87% and an expected maturity of 14 days. The fair value assigned was \$445.

In addition, the following warrants were exercised:

- i) Exercise of 775,000 warrants at \$0.30, issued on exercise of 775,000 broker warrants, for net proceeds of \$232,500 and a fair value of \$775;
- ii) Exercise of 4,715,000 warrants at \$0.30 for net proceeds of \$1,414,500 and a fair value of \$381,915;
- iii) Exercise of 210,000 warrants at \$ 0.25 for net proceeds of \$ 52,500 and fair value of \$21,000.

(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.

5. Share capital (continued)

(f) Loss Per Share (continued)

A reconciliation of the denominators for the basic and diluted net income per share calculations as at June 30 2007 and 2006 is as follows:

	2007	2006
Basic weighted average shares	74,251,131	49,638,018
Effect of dilutive stock options and warrants (i)	<u>-</u>	<u>-</u>
Diluted weighted average shares	<u>74,251,131</u>	<u>49,638,018</u>

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

6. Contributed surplus

Balance, March 31, 2006	\$ 604,957
Stock-based compensation	707,930
Options exercised during the year	<u>(212,000)</u>
Balance, March 31, 2007	1,100,887
Options vested during the period	51,350
Stock-based compensation	<u>43,300</u>
Balance, June 30, 2007	<u>\$ 1,195,537</u>

7. Related party transactions

- (a) The amount of \$52,545 that was due to the spouse of a director bears no interest and is due on demand. In April 2006, the director resigned from his position with the Company and the amount was reclassified as advances payable.
- (b) A corporation owned by an officer of the Company performed accounting services for the Company for fees of \$10,828 (2007 - \$16,844). During the same period the company paid management fees to a director of the Company for \$8,000 (2007 - \$NIL). Included in the accounts payable at quarter end is \$8,000 (2006 - \$NIL) owing to this director.

7. Related party transactions (continued)

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.

8. 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.

9. Comparative figures

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