

**WSR Gold Inc.**  
**(formerly Westchester Resources Inc.)**

(Incorporated under the laws of Ontario)  
(A Development Stage Company)

**Consolidated Financial Statements**  
**September 30, 2007**

**(Expressed in Canadian dollars except where otherwise noted)**

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

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

	<b>September 30, 2007</b>	<b>March 31, 2007</b>
<b>Assets</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Current assets		
Cash and cash equivalents	\$ 3,509,558	\$ 2,700,287
Accounts receivables	20,362	114,510
Prepaid expenses	90,053	13,865
	<u>3,619,973</u>	<u>2,828,662</u>
Equipment (Note 3)	2,064	2,663
Mining interests (Note 4)	3,269,991	2,360,708
	<u>3,272,055</u>	<u>2,363,371</u>
	<u>\$6,892,028</u>	<u>\$5,192,033</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 130,072	\$ 91,056
Advances payable (Note 7(a))	52,545	52,545
	<u>182,617</u>	<u>143,601</u>
<b>Shareholders' Equity</b>		
Share capital (Note 5 (a))	17,407,212	15,132,287
Warrants (Note 5(c))	1,414,499	1,869,799
Contributed surplus (Note 6)	1,195,537	1,100,887
Deficit	(13,307,837)	(13,054,541)
	<u>6,709,411</u>	<u>5,048,432</u>
	<u>\$ 6,892,028</u>	<u>\$ 5,192,033</u>

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

	Three months ended September 30,		Six months ended September 30,	
	2007	2006	2007	2006
<b>Revenue</b>				
Oil and gas revenue	\$ -	\$ 209,579	\$ -	\$ 316,523
Less: royalties	-	(25,366)	-	(28,490)
Interest income	29,631	7,594	55,231	16,101
	<u>29,631</u>	<u>191,807</u>	<u>55,231</u>	<u>304,134</u>
<b>Expenses</b>				
Production and operating costs		167,170	-	252,203
General and administrative	99,936	115,342	213,278	212,495
Stock-option compensation (Note 5(b))	-	-	94,650	58,013
Depletion, depreciation and accretion	212	4,678,474	599	4,841,405
	<u>100,148</u>	<u>4,960,986</u>	<u>308,527</u>	<u>5,364,116</u>
<b>Loss and comprehensive loss for the period</b>	<b>(70,517)</b>	<b>(4,769,179)</b>	<b>(253,296)</b>	<b>(5,059,982)</b>
Deficit, beginning of period	<u>(13,237,320)</u>	<u>(7,608,345)</u>	<u>(13,054,541)</u>	<u>(7,317,542)</u>
<b>Deficit, end of period</b>	<b>\$ (13,307,837)</b>	<b>\$ (12,377,524)</b>	<b>\$ (13,307,837)</b>	<b>\$ (12,377,524)</b>
<b>Basic and diluted loss per share (Note 5(d))</b>	<b>\$ (0.00)</b>	<b>\$ (0.09)</b>	<b>\$ (0.00)</b>	<b>\$ (0.10)</b>

**WSR Gold Inc. (formerly Westchester Resources Inc.)**  
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**Unaudited Consolidated Statements of Cash Flows**

	<b>Three months ended September 30,</b>		<b>Six months ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Cash flows from operating activities</b>				
Net loss for the period	\$ (70,517)	\$ (4,769,179)	\$ (253,296)	\$ (5,059,982)
Add items not affecting cash:				
Depletion, depreciation and accretion	212	4,678,474	599	4,841,405
Stock-based compensation	-	-	94,650	58,013
	<u>(70,305)</u>	<u>(90,705)</u>	<u>(158,047)</u>	<u>(160,564)</u>
Changes in non-cash components of working capital	<u>(146,037)</u>	<u>958,639</u>	<u>56,976</u>	<u>693,276</u>
Cash flows generated (used by) operating activities	<u>(216,342)</u>	<u>867,934</u>	<u>(101,071)</u>	<u>532,712</u>
<b>Financial Activities</b>				
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	20,000	-	1,719,500	1,521,139
Broker warrants exercised for cash	-	-	100,125	-
Cash flow generated by financial activities	<u>20,000</u>	<u>-</u>	<u>1,819,625</u>	<u>3,823,714</u>
<b>Investment Activities</b>				
Oil and gas properties	-	(1,656,089)	-	(3,806,409)
Mining interests	<u>(458,286)</u>	<u>-</u>	<u>(909,283)</u>	<u>-</u>
Cash flow used in investment activities	<u>(458,286)</u>	<u>(1,656,089)</u>	<u>(909,283)</u>	<u>(3,806,409)</u>
Net change in cash	<u>(654,628)</u>	<u>(788,155)</u>	<u>809,271</u>	<u>550,017</u>
Cash and cash equivalents, beginning of period	<u>4,164,186</u>	<u>1,362,996</u>	<u>2,700,287</u>	<u>24,824</u>
Cash and cash equivalents, end of period	<u>\$ 3,509,558</u>	<u>\$ 574,841</u>	<u>\$ 3,509,558</u>	<u>\$ 574,841</u>

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**Unaudited Consolidated Notes to Financial Statements**  
**September 30, 2007 and 2006**

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**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 Company 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 annual consolidated financial statements of the Company for the year ended March 31, 2007, except for the items discussed in note 2 below. These interim consolidated financial statements do not contain all disclosures required by Canadian generally accepted accounting principles ("GAAP") and accordingly should be read in conjunction with the 2007 annual consolidated financial statements and notes thereto.

WSR is a junior mining company engaged in the identification, acquisition, evaluation and exploration of gold and nickel properties in Canada and Guyana. The Company has not determined whether the properties contain mineral reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development, and attaining future profitable production from the properties or proceeds from disposition.

The Company has sufficient working capital in the near term to fund ongoing operating and exploration expenditures. However, the Company is dependent on raising funds through the issuance of shares and/or attracting joint venture partners in order to undertake further exploration and development of its mineral properties.

**2. Changes in Accounting policies and recent pronouncements**

**(a) Changes in accounting policies**

*Financial instruments*

Effective January 1, 2007 the Company has adopted the recommendation of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1530, Comprehensive Income; Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; Section 3865, Hedges and Section 3251, Equity.

These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The accounting policy changes as a result of these new standards are as follows:

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*Financial Instruments – Recognition and Measurement (Section 3855); Financial Instruments – Disclosure and Presentation (Section 3861)*

In accordance with the new standards, 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.

Upon adoption of the new standards, the Company has designated its cash as held-for-trading, which is measured at fair value. Prepaid and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts and advances payable and accrued charges are classified as other financial liabilities, which are measured at amortized cost.

*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 income (loss) and a new category, accumulated other comprehensive loss, 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.

*Equity (Section 3251)*

These recommendations require separate presentation of the components of equity, including retained earnings (deficit), accumulated other comprehensive income (loss), contributed surplus, share capital and reserves, and the changes therein. The adoption of this standard has resulted in expanded disclosure of the Company's components of shareholder equity.

**(b) Future accounting pronouncements**

*(i) Capital Disclosures*

In December 2006, the CICA issued Handbook Section 1535, Capital Disclosures, which establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital and disclose whether or not it has complied and the consequences of non-compliance with any capital requirements to which it is subject. The new standard will become effective on April 1, 2008 for the Company. The Company is currently evaluating the impact of the adoption of section 1535, but the Company does not expect the adoption of 1535 to have a significant effect on the consolidated financial statements.

*(ii) Financial Instruments – Disclosures and Financial Instruments – Presentation*

In December 2006, the CICA issued Handbook Sections 3862, Financial Instruments – Disclosures, and 3863, Financial Instruments – Presentation. Section 3862 modifies the disclosure requirements of Section 3861, Financial Instruments – Disclosure and Presentation, including required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the extent of risks arising from financial

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instruments to which the Company is exposed and how the Company manages those risks, whereas Section 3863 carries forward the presentation related requirements of Section 3861. The new standards will become effective on April 1, 2008 for the Company. The Company is currently evaluating the impact of the adoption of Section 3862, but the Company does not expect the adoption of 3863 to have a significant effect on the consolidated financial statements.

**3. Equipment**

	September 30, 2007			March 31, 2007		
	Cost	Accumulated Depletion & Depreciation	Net Book Value	Cost	Accumulated Depletion & Depreciation	Net Book Value
Computer hardware	\$ 3,436	\$ 1,372	\$ 2,064	\$ 3,436	\$ 773	\$ 2,663
	<u>\$ 3,436</u>	<u>\$ 1,372</u>	<u>\$ 2,064</u>	<u>\$ 3,436</u>	<u>\$ 773</u>	<u>\$ 2,663</u>

**4. Mining interests**

Peters Mine

	September 30, 2007	March 31, 2007
Acquisition costs	\$1,800,000	\$1,800,000
Exploration expenditures	1,469,991	560,708
	<u>\$3,269,991</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 Peters Mine 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 exploration expenditures of \$1,469,991 as part of the requirements under the Agreement.

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**5. Share capital**

**a) Capital stock**

	<b>Units</b>	<b>\$ Amount</b>
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 exercised	4,468,056	3,088,697
Broker warrants exercised	1,275,000	248,340
Stock options	1,000,000	512,000
Share issue cost	-	(690,047)
Issue to acquire mining interests	5,000,000	1,800,000
Balance, March 31, 2007	74,147,652	15,132,287
Warrants exercised	5,700,000	1,699,500
Broker warrants exercised	445,000	100,125
Warrants valuation	-	447,300
Balance June 30, 2007	80,292,652	17,379,212
Warrants exercised	80,000	20,000
Warrants valuation	-	8,000
Balance September 30, 2007	80,372,652	\$ 17,407,212

**(b) Stock-based compensation**

The changes in stock options for the six months ended September 30, 2007 and the year ended March 31, 2007 are as follows:

	<b>September 30, 2007</b>		<b>March 31, 2007</b>	
	<b>Number of Options</b>	<b>Weighted Average Price</b>	<b>Number of Options</b>	<b>Weighted Average Price</b>
Outstanding, beginning of period	2,160,000	\$ 0.58	2,060,000	\$ 0.42
Granted	100,000	0.60	1,500,000	0.60
Exercised	-	-	(1,000,000)	0.30
Expired/cancelled	-	-	(400,000)	0.53
Outstanding, end of period	2,260,000	\$ 0.58	2,160,000	\$ 0.58

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

<b>Exercise Price Range</b>	<b>Remaining Life in years</b>	<b>Options Outstanding</b>	<b>Options Exercisable</b>
\$0.30	0.98	160,000	160,000
\$0.50 - \$0.70	3.58	2,100,000	2,000,000
	3.40	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.

**(c) Warrants**

The following schedules describe the warrants transactions during the year ended March 31, 2006 and the six months ended September 30, 2007 and balances outstanding at the end of each period:

	<b>Warrants</b>		<b>Broker Warrants</b>	
	<b>Number of Warrants</b>	<b>Stated Value</b>	<b>Number of Warrants</b>	<b>Stated Value</b>
Balance, March 31, 2006	5,827,500	\$ 693,472	-	\$ -
Issued on private placement	21,445,000	2,011,500	775,000	76,725
Warrants exercised	(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
Warrants exercised	(5,780,000)	(411,690)		
Broker warrants exercised	445,000	445	(445,000)	(44,055)
Balance, September 30, 2007	<b>14,145,000</b>	<b>\$ 1,414,499</b>	-	\$ -

During the six months ended September 30, 2007, 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 at \$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.

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In addition, the following warrants were exercised:

- i) Exercise of 775,000 warrants at \$030, 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 \$030 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.
- iv) Exercise of 80,000 warrants at \$0.25 for net proceeds of \$ 20,000 and fair value of \$8,000.

**(d) 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.

A reconciliation of the denominators for the basic and diluted net income per share calculations for the three and six month ended September 30, 2007 and 2006 is as follows:

	Three month		Six month	
	2007	2006	2007	2006
Basic weighted average shares	<b>80,772,652</b>	51,077,652	<b>80,088,882</b>	49,638,018
Effect of dilutive stock options and warrants (i)	-	-	-	-
Diluted weighted average shares	<b>80,772,652</b>	51,077,652	<b>80,088,882</b>	49,638,018

(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	(212,000)
Balance, March 31, 2007	1,100,887
Options vested during the period	51,350
Stock-based compensation	43,300
Balance, September 30, 2007	<u>\$ 1,195,537</u>

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**7. Related party transactions**

- (a) The amount of \$52,545 due to the spouse of a former 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 the three and six-month periods ended September 30, 2007 WSR paid \$6,488 (2006 - \$17,490) and \$17,316 (2006 - \$34,334) respectively for these services.

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. Subsequent events**

On November 1<sup>st</sup>, 2007 the Company announced that it has entered into an option agreement with Noront Resources Inc. ("Noront") pursuant to which WSR has been granted the option to acquire a 50% legal and beneficial interest in certain Noront areas. The area will include 15 claim blocks, approximately 4,400 hectares (9,600 acres) in the "Ring of Fire", McFauld's Lake, Ontario, near Noront's nickel copper discovery.

In order to acquire its interest in the property, WSR is required to:

- a) Issue to Noront an aggregate of 400,000 common shares upon both parties receiving all required approvals including TSX Venture Exchange and Board of Directors approval of the Option Agreement;
- b) Incur aggregate exploration expenditures on the property of \$5,000,000 over a three-year period (of which \$1,500,000 must be expended in the first year);
- c) Make cash payments to Noront totaling \$400,000 within two years of receiving the above noted approvals of the Option Agreement (of which \$200,000 must be paid in the first year, and any portion of the aggregate of \$400,000 may be satisfied at the option of Noront, by the issuance to Noront of up to 800,000 common shares of WSR at a deemed price of \$0.50 per share).

The transaction remains subject to required approvals of both WSR and Noront including the approval of the TSX Venture Exchange and WSR's Board of Directors.

On November 8, 2007, WSR announced that it will complete a non-brokered offering of (a) up to 4,200,000 flow-through units ("FT Units") at \$0.35 per FT Unit, each such FT Unit consisting of one "flow-through" common share of WSR and one-half of one share purchase warrant, each whole such warrant entitling the holder thereof to acquire one additional common share of WSR (which shall not be a "flow-through" share) for a period of 12 months at an exercise price of \$0.45 per share; and (b) up to 3,800,000 units ("Units") at \$0.33 per Unit, each such Unit consisting of one common share of WSR and one share purchase warrant entitling the holder thereof to acquire one additional common share of WSR for a period of 12 months at an exercise price of \$0.45 per share.

The private placement remains subject to the approval of the TSX Venture Exchange.

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**9. 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. 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.

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.

**10. Comparative figures**

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

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