

**NOTICE TO SHAREHOLDERS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2006
WSR GOLD INC.
(formerly Westchester Resources Inc.)**

Responsibility for Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements for WSR Gold Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the March 31, 2006 audited financial statements. Only changes in accounting information have been disclosed in these consolidated financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the consolidated financial statements, management is satisfied that these consolidated financial statements have been fairly presented.

Auditors' involvement

The auditors of WSR Gold Inc. have not performed a review of the unaudited consolidated financial statements for the nine months ended December 31, 2006 and December 31, 2005.

WSR Gold Inc. (formerly Westchester Resources Inc.)

Consolidated Balance Sheets

(Prepared by Management – Unaudited)

	December 31, 2006 Unaudited	March 31, 2006 Audited
ASSETS		
Current assets:		
Cash & cash equivalents	\$2,782,819	\$24,824
Drilling advances		142,544
Accounts receivable	42,470	12,862
Prepaid expenditures	3,599	-
	<hr/> 2,828,888	<hr/> 180,230
Mining properties	1,049,510	
Oil and gas properties	-	2,100,950
	<hr/> \$3,878,398	<hr/> \$2,281,180
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	\$213,776	\$330,590
Note payable	52,545	52,545
	<hr/> 266,321	<hr/> 383,135
Asset retirement obligation	-	65,661
	<hr/> 266,321	<hr/> 448,796
SHAREHOLDERS' EQUITY		
Capital stock	13,736,637	7,851,497
Warrants	2,061,899	693,472
Contributed surplus	1,014,831	604,957
Deficit	(13,201,290)	(7,317,542)
	<hr/> 3,612,077	<hr/> 1,832,384
	<hr/> \$3,878,398	<hr/> \$2,281,180

"Donald Rankin"
Director

"Thomas Pladsen"
Director

WSR Gold Inc. (formerly Westchester Resources Inc.)

Consolidated Statements of Operations and Deficit

(Prepared by Management – Unaudited)

	For the three months ended December 31		For the nine months ended December 31	
	2006	2005	2006	2005
REVENUE				
Oil and gas income	\$110,493	\$165,320	\$427,016	\$174,474
Interest income	5,022	5,278	21,123	30,984
Less: royalties	(9,177)	(5,121)	(37,667)	(5,121)
	<u>106,338</u>	<u>165,477</u>	<u>410,472</u>	<u>200,337</u>
EXPENSES				
Production and operating costs	157,785	112,334	409,988	112,334
General and administrative	114,660	70,742	327,155	268,408
Stock based compensation	563,861	20,500	621,874	111,450
Write-off of mining interests	-	13,300	-	117,390
Depletion and depreciation	49,880	48,449	4,891,285	48,449
Loss on disposal of oil and gas properties (note 2)	43,918	-	43,918	-
	<u>930,104</u>	<u>265,325</u>	<u>6,294,220</u>	<u>658,031</u>
NET LOSS FOR THE PERIOD	(823,766)	(99,848)	(5,883,748)	(457,694)
DEFICIT, BEGINNING OF PERIOD	(12,377,524)	(3,681,699)	(7,317,542)	(3,323,853)
DEFICIT, END OF PERIOD	<u>(\$13,201,290)</u>	<u>(\$3,781,547)</u>	<u>(\$13,201,290)</u>	<u>(\$3,781,547)</u>
Basic and diluted net loss per share	<u>(\$0.01)</u>	<u>(\$0.00)</u>	<u>(\$0.11)</u>	<u>(\$0.01)</u>
Weighted average number of common shares outstanding	62,745,859	38,522,263	54,571,719	38,358,692

WSR Gold Inc. (formerly Westchester Resources Inc.)

Consolidated Statements of Cash Flows

(Prepared by Management – Unaudited)

	For the three months ended December 31		For the nine months ended December 31	
	2006	2005	2006	2005
Cash (used in) provided by:				
OPERATING ACTIVITIES				
Net loss for the period	(\$823,766)	(\$99,848)	(\$5,883,748)	(\$457,694)
Add (deduct) non-cash working capital items				
Stock based compensation	563,861	20,500	621,874	111,450
Write-off of mining interests	-	13,300	-	117,390
Depletion and depreciation	49,880	48,449	4,891,285	48,449
Loss on disposal of oil and gas properties (note 2)	43,918	-	43,918	-
	(166,107)	(17,599)	(326,671)	(180,405)
Change in non-cash working capital	(700,753)	(477,042)	(7,477)	(215,105)
	(866,860)	(494,641)	(334,148)	(395,510)
INVESTING ACTIVITIES				
Oil and gas properties	(948,003)	(9,707)	(4,754,412)	(2,131,273)
Mining interests	(149,510)	(13,300)	(149,510)	(14,252)
Proceeds on sale of oil & gas properties (note 2)	1,854,498		1,854,498	
	756,985	(23,007)	(3,049,424)	(2,145,525)
FINANCING ACTIVITIES				
Common shares issued for cash, net of issue costs	1,920,353	-	3,222,928	
Flow-through shares issued for cash	-	-	1,000,000	
Exercise of options	300,000	-	300,000	
Exercise of warrants	97,500	-	1,618,639	132,300
	2,317,853	-	6,141,567	132,300
Increase (decrease) in cash for the period	2,207,978	(517,648)	2,757,995	(2,408,735)
Cash, beginning of period	574,841	1,110,033	24,824	3,001,120
Cash, end of period	\$2,782,819	\$592,385	\$2,782,819	\$592,385

WSR Gold Inc. (formerly Westchester Resources Inc.)

Notes to Consolidated Financial Statements (Prepared by Management)

Unaudited

For the Nine Months Ended December 31, 2006

1. ACCOUNTING POLICIES

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

The interim consolidated financial statements of WSR Gold Inc. (the “Corporation”) have been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) and are consistent with the presentation and disclosure in the audited consolidated financial statements and notes thereto for the year ended March 31, 2006. The interim consolidated financial statements contain disclosures which are supplemental to the Corporation’s annual consolidated financial statements. Certain disclosures, which are normally required to be included in the notes to the annual consolidated financial statements, have been condensed or omitted. The interim consolidated financial statements should be read in conjunction with the Corporation’s audited consolidated financial statements and notes thereto for the year ended March 31, 2006.

2. PROPERTY & EQUIPMENT

	December 31, 2006			March 31, 2006
	<u>Cost</u>	<u>Accumulated Depletion</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Mining properties	\$1,049,510	-	\$1,049,510	-
Petroleum and natural gas properties and equipment	-	-	-	\$2,100,950
	<u>\$1,049,510</u>	<u>-</u>	<u>\$1,049,510</u>	<u>\$2,100,950</u>

On October 19, 2006, WSR entered into an option agreement (the “Agreement”) with Guyana Goldfields Inc. to earn a 50 percent 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 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 were deemed to be \$0.18 per share for a total fair value of \$900,000. In the third quarter, there were mining expenditures of \$149,510 as part of the requirements under the option agreement.

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 Corporation’s 50% interest in the joint venture was equal to and offset by the aggregate amount owing at closing by

WSR Gold Inc. (formerly Westchester Resources Inc.)
Notes to Consolidated Financial Statements (Prepared by Management)
Unaudited
For the Nine Months Ended December 31, 2006

the Corporation 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 property and equipment of \$ 43,918 was recorded.

3. EQUITY INSTRUMENTS

Common Shares

	Number of Shares	Amount
Balance, March 31, 2006	38,571,263	\$7,851,497
Private placement (i)	7,000,000	1,575,000
Private placement (ii)	13,500,000	2,025,000
Broker units (ii)	945,000	141,750
Flow-through shares issued	3,333,333	1,000,000
Option Agreement (iii)	5,000,000	900,000
Warrant valuations		(2,011,500)
Warrants exercised	2,498,056	1,618,639
Warrant value transferred to common shares		284,919
Warrants expired		434,879
Options exercised	1,000,000	300,000
Option value transferred to common shares		212,000
Cost of issue – cash		(377,072)
Cost of issue – warrant valuation		(218,475)
Balance, December 31, 2006	<u>71,847,652</u>	<u>\$13,736,637</u>

Warrants

	Warrants	Broker warrants	Total
Balance, March 31, 2006	5,827,500	-	5,827,500
Issued	20,500,000	1,720,000	22,220,000
Exercised	(2,498,056)	-	(2,498,056)
Expired	(3,654,444)		(3,654,444)
			-
Balance, December 31, 2006	<u>20,175,000</u>	<u>1,720,000</u>	<u>21,895,000</u>

WSR Gold Inc. (formerly Westchester Resources Inc.)
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- i. On April 4, 2006, the Corporation raised gross proceeds of \$2,575,000 to fund its continuing development program in the Daly Field. In connection with the financing, Westchester 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 Westchester and one share purchase warrant. Each share purchase warrant may be exercised to acquire one common share of Westchester 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 Westchester on the principal market on which such shares trade is equal to or exceeds \$0.50 for 20 consecutive trading days, Westchester 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 Westchester 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.

In connection with the financing, Westchester 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.

- 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 Westchester 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 Westchester'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, Westchester may reduce the Warrant Term to the date that is 30 days following the issue of a press 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.

- iii. On October 19, 2006, WSR entered into an option agreement (the "Agreement") with Guyana Goldfields Inc. to earn a 50 percent 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 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 consideration for the issue of each common share under the Agreement has been fixed at \$0.18 per common share, being the fair value of consideration received by the Corporation for the issue of such securities.

The Company had issued share purchase warrants and broker warrants in connection with the May 19, 2004 special warrant financing. The purchase warrants and broker warrants were due to expire on September 19, 2005. The purchase warrants were extended until December 19, 2005. The expiry of the \$0.70 share purchase warrants was subsequently extended until May 19, 2006. During the first quarter, 2,173,056 warrants were exercised at \$0.70 for proceeds of \$1,521,139. The remaining warrants expired unexercised.

WSR Gold Inc. (formerly Westchester Resources Inc.)
Notes to Consolidated Financial Statements (Prepared by Management)
Unaudited
For the Nine Months Ended December 31, 2006

4. STOCK OPTIONS

	Number of Options	Weighted exercise price per share (\$)
Balance at March 31, 2006 (audited)	2,060,000	0.42
Granted	1,400,000	0.60
Exercised	(1,000,000)	0.30
Cancelled	(400,000)	0.53
Balance at December 31, 2006	2,060,000	0.58

The following table summarizes the stock options outstanding at December 31, 2006:

Exercise price per share	Expiry Date	Outstanding Options December 31, 2006	Note
0.30	September 24, 2008	160,000	(i)
0.70	July 6, 2009	100,000	(i)
0.60	July 19, 2009	200,000	(i)
0.60	April 1, 2010	200,000	(i)
0.50	April 12, 2011	200,000	(i)
0.67	May 16, 2011	200,000	(i)
0.60	November 20, 2011	900,000	(ii)
0.60	December 31, 2011	100,000	(ii)
		2,060,000	

The options are valid for a maximum of 5 years from date of issue.

- i. Vesting terms are $\frac{1}{4}$ immediately and $\frac{1}{4}$ on each of the 6, 12, and 18 month anniversaries of the date of grant.
- ii. There are no vesting restrictions placed on these options

At December 31, 2006 the following options had vested and were expensed:

Number of Options Vested	Option Grant Date	Amount expensed
160,000	Sept. 24, 2003	\$ 33,920
100,000	July 6, 2004	53,300
200,000	July 19, 2004	91,400
200,000	April 1, 2005	53,600
100,000	April 12, 2006	44,200
100,000	May 16, 2006	58,500
900,000	November 20, 2006	450,900
100,000	December 15, 2006	54,800
1,860,000		\$ 840,620

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Unaudited
For the Nine Months Ended December 31, 2006

5. CONTRIBUTED SURPLUS

Balance, March 31, 2006	\$604,957
Stock based compensation	621,874
Value of options transferred to common shares	(212,000)
Balance, December 31, 2006	<u>\$1,014,831</u>

6. BASIC AND DILUTED LOSS PER SHARE

The basic loss per share is computed by dividing the loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of outstanding stock options and warrants is the same as basic loss per share. For both periods presented, the conversion of warrants and stock options was not included in the calculation because the calculation was anti-dilutive.

7. RELATED PARTY

During the nine month period ended December 31, 2006, the Corporation paid a total of \$43,442 (2005-\$11,658) in consulting and accounting fees to a company controlled by an officer of the Corporation.

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 on standard commercial terms.

8. SUBSEQUENT EVENTS

On December 8, 2006, the Corporation elected to focus its resources solely on the mining interests and entered into a definitive agreement (the "Definitive Agreement") to sell 100 percent of its 50 percent interest in the Joint Venture to Aspen. The Definitive Agreement had an October 1, 2006 effective date and was subject to board, shareholder, and regulatory approval. All approvals have been received and the Definitive Agreement has been executed.

Subsequent to the end of the quarter, 1,030,000 share purchase warrants priced at \$0.30 were exercised for proceeds of \$309,000