

**WSR Gold Inc.**  
(A Development Stage Company)

**Unaudited Consolidated Financial Statements**  
**September 30, 2008 and 2007**

**WSR Gold Inc.**  
**(A Development Stage Company)**

**Consolidated Balance Sheets**

	September 30, 2008 (Unaudited)	March 31, 2008 (Audited)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 4,413,062	\$ 5,203,971
Short-term investment	-	1,010,000
Sundry receivables	328,796	67,597
Prepaid expenses	137,192	5,000
	<u>4,879,050</u>	<u>6,286,568</u>
Exploration expenditure advance	500,000	-
Equipment (Note 5)	26,253	13,077
Mining interests (Note 6)	13,475,494	4,033,206
	<u>14,001,747</u>	<u>4,046,283</u>
	<u>\$ 18,880,797</u>	<u>\$ 10,332,851</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 1,937,841	\$ 2,168,983
	<u>1,937,841</u>	<u>2,168,983</u>
<b>Shareholders' Equity</b>		
Share capital (Note 7 (a))	28,030,537	20,943,737
Warrants (Note 7 (c))	4,436,260	2,565,012
Contributed surplus (Note 9)	2,004,378	1,276,480
Deficit	(17,528,219)	(16,621,361)
	<u>16,942,956</u>	<u>8,163,868</u>
	<u>\$ 18,880,797</u>	<u>\$ 10,332,851</u>

Going concern (Note 1)

See accompanying notes to the Financial Statements

**WSR Gold Inc.**

**(A Development Stage Company)**

**Unaudited Consolidated Statements of Operations and Deficit**

Periods ending September 30,	Three months ended		Six months ended		Cumulative since inception December 8, 2006
	2008	2007	2008	2007	
<b>Revenue</b>					
Interest and other revenues	\$ 98,041	\$ 29,631	\$ 152,724	\$ 55,231	\$ 274,606
	<u>98,041</u>	<u>29,631</u>	<u>152,724</u>	<u>55,231</u>	<u>274,606</u>
<b>Expenses</b>					
General and administrative	162,922	99,936	314,087	213,278	845,037
Stock-based compensation (Note 7(b))	61,538	-	740,619	94,650	1,155,491
Depreciation	3,936	212	4,876	599	8,138
	<u>228,396</u>	<u>100,148</u>	<u>1,059,582</u>	<u>308,527</u>	<u>2,008,666</u>
Net loss before other items	(130,355)	(70,517)	(906,858)	(253,296)	(1,734,060)
Write down of mineral properties	-	-	-	-	(3,818,059)
Net loss before income taxes	(130,355)	(70,517)	(906,858)	(253,296)	(5,552,119)
Future income taxes	-	-	-	-	695,000
<b>Net loss</b>	<b>(130,355)</b>	<b>(70,517)</b>	<b>(906,858)</b>	<b>(253,296)</b>	<b>(4,857,119)</b>
Deficit, beginning of the period	(17,397,864)	(13,237,320)	(16,621,361)	(13,054,541)	(12,671,100)
<b>Deficit, end of the period</b>	<b>\$ (17,528,219)</b>	<b>\$ (13,307,837)</b>	<b>\$ (17,528,219)</b>	<b>\$ (13,307,837)</b>	<b>\$ (17,528,219)</b>
Basic and diluted loss per share (Note 8)					
	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.00)	
Weighted average number of common shares					
	112,641,469	80,772,652	109,936,516	80,088,882	

See accompanying notes to the Financial Statements

**WSR Gold Inc.**  
**(A Development Stage Company)**

**Unaudited Consolidated Statements of Cash Flows**

Periods ending September 30,	Three months ended		Six months ended		Cumulative since inception December 8, 2006
	2008	2007	2008	2007	
<b>Cash flows from operating activities</b>					
Net loss for the period	\$ (130,355)	\$ (70,517)	\$ (906,858)	\$ (253,296)	\$ (4,857,119)
Add items not affecting cash:					
Depreciation	3,936	212	4,876	599	8,138
Future income taxes	-	-	-	-	(695,000)
Stock-based compensation	61,538	-	740,619	94,650	1,155,491
Write-down of mineral properties	-	-	-	-	3,818,059
	<u>(64,881)</u>	<u>(70,305)</u>	<u>(161,363)</u>	<u>(158,047)</u>	<u>(570,431)</u>
Changes in non-cash components of working capital:					
Receivables	(196,148)	(6,722)	(261,199)	94,148	(299,772)
Prepaid expenses	(51,434)	(30,289)	(132,192)	(76,188)	(132,525)
Accounts payable and accrued liabilities	(272,179)	(109,026)	(2,067,778)	39,016	(14,249)
Cash flows generated by operating activities	<u>(584,642)</u>	<u>(216,342)</u>	<u>(2,622,532)</u>	<u>(101,071)</u>	<u>(1,016,977)</u>
<b>Financial Activities</b>					
Broker warrants exercised for cash	-	-	-	100,125	174,375
Common shares issued for cash	-	-	5,500,000	-	6,791,466
Shares issue cost	-	-	(692,601)	-	(746,564)
Flow-through shares issued for cash	-	-	3,499,999	-	5,573,749
Warrants exercised	62,500	20,000	469,931	1,719,500	3,007,431
Stock options exercised	18,000	-	18,000	-	18,000
Repayment of advances	-	-	-	-	(52,545)
	<u>80,500</u>	<u>20,000</u>	<u>8,795,329</u>	<u>1,819,625</u>	<u>14,765,912</u>
<b>Investment Activities</b>					
Equipment purchase	(13,483)	-	(18,052)	-	(34,390)
Exploration expenditure advance	(500,000)	-	(500,000)	-	(500,000)
Purchase of investment	-	-	-	-	(1,050,000)
Redemption of investment	1,010,000	-	1,010,000	-	1,110,000
Mining interests	(3,644,779)	(458,286)	(7,455,653)	(909,283)	(11,686,562)
	<u>(3,148,262)</u>	<u>(458,286)</u>	<u>(6,963,705)</u>	<u>(909,283)</u>	<u>(12,160,952)</u>
Net change in cash	<u>(3,652,405)</u>	<u>(654,628)</u>	<u>(790,909)</u>	<u>809,271</u>	<u>1,587,982</u>
Cash and cash equivalents, beginning of the period	8,065,466	4,164,186	5,203,971	2,700,287	2,825,080
Cash and cash equivalents, end of the period	<u>\$ 4,413,062</u>	<u>\$ 3,509,558</u>	<u>\$ 4,413,062</u>	<u>\$ 3,509,558</u>	<u>\$ 4,413,062</u>

See accompanying notes to the Financial Statements

**WSR Gold Inc.**  
**Notes to the Unaudited Consolidated Financial Statements**  
**September 30, 2008 and 2007**

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**1. Nature of operations and going concern**

WSR Gold Inc. (formerly Westchester Resources Inc.) (“WSR” or the “Company”) is a publicly listed Canadian junior resource company with mining interests in Canada.

WSR is engaged in the identification, acquisition, evaluation and exploration of gold and nickel properties in Canada. 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 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 mining interests. There is significant uncertainty on whether the Company will be able to further fund its exploration programs since there is no assurance it will be able to raise sufficient funds in the future.

The unaudited consolidated financial statements (the “financial statements”) of the Company have been prepared in accordance with the accounting principles and methods of application disclosed in note 2 of the consolidated financial statements for the year ended March 31, 2008.

The accompanying unaudited interim consolidated financial statements include all adjustments that are, in the opinion of management, necessary for a fair presentation. The financial statements do not include disclosures required by Canadian Generally Accepted Accounting Principles for annual consolidated financial statements and accordingly the financial statements should be read in conjunction with the Company’s audited financial statements for the year ended March 31, 2008.

**2. Recent Accounting Pronouncements**

*Financial Instruments*

Section 3862, Financial Instruments – Disclosure and 3863, Financial Instruments – Presentation will replace Section 3861 Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements on the nature and extent of risks arising from financial instruments and how a company manages those risks. Beyond additional disclosure, the adoption of these new pronouncements is not expected to have any effect on the Company’s financial position or results of operations.

*Going Concern*

Section 1400 has been amended for new requirements relating to the assessment of an entity’s ability to continue as a going concern. Beyond additional disclosure, the adoption of these new pronouncements is not expected to have an effect on the Company’s financial position or results of operations.

**3. Capital management**

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the acquisition and exploration of mining interests. For the Company, capital is the funds required to operate the Company as well as fund current and future exploration projects. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business.

**WSR Gold Inc.**  
**Notes to the Unaudited Consolidated Financial Statements**  
**September 30, 2008 and 2007**

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The Company's mining interests are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for general administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the three months ended September 30, 2008. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

#### **4. Financial risk factors**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

##### *Fair value*

The carrying value of accounts payable and accrued liabilities approximates fair value due to the relatively short-term maturity of the financial instruments. Fair value represents the amount that would be exchanged in an arms length transaction between willing parties and its best evidenced by a quoted market price, if one exists.

##### *Liquidity risk*

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2008, the Company has cash and short-term investments of \$4.4 million (September 30, 2007 \$3.5 million) to settle current liabilities of \$1.9 million (September 30, 2007 - \$0.2 million). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company is also committed to spending \$5.6 million on Canadian Exploration Expenditures ("CEE"), \$2.1 million by December 31, 2008 and \$3.5 million by December 31, 2009. As at September 30, 2008, the Company has spent \$9.3 million in exploration expenditures hence fully complied with its CEE requirements.

##### *Interest rate risk*

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in low risk investments instruments with Canadian banking institutions. The Company periodically monitors the investments it makes and is satisfied with the current credit ratings of its banks. The Company's excess cash at September 30, 2008 is invested in cash and low risk financial instruments accounts with its banking institution.

##### *Market risk*

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Company such as cash equivalents. The Company's short-term investments bear interest at fixed rates and accordingly are exposed to market risk. The Company's short-term instruments such as account payables and accrued liabilities are not subject to market risk.

**WSR Gold Inc.**  
**Notes to the Unaudited Consolidated Financial Statements**  
**September 30, 2008 and 2007**

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*Commodity price risk*

The Company is exposed to price risk with respect to gold and nickel prices which impacts the future economic feasibility of its exploration properties. The Company closely monitors gold and nickel prices to determine the appropriate course of action to be taken by the Company.

**5. Equipment**

	September 30, 2008			March 31, 2008		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Computer equipment	\$ 3,436	\$ 2,301	\$ 1,135	\$ 3,436	\$ 1,971	\$ 1,465
Computer software	13,484	3,034	10,450	-	-	-
Furniture and equipment	17,356	2,688	14,668	12,902	1,290	11,612
	<u>\$ 34,276</u>	<u>\$ 8,023</u>	<u>\$ 26,253</u>	<u>\$ 16,338</u>	<u>\$ 3,261</u>	<u>\$ 13,077</u>

**6. Mining interests**

	September 30, 2008				
	Tri-Eagle	Lowland	Big Mac	Luc Bourdon	Total
Acquisition costs	\$ 207,124	\$ 15,854	\$ 1,735,518	\$ 175,000	\$ 2,133,496
Exploration	72,225	9,130,915	1,971,119	167,739	11,341,998
	<u>\$ 279,349</u>	<u>\$ 9,146,769</u>	<u>\$ 3,706,637</u>	<u>\$ 342,739</u>	<u>\$ 13,475,494</u>

	March 31, 2008				
	Tri-Eagle	Lowland	Big Mac	Luc Bourdon	Total
Acquisition costs	\$ 207,124	\$ 15,854	\$ 1,735,518	\$ -	\$ 1,958,496
Exploration	-	1,262,929	811,781	-	2,074,710
	<u>\$ 207,124</u>	<u>\$ 1,278,783</u>	<u>\$ 2,547,299</u>	<u>\$ -</u>	<u>\$ 4,033,206</u>

**WSR Gold Inc.**  
**Notes to the Unaudited Consolidated Financial Statements**  
**September 30, 2008 and 2007**

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**a) Peters Mine**

On October 19, 2006, WSR entered into an option agreement with Guyana Goldfields Inc. to earn a 50% interest in the Peters Mine property in Guyana. WSR was granted the right to earn a 50% interest in the property by issuing 5.0 million common shares of the Company to Guyana Goldfields Inc. and by spending an aggregate of \$5.0 million in exploration expenditures on the property over a three-year period. At March 31, 2008 the Company had incurred on the Peters Mine property \$2,018,059 as part of the requirements under the Agreement.

During the third quarter of fiscal 2008 the Company's Guyanese subsidiary suspended their exploration activities and at year end the property was under care and maintenance. After evaluating the work results obtained in the Peters Mine property and Company's available resources and its allocation, in May 2008 WSR decided not to continue its exploration efforts in this property and to concentrate its technical and financial resources into the newly acquired Canadian projects. The Company fully wrote off this project as at March 31, 2008.

**b) Tri-Eagle**

On November 1, 2007 the Company entered into an option agreement with Noront Resources Ltd. ("Noront") pursuant to which WSR was granted the option to acquire a 50% legal and beneficial interest in Noront's Tri-Eagle property. The area includes 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 required to:

- Incur aggregate exploration expenditures on the property of \$5.0 million over a three-year period, of which \$1.5 million must be expended by October 30, 2008, an additional \$1.5 million on or before October 30, 2009 and a further \$2.0 million on or before October 30, 2010.
- Issue to Noront an aggregate of 400,000 common shares (issued on January 9, 2008 and valued at \$200,000).
- Make cash payments to Noront of \$200,000 on or before October 30, 2008 and an additional \$200,000 on or before October 30, 2009. These payments may be satisfied at the option of Noront in cash or by the issuance to Noront of 400,000 common shares of WSR.

The Company is currently renegotiating with Noront the terms of this option agreement.

**c) Big Mac**

On February 15, 2008, the Company entered into an option agreement pursuant to which WSR has agreed to acquire 75% interest in MacDonald Mines Exploration Ltd. ("MacDonald") "Big Mac" property. The Big Mac property includes 51 claim blocks, approximately 11,200 hectares, in the "Ring of Fire".

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

- Issue MacDonald an aggregate of 5.0 million common shares of WSR of which 2.5 million were issued on March 25, 2008 (and valued at \$1,425,000) and 2.5 million by the first anniversary date, March 14, 2009.
- Make a cash payment to MacDonald of \$100,000 following the execution of the agreement, which was paid.

**WSR Gold Inc.**  
**Notes to the Unaudited Consolidated Financial Statements**  
**September 30, 2008 and 2007**

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- Issue MacDonald an aggregate of 1.0 million share purchase warrants, of which 500,000 warrants were to be issued on closing and 500,000 must be issued by March 14, 2009. Each warrant entitles the holder thereof to acquire one common share of WSR at an exercise price of \$0.50 per share for a period of two years from closing. 500,000 warrants were issued on May 2, 2008 and recorded as of March 31, 2008. These warrants were valued at \$195,000.
- Incur exploration expenditures of \$1.5 million on or before March 14, 2009 and, \$1.0 million before March 14, 2010.

MacDonald shall have a carried interest in the Big Mac property until WSR delivers a pre-feasibility study to MacDonald. After the delivery of a pre-feasibility study, MacDonald will be required to pay a pro rata portion of costs related to the property to maintain its 25% interest.

**d) Lowland**

On March 26, 2008 the Company entered into an option agreement with Metalex Ventures Ltd. ("Metalex"), and Arctic Star Diamond Corp. ("Arctic") pursuant to which WSR was granted the option to acquire a 50% interest in certain claims of Metalex's and Arctic's James Bay properties located on and around the "Ring of Fire" and covering approximately 36 square kilometers of ground.

Under the terms of the agreement, WSR has the right to fund a maximum of \$20.0 million in expenditures on the Lowland property over a four years period. For each \$5.0 million in expenditures, WSR will acquire a 12.5% interest in the Lowland property, up to a maximum 50% interest. WSR will fund the required \$20.0 million in expenditures by way of:

- The Company is committed to meet cash calls of \$5.0 million before May 16, 2009. Anytime after the first cash call has been met, the Company may elect to terminate the option agreement.
- Meeting cash calls of \$5.0 million before May 15, 2010;
- Meeting cash calls of \$ 5.0 million before May 15, 2011;
- Meeting cash calls of \$ 5.0 million before May 15, 2012.

WSR may at any time prior to the termination of the option period earn a full 50% interest by making a lump sum payment to Metalex in the amount of \$20.0 million minus the amount of expenditures that WSR has funded to date.

**e) Luc Bourdon**

On September 11, 2008 WSR entered into an option agreement with Golden Valley Mines Ltd. ("Golden Valley"), WSR and Noront providing WSR and Noront the option to acquire from Golden Valley an aggregate 70% interest in the Luc Bourdon property located in the lowland region of James Bay, Ontario.

In order to acquire its 35% interest in the property, WSR made payments to Golden Valley on September 19, 2008 of \$175,000 by paying \$25,000 in cash and issuing Golden Valley 340,909 shares with a fair value of \$0.44 per share. In addition to these payments, WSR and Noront will be required to incur aggregate exploration expenditures on the property of at least \$5.0 million over a three-years period, of which \$1.0 million must be expended in the first year.

Upon WSR and Noront earning their collective 70% interest in the property, WSR, Noront and Golden Valley will enter into a joint venture agreement. The joint venture agreement will require WSR and Noront to fund all project costs up to the start of commercial production from the property. Following the commencement of commercial production, any remaining cash, after payment of operating expenses and third party financing costs, will be distributed to Noront and WSR until such time as the aggregate of their project costs, including interest, up to the commencement of commercial production have been repaid, follow-

**WSR Gold Inc.**  
**Notes to the Unaudited Consolidated Financial Statements**  
**September 30, 2008 and 2007**

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ing which such a cash flow shall be distributed to the parties on a pro rata basis.

**7. Share capital**

**(a) Capital stock**

	<u>Common shares</u>	<u>Amount</u>
Balance, March 31, 2007	74,147,652	\$ 15,132,287
Flow-through shares issued	5,925,000	2,073,750
Tax effect of flow-through shares	-	(695,000)
Issued under private placement	4,075,000	1,344,750
Fair value of warrants issued under private placement	-	(1,034,513)
Warrants exercised	6,570,000	1,917,000
Warrants value transfer to common shares	-	490,690
Fair value of broker warrants issued	-	(445)
Broker warrants exercised	445,000	100,125
Warrants value transfer to common shares	-	44,055
Share issue cost	-	(53,962)
Issue on acquisition of mineral interest (Notes 6 (b) and (c))	2,900,000	1,625,000
Balance March 31, 2008	<u>94,062,652</u>	<u>\$ 20,943,737</u>
Flow-through shares issued	5,833,331	3,499,999
Fair value of warrants issued on flow-through shares	-	(644,583)
Issued under private placement	11,000,000	5,500,000
Fair value of warrants issued under private placement	-	(1,215,500)
Warrants exercised	1,879,725	469,931
Warrants value transfer to common shares	-	187,973
Issued on exercise of options	60,000	18,000
Fair value of options exercised	-	12,720
Share issue cost	-	(891,740)
Issue on acquisition of mineral interest (Note 6(e))	340,909	150,000
Balance, September 30, 2008	<u>113,176,617</u>	<u>\$ 28,030,537</u>

*Capital stock transactions - fiscal 2008*

On December 13, 2007 the Company completed a private placement financing consisting of (i) 5,925,000 flow-through units ("FT Units") at \$0.35 per FT Unit, each such FT Unit consisting of one "flow-through" common share of the Company and one-half of one share purchase warrant and (ii) 4,075,000 units ("Units") at \$0.33 per Unit, each Unit consisting of one common share of the Company and one share purchase warrant, for gross proceeds of \$3,418,500. The warrants are exercisable at \$0.45 until November 8, 2008. (See also section (c) "Warrants"). In connection with this financing, the company incurred \$53,962 in share issue costs for legal and filing fees.

**WSR Gold Inc.**  
**Notes to the Unaudited Consolidated Financial Statements**  
**September 30, 2008 and 2007**

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During fiscal 2008, 445,000 broker warrants were exercised in exchange for 445,000 units consisting of 445,000 shares and an additional 445,000 warrants exercisable at \$0.30 for proceeds of \$100,125. 6,570,000 warrants were also exercised for proceeds of \$1,917,000.

*Capital transactions – six month ended September 30, 2008*

On April 25, 2008 the Company closed a private placement for gross proceeds of \$9,000,000 by issuing 11,000,000 units (“Units”) at a price of \$0.50 per Unit and 5,833,331 flow-through units (“FT Units”) at a price of \$0.60 per FT Unit. Each Unit consists of one common share of WSR and one-half of one common share purchase warrant. Each FT Unit consists of one flow-through common share of WSR and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share of WSR at an exercise price of \$0.65 per share until April 25, 2009.

In connection with this offering, the Company paid to its agents a cash commission of 6.5% of the gross proceeds raised in the offering, as well as 1,094,166 warrants with a fair value of \$0.18 per warrant. Each compensation warrant entitles the holder to acquire one Unit at an exercise price of \$0.50 until April 25, 2009.

During the six months ended September 30, 2008, 60,000 options were exercised for net proceeds of \$18,000.

**(b) Stock-Based Compensation**

The Company has a stock option plan (the "Plan") under which it is authorized to grant options to acquire shares of the Company to directors, officers, employees and other ongoing service providers. During the current fiscal year, the Plan was converted into a “rolling plan” where the aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the aggregate number of shares issued and outstanding from time to time. The number of common shares which may be reserved for issue to any one individual under the Plan within any one-year period shall not exceed 5% of the outstanding issue. The board of directors or Committee shall determine the exercise price of options issued, as applicable, based on the market price. The options are non-assignable and may be granted for a term not exceeding five years. Options issued under the Plan may vest at the discretion of the Board of Directors.

The changes in stock options for the six months ended September 30, 2008 and year ended March 31, 2008 are as follows:

	September 30, 2008		March 31, 2008	
	Number of options	Weighted average price	Number of options	Weighted average price
Outstanding, beginning of period	2,550,000	\$ 0.58	2,160,000	\$ 0.58
Exercised	(60,000)	0.30	-	-
Cancelled / forfeited	(600,000)	0.57	-	-
Granted	4,775,000	0.79	390,000	0.60
Outstanding, end of period	6,665,000	\$ 0.73	2,550,000	\$ 0.58

**WSR Gold Inc.**  
**Notes to the Unaudited Consolidated Financial Statements**  
**September 30, 2008 and 2007**

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The following schedule describes the remaining average life remaining on these stock options as at September 30, 2008:

Options outstanding		
Exercise price	Avg. remaining life in years	Options outstanding
\$0.50	2.78	200,000
\$0.60	2.57	1,790,000
\$0.67	2.88	200,000
\$0.80	4.95	4,475,000
\$0.73	2.78	6,665,000

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 for five years. These options have an estimated value of \$32,600 and were expensed on the date that they were granted since they were vested immediately. The fair value was estimated using the Black-Scholes option-pricing model using the following assumptions: dividend yield 0%; expected volatility 100%; risk-free interest rate 4.12%; and an expected life of five years.

On November 28, 2007, the Company granted options to a director and consultants to acquire 290,000 common shares of the Company at \$0.60 per share for five years. These options have an estimated value of \$79,750 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 100%; risk-free interest rate 4.0%; and an expected life of five years.

On June 11, 2008, the Company granted options to directors and consultants to acquire 4,475,000 common shares of the Company at \$0.80 per share for five years. These options have an estimated fair value of \$2,716,325 and vested over a period of eighteen months with 25% vesting immediately and 25% every six months thereafter. The fair value was estimated using the Black-Scholes option-pricing model using the following assumptions: dividend yield 0%; expected volatility 100%; risk-free interest rate 3.71%; and an expected life of five years.

On July 16, 2008, the Company granted options to an officer of the Company to acquire 300,000 common shares of the Company at \$0.60 per share for five years. These options have an estimated fair value of \$133,800 and vested over a period of twelve months with 25% vesting immediately and 25% every four months thereafter. The fair value was estimated using the Black-Scholes option-pricing model using the following assumptions: dividend yield 0%; expected volatility 100%; risk-free interest rate 3.3%; and an expected life of five years.

**(c) Warrants**

The following schedule describes the Company's warrants transactions between March 31, 2007 and September 30, 2008:

**WSR Gold Inc.**  
**Notes to the Unaudited Consolidated Financial Statements**  
**September 30, 2008 and 2007**

	<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, 2007	19,480,000	\$ 1,825,744	445,000	\$ 44,055
Issued on private placement	7,037,500	\$ 1,034,513	-	-
Exercise of warrants	(6,570,000)	(490,690)	-	-
Exercise of broker warrants	445,000	445	(445,000)	(44,055)
Warrants issued for Big Mac property (note 8 c)	500,000	195,000	-	-
Balance at March 31, 2008	20,892,500	\$ 2,565,012	-	\$ -
Issued on private placement	8,416,665	1,860,083		
Compensation warrants	1,094,166	199,138		
Exercise of warrants	(1,879,725)	(187,973)		
Balance at September 30, 2008	28,523,606	\$ 4,436,260	-	\$ -

The following schedule describes the remaining life on these warrants as at September 30, 2008:

<b>Exercise price</b>	<b>Expiry Date</b>	<b>Units</b>	<b>Fair Value</b>
\$0.45	November 8, 2008	7,037,500	\$ 1,034,513
\$0.25	November 17, 2008	11,475,275	1,147,527
\$0.50	March 25, 2009	1,094,166	199,138
\$0.50	March 14, 2010	500,000	195,000
\$0.65	March 25, 2010	8,416,665	1,860,083
		28,523,606	\$ 4,436,260

In connection with the December 13, 2007 financing, the Company issued 7,037,500 warrants entitling the holder thereof to acquire one additional common share of the Company (which was not a flow-through share), at an exercise price of \$0.45 per share before November 8, 2008. The fair value assigned to these warrants was \$1,034,513 determined by the Black-Scholes option-pricing model using the following assumptions: dividend yield 0%; expected volatility 133%; risk-free interest rate 3.96%; and an expected life of one year.

During fiscal 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 at a price of \$0.30. 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 to the broker warrants exercised described above, 6,570,000 additional warrants were also exercised. The detail of these warrants is as follows:

- Exercise of 775,000 warrants at a price of \$0.30, issued on exercise of 775,000 broker warrants, for

**WSR Gold Inc.**  
**Notes to the Unaudited Consolidated Financial Statements**  
**September 30, 2008 and 2007**

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net proceeds of \$232,500 and a fair value of \$775;

- Exercise of 4,715,000 warrants at a price of \$0.30 for net proceeds of \$1,414,500 and a fair value of \$381,915;
- Exercise of 1,080,000 warrants at a price of \$0.25 for net proceeds of \$270,000 and fair value of \$108,000.

During the six months ended September 30, 2008, 1,879,725 warrants were exercised at \$0.25 per common share for net proceeds of \$469,931. The fair value of these warrants is \$187,973.

In connection with the April 25, 2008, private placement the Company issued warrants exercisable into 8,416,665 shares of WSR at an exercise price of \$0.65 per share until April 25, 2010. 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 100%; risk-free interest rate of 2.94% and an expected life of two years. The fair value assigned was \$1,860,083.

In connection with this offering and as described in note 7(a) the Company paid to its agents a commission of 1,094,166 compensation warrants, representing 6.5% of the total number of Units and FT Units sold in the offering. Each compensation warrant is exercisable to acquire one Unit at an exercise price of \$0.50 until April 25, 2009. The fair value assigned to these warrants was calculated using the Black-Scholes option-pricing model assuming a dividend rate of 0%, average expected volatility of 100%; risk-free interest rate of 2.94% and an expected life of one year. The fair value assigned was \$199,138.

## 8. Loss per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. 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. Stock options and warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

## 9. 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
Stock-based compensation	<u>175,593</u>
Balance, March 31, 2008	<u>1,276,480</u>
Stock based compensation	740,619
Options exercised during the year	<u>(12,721)</u>
<b>Balance at September 30, 2008</b>	<b><u>\$ 2,004,378</u></b>

## 10. Related party transactions

No related party transactions occurred during the first six months of fiscal 2009. For the three and six month ended September 30, 2007 a corporation owned by an officer of the Company performed accounting services for the Company for fees of \$6,488 and \$17,316 respectively.