

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

Consolidated Financial Statements
December 31, 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.)**(An Exploration Stage Company)****Consolidated Balance Sheets**

	December 31, 2007	March 31, 2007
Assets	(Unaudited)	(Audited)
Current assets		
Cash and cash equivalents	\$6,795,384	\$2,700,287
Sundry receivables	18,745	114,510
Prepaid expenses	3,466	13,865
	<u>6,817,595</u>	<u>2,828,662</u>
Equipment (Note 3)	2,360	2,663
Mining interest (Note 4)	3,882,176	2,360,708
	<u>3,884,536</u>	<u>2,363,371</u>
	<u>\$10,702,131</u>	<u>\$5,192,033</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 511,958	\$ 91,056
Advances payable (Note 7(a))	52,545	52,545
	<u>564,503</u>	<u>143,601</u>
Shareholders' Equity		
Share capital (Note 5 (a))	19,735,787	15,132,287
Warrants (Note 5 (c))	2,620,674	1,869,799
Contributed surplus (Note 6)	1,350,417	1,100,887
Deficit	(13,569,250)	(13,054,541)
	<u>10,137,628</u>	<u>5,048,432</u>
	<u>\$10,702,131</u>	<u>\$5,192,033</u>

WSR Gold Inc. (formerly Westchester Resources Inc.)

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Unaudited Consolidated Statements of Operations and Deficit

	Three months ended December 31,		Nine months ended December 31,	
	2007	2006	2007	2006
Revenue				
Oil and gas revenue	\$ -	\$ 110,493	\$ -	\$ 427,016
Less: royalties	-	(9,177)	-	(37,667)
Interest income	27,090	5,022	82,321	21,123
	<u>27,090</u>	<u>106,338</u>	<u>82,321</u>	<u>410,472</u>
Expenses				
Production and operating costs	-	157,785	-	409,988
General and administrative	133,151	114,660	346,428	327,155
Stock-option compensation (Note 5(b))	154,880	563,861	249,530	621,874
Depletion, depreciation and accretion	472	49,880	1,072	4,891,285
Loss on sale of oil & gas properties	-	43,918	-	43,918
	<u>288,503</u>	<u>930,104</u>	<u>597,030</u>	<u>6,294,220</u>
Net loss for the period	<u>(261,413)</u>	<u>(823,766)</u>	<u>(514,709)</u>	<u>(5,883,748)</u>
Deficit, beginning of period	<u>(13,307,837)</u>	<u>(12,377,524)</u>	<u>(13,054,541)</u>	<u>(7,317,542)</u>
Deficit, end of period	<u>(13,569,250)</u>	<u>(13,201,290)</u>	<u>(13,569,250)</u>	<u>(13,201,290)</u>
Basic and diluted loss per share (Note 5(d))	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.11)</u>

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Unaudited Consolidated Statements of Cash Flows

	Three months ended December 31,		Nine months ended December 31,	
	2007	2006	2007	2006
Cash flows from operating activities				
Net loss for the period	\$ (261,413)	\$ (823,766)	\$ (514,709)	\$(5,883,748)
Add items not affecting cash:				
Depletion, depreciation and accretion	472	49,880	1,072	4,891,285
Loss on disposal of oil & gas properties	-	43,918	-	43,918
Stock-based compensation	154,880	563,861	249,530	621,874
	<u>(106,061)</u>	<u>(166,107)</u>	<u>(264,107)</u>	<u>(326,671)</u>
Changes in non-cash components of working capital	46,979	(700,753)	103,954	(7,477)
Cash flows generated (used by) operating activities	<u>(59,082)</u>	<u>(866,860)</u>	<u>(160,153)</u>	<u>(334,148)</u>
Financial Activities				
Common shares issued for cash, net of issue costs	1,344,750	1,920,353	1,344,750	3,222,928
Flow-through shares issued for cash	2,073,750	-	2,073,750	1,000,000
Warrants exercised for cash	116,250	97,500	1,835,750	1,618,639
Stock options exercise for cash	-	300,000	-	300,000
Broker warrants exercised for cash	-	-	100,125	-
	<u>3,534,750</u>	<u>2,317,853</u>	<u>5,354,375</u>	<u>6,141,567</u>
Investment Activities				
Oil and gas properties	-	(948,003)	-	(4,754,412)
Equipment purchase	(768)		(768)	-
Proceeds on sale of oil gas properties	-	1,854,498	-	1,854,498
Mining interests	(189,074)	(149,510)	(1,098,357)	(149,510)
	<u>(189,842)</u>	<u>756,985</u>	<u>(1,099,125)</u>	<u>(3,049,424)</u>
Net change in cash	3,285,826	2,207,978	4,095,097	2,757,995
Cash and cash equivalents, beginning of period	3,509,558	574,841	2,700,287	24,824
Cash and cash equivalents, end of period	<u>\$ 6,795,384</u>	<u>\$ 2,782,819</u>	<u>\$ 6,795,384</u>	<u>\$ 2,782,819</u>

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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 Canada and 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 today, 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 April 1st, 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 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 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 no effect on the Company's financial statements.

(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.

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(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 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 it does not expect the adoption of 3863 to have a significant effect on the consolidated financial statements.

3. Equipment

	December 31, 2007			March 31, 2007		
	Cost	Accumulated depreciation	Net Book Value	Cost	Accumulated depreciation	Net Book Value
Computer Equipment	\$4,205	\$1,845	\$2,360	\$3,436	\$773	\$2,663
	<u>\$4,205</u>	<u>\$1,845</u>	<u>\$2,360</u>	<u>\$3,436</u>	<u>\$773</u>	<u>\$2,663</u>

4. Mining interests

a) Peters Mine Option Agreement:

	Nine Months Ended December 31, 2007	Year Ended March 31, 2007
Acquisition costs	\$1,800,000	\$1,800,000
Exploration expenditures	2,082,176	560,708
	<u>\$3,882,176</u>	<u>\$2,360,708</u>

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 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 \$2,082,176 as part of the requirements under the Agreement.

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b) Tri-Eagle Option Agreement:

On November 1st, 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. (see subsequent events note 8).
- Make cash payments to Noront of \$0.2 million on or before October 30, 2008 and an optional additional \$200,000 on or before October 30, 2009. Any of 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 at a deemed price of \$0.50 per share.

c) Lowland Option Agreement:

On November 26, 2007 the Company announced that it has entered into a letter of intent with Metalex Ventures Ltd. ("Metalex"), and Arctic Star Diamond Corp. ("Arctic") pursuant to which WSR will be granted the option to acquire 50% interest in certain claims of Metalex's and Arctic's James Bay Properties, in the Province of Ontario. The properties are located on and around the "Ring of Fire" and cover approximately 36 square kilometers of ground.

Under the terms of the letter of intent, WSR has the right to fund a maximum of \$20.0 million in expenditures on the Property over a 4 years period. For each \$5 million in expenditures, WSR will acquire 12.5% interest in the Property, up to a maximum 50% interest. During the joint venture period, a management committee will be formed.

The letter of intent is subject to standard conditions including the completion of due diligence by WSR, the execution of a definitive agreement and the approval of the TSX Venture Exchange with respect to each of the parties involved.

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d) Share capital

a) Capital stock

	<u>Units</u>	<u>\$ Amount</u>
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	<u>74,147,652</u>	<u>15,132,287</u>
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>
Issue on exercise of warrants	80,000	20,000
Warrants valuation	-	8,000
Balance September 30, 2007	<u>80,372,652</u>	<u>17,407,212</u>
Issue on exercise of warrants	465,000	116,250
Warrants valuation	-	46,500
Issued under private placement	10,000,000	3,418,500
Fair value on Warrants private placement	-	(1,252,675)
Balance December 31, 2007	<u>90,837,652</u>	<u>\$ 19,735,787</u>

On December 13, 2007 the Company completed a private placement financing where an aggregate 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 exercisable at \$0.45 before November 8, 2008 and (ii) 4,075,000 hard dollar 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. All the securities issued and issuable in connection with the financing have a holding period expiring April 14, 2008. (See also section (c) "Warrants").

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(b) Stock-Based Compensation

The changes in stock options for the nine months ended December 31, 2007 and the year ended March 31, 2007 are as follows:

	December 31, 2007		March 31, 2007	
	Number of Options	Weighted Average Price	Number of Options	Weighted Average Price
Outstanding, beginning of period	2,160,000	\$ 0.58	2,060,000	\$ 0.42
Granted	390,000	0.60	1,500,000	0.60
Exercised	-	-	(1,000,000)	(0.30)
Expired/cancelled	-	-	(400,000)	(0.53)
Outstanding, end of period	2,550,000	\$ 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	0.73	160,000	160,000
\$0.5 - \$0.70	3.52	2,390,000	2,390,000
	3.34	2,550,000	2,550,000

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 were fully vested. 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.

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 over a period of 5 years. These options have an estimated value of \$103,530 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 4.0%; and an expected life of 5 years.

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(c) **Warrants**

The following schedules describe the warrants transactions during the fiscal year ended March 31, 2007 and the nine months ended December 31, 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	-	\$ -
Issued on private placement	21,445,000	2,011,500	775,000	76,725
Exercise of w arrants	(4,468,056)	(444,679)	(330,000)	(32,670)
Expired during the year	(3,654,444)	(434,879)	-	-
Broker w arrants exercised	330,000	330	-	-
Balance, March 31, 2007	19,480,000	\$ 1,825,744	445,000	\$ 44,055
Issued on private placement	7,037,500	\$ 1,252,675	-	-
Exercise of w arrants	(6,245,000)	(458,190)	-	-
Exercise of Broker w arrants	445,000	445	(445,000)	(44,055)
Balance at December 31, 2007	20,717,500	\$2,620,674	-	\$ -

The following schedule describes the remaining average life remaining on these warrants:

Exercise price	Expiry Date	December 31, 2007	
		Units	Fair Value
\$0.25	November 17, 2008	945,000	\$94,500
\$0.25	November 17, 2008	12,735,000	\$1,273,500
\$0.45	December 13, 2008	7,037,500	\$1,252,674
		<u>20,717,500</u>	<u>\$ 2,620,674</u>

In conjunction with the December 13, 2007 financing, the Company issue 7,037,500 warrants entitling the holder thereof to acquire one additional common share of the Company (which shall not be a flow-through share), for a period of 12 month at an exercise price of \$0.45 per share. Their fair value assigned to these warrants was \$1,252,675 determined by the Black-Scholes option-pricing model under the following assumptions: dividend yield 0%; expected volatility 159.60%; risk-free interest rate 3.96%; and an expected life of 1 year.

Also, during the nine months period ended December 31, 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 a price of \$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%

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and an expected maturity of 14 days. The fair value assigned was \$445.

The following warrants were exercised during the nine month ended December 31, 2007:

- i) Exercise of 775,000 warrants at a price of \$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 a price of \$0.30 for net proceeds of \$1,414,500 and a fair value of \$381,915;
- iii) Exercise of 755,000 warrants at a price of \$0.25 for net proceeds of \$ 188,750 and fair value of \$75,500.

(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 nine month ended December 31, 2007 is as follows:

	Three month		Nine month	
	2007	2006	2007	2006
Basic weighted average shares	82,614,282	62,745,859	80,933,743	54,571,719
Effect of dilutive stock options and warrants (i)	-	-	-	-
Diluted weighted average shares	82,614,282	62,745,859	80,933,743	54,571,719

(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	1,195,537
Stock-based compensation	103,530
Options vested during the period	51,350
Balance, December 31, 2007	\$ 1,350,417

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7. Related party transactions

A corporation owned by a former officer of the Company performed accounting services for the Company. For the nine-month periods ended December 31, 2007 and 2006 WSR paid \$18,439 (2006 - \$43,442) 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

a) On February 15, 2008 the Company announced that it has entered into a letter of intent pursuant to which WSR has agreed to acquire 75% legal and beneficial 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", McFauld's Lake, Ontario, near Noront's nickel copper discovery.

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

- Issue to MacDonald an aggregate of 5,000,000 common shares of WSR;
- Make a cash payment to MacDonald in the amount of \$100,000; and
- Issue to MacDonald an aggregate of 1,000,000 share purchase warrants, each entitling 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.

MacDonald shall have a carried interest until WSR delivers a pre-feasibility study to MacDonald on Big Mac. 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.

Closing of the transaction remains subject to WSR's satisfactory due diligence, the approval of the TSX Venture Exchange and WSR's Board of directors and execution of a definitive agreement of purchase and sale and joint venture agreement.

b) On January 9, 2008, pursuant to the Tri-Eagle option agreement with Noront, WSR issued 400,000 Company shares to Noront Resources Ltd. (see note 4(ii)).

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. The Company's Guyanese subsidiary has currently suspended their exploration activities. As the operations comprise a single reporting segment amounts disclosed in the financial statements for revenue, expenses.

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