

CONQUEST RESOURCES LIMITED
(A Development Stage Company)

Interim Consolidated Financial Statements

(Note: These Consolidated Financial Statements have not been reviewed by the Company's Auditors)

June 30, 2007

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(A Development Stage Company)
Interim Consolidated Balance Sheets

Canadian Funds

Unaudited - these financial statements have not been reviewed by the Company's Auditors

	June 30 2007 \$	December 31 2006 \$
ASSETS		
Current		
Cash and cash equivalents	686,075	1,295,851
Amounts receivable	101,139	87,584
Prepaid expense	<u>9,965</u>	<u>9,965</u>
	797,179	1,393,400
Other assets		
Investments	70,000	90,000
Exploration properties and deferred exploration expenditures	<u>3,397,819</u>	<u>3,017,189</u>
	3,467,819	3,107,189
	<u>4,264,998</u>	<u>4,500,589</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	109,902	180,283
Future income tax liability	<u>87,658</u>	-
	197,560	180,283
Shareholders' equity		
Capital stock	9,081,059	9,217,228
Warrants	147,146	147,146
Contributed surplus	1,542,840	1,519,740
Deficit	<u>(6,703,607)</u>	<u>(6,563,808)</u>
	4,067,438	4,320,306
	<u>4,264,998</u>	<u>4,500,589</u>

- See Accompanying Notes -

Conquest Resources Limited*(A Development Stage Company)***Interim Consolidated Statements of Loss and Deficit**

For the Six Month Period Ended June 30

Canadian Funds*Unaudited - these financial statements have not been reviewed by the Company's Auditors*

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
Expenses				
Stock-based compensation	-	86,700	23,100	86,700
Property investigation	-	7,770	-	7,770
Office and general	24,753	21,199	51,836	74,738
Corporate expenses	22,072	26,193	50,875	43,049
Professional fees	20,090	9,988	27,090	19,315
Travel and Entertainment	4,479	2,701	5,632	6,403
Loss before the undernoted	71,394	154,551	158,533	237,975
Future income taxes	Note 5	(25,342)	(48,334)	-
Write-down of exploration properties	-	-	9,600	-
Write-down of investment	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
	(5,342)	-	(18,734)	-
Net loss for the period	66,052	154,551	139,799	237,975
Deficit, beginning of period	6,637,555	6,107,530	6,563,808	6,024,106
Deficit, end of period	6,703,607	6,262,081	6,703,607	6,262,081
Net loss per common share	Note 4	0.01	0.01	0.01

- See Accompanying Notes -

Conquest Resources Limited*(A Development Stage Company)***Interim Consolidated Statements of Cash Flows****For the Six months ended June 30***Canadian Funds**Unaudited - these financial statements have not been reviewed by the Company's Auditors*

	Three Months Ended June 30		Six Months Ended June 30	
	2007	2006	2007	2006
	\$	\$	\$	\$
CASH FLOW FROM (USED IN) OPERATING ACTIVITIES				
Net loss for the period	(66,052)	(154,551)	(139,799)	(237,975)
Item not involving cash				
Stock-based compensation	-	86,700	23,100	86,700
Future income taxes	(25,342)	-	(48,334)	-
Write-down of exploration properties	-	-	9,600	-
Write-down of investment	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
	(71,394)	(67,851)	(135,433)	(151,275)
Changes in non-cash working capital balances	(36,902)	(7,797)	(83,936)	(131,244)
Cash flows (used in) operating activities	(108,296)	(75,648)	(219,369)	(282,519)
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES				
Mineral properties and deferred exploration expenditures	(78,890)	(50,090)	(390,230)	(130,435)
Investment in Trade Winds Ventures Inc. Note 2	<u>-</u>	<u>(33,500)</u>	<u>-</u>	<u>(33,500)</u>
	(78,890)	(83,590)	(390,230)	(163,935)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES				
Issue costs	(177)	-	(177)	-
Increase (Decrease) in cash and short-term investments	(187,363)	(159,238)	(609,776)	(446,454)
Cash and short-term investments, beginning of period	873,438	1,336,915	1,295,851	1,624,131
Cash and short-term investments, end of period	686,075	1,177,677	686,075	1,177,677

- See Accompanying Notes -

Conquest Resources Limited

(A Development Stage Company)

Notes to the Interim Consolidated Financial Statements

For the Six Month Period Ended June 30

Canadian Funds

Unaudited - these consolidated financial statements have not been reviewed by the Company's Auditors

1. Basis of Presentation

The accompanying unaudited consolidated interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("CGAAP") on the going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operation. These financial statements do not include all of the information and disclosures required by CGAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the period ended June 30, 2007 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2007. For further information, see the Company's consolidated financial statements including the notes thereto for the year ended December 31, 2006.

2. Exploration Properties & Deferred Exploration expenditures

Canadian Funds

	December 31, 2006	Additions (Write-offs)	June 30, 2007
CANADA			
Alexander	\$1,411,124	3,360	\$1,414,484
Smith Lake	635,069	-	635,069
Aurora	486,315	1,050	487,365
King Bay	469,121	385,820	854,941
Others	<u>5,960</u>	<u>-</u>	<u>5,960</u>
Total Canada	<u>\$3,007,589</u>	<u>\$390,230</u>	<u>\$3,397,819</u>
AFRICA			
Tanzania	<u>9,600</u>	<u>(9,600)</u>	<u>-</u>
Total Africa	<u>\$9,600</u>	<u>(9,600)</u>	<u>-</u>
Total	<u>\$3,017,189</u>	<u>\$380,630</u>	<u>\$3,397,819</u>

During the period, Barrick Gold terminated its joint venture on the Suguti property in Tanzania. As a result, the carrying value of the company's African properties of \$9,600 was written off in the first quarter of 2007.

**Exploration Properties - Schedule of Deferred Exploration Expenditures
For Six Month Period Ended June 30, 2007**

Canadian Funds

	Alexander \$	Aurora \$	King Bay \$	African properties \$	Total \$
Geology, geophysics and geochemistry	3,360	1,050	34,488	-	38,898
Drilling	-	-	291,453	-	291,453
Travel and accommodation	-	-	30,424	-	30,424
Equipment, property lease and other	-	-	29,455	-	29,455
Write-off				(9,600)	(9,600)
Total additions	3,360	1,050	385,820	(9,600)	380,630

The expenditures of \$390,230 in the Consolidated Statements of Cash Flow are before the write-off of African properties of \$9,600.

For Six Month Period Ended June 30, 2006

Canadian Funds

	Alexander \$	Aurora \$	King Bay \$	Total \$
Geology, geophysics and geochemistry	6,320	5,216	22,582	34,117
Drilling	306	-	97,881	98,188
Travel and accommodation	-	-	13,354	13,354
Equipment, property lease and other	-	7,581	10,695	18,276
Recovery	-	(33,500)	-	(33,500)
Total additions, net	6,626	(20,703)	144,512	130,435

The recovery for Aurora represents receipt of 50,000 shares of Trade Winds Ventures Inc.

3. Capital Stock

a) *The capital stock is as follows:*

Authorized Unlimited number of common shares

Issued 62,663,830 common shares

	Shares #	Amount \$
Balance December 31, 2006	62,663,830	9,217,228
Flow-through shares tax renunciation	<u> -</u>	<u>(136,169)</u>
Balance June 30, 2007	62,663,830	9,081,059

b) *Stock Options*

Pursuant to a stock option plan approved by the Board of Directors, the maximum number of common shares reserved for issuance to various directors, officers, consultants and employees may not exceed 10% of the common shares outstanding immediately before such issuance. The following table summarizes the stock options outstanding as at June 30, 2007:

<u>Number of Common shares</u>	<u>Exercise Price</u> \$	<u>Expiry Date</u>
800,000	0.20	September 26, 2007
150,000	0.30	March 17, 2008
1,350,000	0.20	September 24, 2008
1,600,000	0.10	March 1, 2010
300,000	0.12	March 12, 2011
600,000	0.15	June 16, 2011
100,000	0.13	June 16, 2011
<u>300,000</u>	0.13	March 18, 2012
<u>5,200,000</u>		

During the period, options on 300,000 shares exercisable at \$0.13 per year for a period of five years were issued to a Director. The fair value of options granted during the period was estimated on the date of grant at \$23,100 using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%, expected volatility of 67%, a risk free interest rate of 3.75% and expected life of the options of five years, and this amount was added to the contributed surplus.

During the quarter, options on 200,000 shares expired unexercised.

c) *Warrants*

As at June 30, 2007 and at December 31, 2006, the Company had the following outstanding share purchase warrants:

<u>Warrants</u>	<u>Value</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
<u>#</u>	<u>\$</u>	<u>\$</u>	
2,896,153	130,300	\$0.20 and 0.30	December 15, 2008
*461,538	16,846	\$0.20 and 0.30	December 15, 2008
<u>3,357,691</u>	<u>147,146</u>		

* Comprised of 230,769 broker compensation options exercisable into units and 230,769 warrants from such units.

Each warrant entitles the holder to purchase one common share of the Company.

4. Net Loss Per Common Share

	Three Months Ended		Six Months Ended June	
	2007	June 30 2006	2007	30 2006
Net loss for the period	\$66,052	\$154,551	\$139,799	\$237,975
Basic net loss per common share	\$0.01	\$0.01	\$0.01	\$0.01

Basic loss per share was calculated on the basis of the weighted average number of common shares outstanding for the periods, which amounted to 62,663,830 (June 30, 2006 – 59,767,677) common shares.

5. Future Income Taxes

As at December 31, 2006, the Company had non-capital losses and unused cumulative Canadian Exploration and Development Expenses which were fully utilized to offset future income tax liabilities that arose on the issue of flow-through shares in previous years.

During the year ended December 31, 2006, the Company renounced to its subscribers of 2,896,153 flow-through units Canadian Exploration and Development Expenses of \$376,500. The Company has applied the accounting treatment recommended by the Canadian Institute of Chartered Accountants - Emerging Issues Committee Recommendation #146(EI-146) requiring the transaction to be reported in the first quarter of 2007. The net effect of the adoption of EIC-146 resulted in the recognition in the quarter of the estimated tax benefits renounced by the Company to the investors in the flow-through shares. As a result a future income tax liability of \$135,992, less the current period recovery of \$22,992, and a corresponding reduction in Shareholders' equity was recorded in the first quarter. In the second quarter a tax recovery of \$25,342 equivalent to the tax effect of the taxable loss for the quarter (calculated at the 36% tax rate) was similarly credited to income. As a result the future income tax liability was reduced to \$87,658. During the second quarter, the Company also paid Part XII.6 tax of \$177 in respect of the flow-through shares.

CONQUEST RESOURCES LIMITED
(A Development Stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE INTERIM PERIOD ENDED JUNE 30, 2007

(Form 52-109F2)

CONQUEST RESOURCES LIMITED
Management's Discussion and Analysis
FOR THE INTERIM PERIOD ENDED JUNE, 2007
(Dated August 23, 2007)

(Form 52-109F2)

Company Overview

Conquest Resources Limited ("Conquest" or "the *Company*") is a Toronto; Canada based public company incorporated in 1945 and whose shares are listed on the TSX Venture Exchange (TSXV) under the symbol "CQR". The Company is a reporting issuer in the Provinces of Ontario, British Columbia and Alberta.

The Company is principally engaged in the acquisition, exploration and development of mineral exploration properties. The Company has acquired interests and entered into agreements to acquire interests in mineral exploration properties located in Canada, Zimbabwe and Tanzania.

The significant industry and economic factors affecting the Company remained substantially unchanged during the period.

Operational Highlights - 2QR 2007

During the quarter, Conquest's exploration activities continued to be concentrated on the King Bay Property at Sturgeon Lake, Ontario as well as at the Aurora Property, Detour Lake and the Alexander Property at Red Lake, Ontario. The Company also evaluated gold and silver projects in the USA and Mexico.

Following completion of a short winter drill program in the first quarter of 2007 which focused on the investigation of the Western Series magnetic anomalies, the Company conducted a detailed magnetic survey, comprising approximately 70 line kilometres, over the ice of King Bay and adjacent areas of Sturgeon Lake. Results of the magnetometer survey indicate an anomalous area of magnetic susceptibility located immediately to the northeast of the previously identified EC-1 target area (Eastern Series magnetic anomaly), under the waters of King Bay.

This new target has an approximate north-south orientation and is believed to represent a mineralized fault zone within the quartz feldspar porphyry target host. High grade gold mineralization intersected in drilling in Q1 2007 and Q1 2006, in the area of the western anomalies (400 metres to the west), was found to be associated with a fault zone of similar orientation. It is believed that this new target could be a potential source zone for the high grade gold mineralization contained in the Eastern and Central Boulder Trains.

Following the completion of the winter exploration program Conquest earned a 60% interest in the King Bay project.

On the Alexander Property at Red Lake, Conquest continued data evaluation and developed a new two-year exploration strategy to include significant additional drilling to test gold bearing structures identified in previous shallow drilling at deeper levels, and to test the potential for the Red Lake mine sequence to be over folded on to the Alexander Property on the southern limb of the Balmer Syncline. Such an initiative will require new financing.

In early May 2007, joint venture partner Trade Winds Ventures Inc. advised the Company that it was relinquishing its option on the Aurora Project at Detour Lake. The Sunday Lake claims, part of the Aurora Property, are located immediately east of the former Detour gold mine along the Sunday Lake Deformation Zone, the same structure that hosts the Detour gold deposit. The Company has carried out a complete review of the historic data for the property including integration of data acquired from Trade Winds' recent drill programs. The data is being evaluated in the context of the new developments on the adjacent Detour property which is the target of a very significant new exploration/development initiative by Detour Gold Mines Inc.

During the quarter, Barrick Gold advised the Company of its intention to relinquish its option on the Suguti property, Tanzania, while in Zimbabwe the Company's projects in the Midland's Goldfield have remained on a

care and maintenance basis pending an improvement in the local political, economic and security situation.

Financial Highlights - 2QR 2007

Conquest incurred a loss for the second quarter of 2007 of \$66,052 (\$0.01 per share) compared to a loss of \$154,551 (\$0.01 per share) in the second quarter of 2006. Included in the loss in the second quarter of 2007 was a write down of the investment in Trade Winds Venture Inc. of \$20,000 and a future income tax recovery of \$25,342. There were no comparable items in the second quarter of 2006. There was no charge in respect to stock-based compensation in the second quarter of 2007 whereas included in the loss in the second quarter of 2006 was a non-cash charge of \$86,700 in respect to stock-based compensation.

The loss of the first half of 2007 was \$139,799 (\$0.01 per share) compared to a loss of \$237,975 (\$0.01 per share) in the first half of 2006. Included in the loss in the first half of 2007 were a non-cash charge of \$23,100 in respect to stock-based compensation, a write down of exploration properties in Tanzania properties of \$9,600, a future income tax recovery of \$48,334, and a write-down of the investment in Trade Winds Venture Inc. of \$20,000. There was a non-cash charge of \$86,700 in respect to stock-based compensation in the first half of 2006.

The future income tax recovery relates to the tax effect of the renunciation by the Company of Canadian Exploration and Development Expenses of \$376,500 arising on the issue during 2006 of flow through shares and the loss for the second quarter and first half of 2007.

The Company recorded no revenue in the second quarter or the first half of 2007 or 2006.

Administrative expense during the first half of 2007 amounted to \$135,433 compared to \$151,275 in the first half of 2006 excluding the non-cash charges of \$23,100 and \$86,700 respectively in respect to stock-based compensation.

Industry Trends and Risks

The price of gold and other metals continued at high levels during the first half of 2007, including the second quarter. Despite buoyant metals market, some resource companies, particularly in the junior sector, continued to exhibit generally weak share prices. Continued low market capitalization, reflected in depressed share prices may result in less receptive equity markets for junior mining shares which could impact upon the Company's ability to finance ongoing exploration activities.

Summary of Quarterly Results

	2QR05 (\$)	3QR05 (\$)	4QR05 (\$)	1QR06 (\$)	2QR06 (\$)	3QR06 (\$)	4QR06 (\$)	1QR07 (\$)	2QR07 (\$)
Net Loss per share	(0.01)	(0.01)	0.01	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Net Loss* before taxes	(111,211)	(158,060)	382,752	(83,424)	(154,551)	(73,203)	(158,624)	(87,139)	(66,052)
Total assets	4,451,821	4,291,374	4,637,116	4,463,018	4,392,779	4,304,707	4,500,589	4,368,069	4,264,998

* Before write-down of exploration properties & deferred exploration expenditures

Liquidity and Capital Resources

Total assets decreased to \$4,264,998 at June 30, 2007 from \$4,500,589 at December 31, 2006 primarily as a result of administrative expenses and funds expended on the Ontario exploration projects. Total liabilities, excluding the future income tax liability, decreased to \$109,902 at June 30, 2007 from \$180,283 at December 31, 2006. The Company had a working capital surplus of \$687,277 at June 30, 2007 compared to \$1,213,117 at December 31, 2006. The decline was primarily due to funds expended on the Ontario exploration projects and administrative expenses.

At June 30, 2007, the Company had mineral properties with a total book value of \$3,397,819. The balance sheet values may not represent that which could be obtained if the properties were to be offered for sale at this time.

Conquest is adequately financed to undertake its stated goals for 2007 but will likely require additional funding to more aggressively pursue exploration on the Alexander and King Bay Properties and to pursue any new project acquisitions.

Contractual and Lease Commitments

The Company is committed to a minimum rental under a lease for its premises, which will expire on April 30, 2011. Pursuant to agreements with sub-tenants, the Company's share of the rent is not expected to exceed \$42,000 per year.

The minimum lease commitments for future years are as follows:

2007 (July–December)	\$53,536
2008	107,071
2009	107,071
2010	107,071
2011	<u>35,690</u>
	<u>\$410,439</u>

Mineral Properties - Schedule of Deferred Exploration Expenditure

For Six Month Period Ended June 30, 2007

Canadian Funds

	Alexander \$	Aurora \$	King Bay \$	African properties \$	Total \$
Geology, geophysics and geochemistry	3,360	1,050	34,488	-	38,898
Drilling	-	-	291,453	-	291,453
Travel and accommodation	-	-	30,424	-	30,424
Equipment, property lease and other	-	-	29,455	-	29,455
Write-off				(9,600)	(9,600)
Total additions	3,360	1,050	385,820	(9,600)	380,630

For Six Month Period Ended June 30, 2006
Canadian Funds

	Alexander	Aurora	King Bay	Total
Geology, geophysics and geochemistry	\$6,320	\$5,216	\$22,582	\$34,118
Drilling	306	-	97,881	98,187
Travel and accomodation	-	-	13,354	13,354
Equipment, property lease and other	-	7,581	10,695	18,276
Recovery	-	(33,500)	-	(33,500)
Total additions, net	\$6,626	(\$20,703)	\$144,512	\$130,435

The recovery for Aurora represents receipt of 50,000 shares of Trade Winds Ventures Inc.

Related Party Transactions

Transactions with related parties have occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The expenses for the first half of the year include expenses incurred by directors or to corporations owned by or that employ directors for exploration expenses of \$24,695, corporate and administrative expenses of \$55,104, legal expenses of \$5,730 and travel and entertainment of \$3,914.

Included in accounts payable and accrued liabilities at June 30, 2007 is \$91,203 due to these related parties. All amounts were incurred in the normal course of business and are measured at the exchange amount.

Significant Accounting Policies

The Company's Accounting Policies have been disclosed in the Financial Statements for the Year Ended December 31, 2006. Risk factors have been disclosed in the Company's Annual Information Form. for the Year Ending December 31, 2006. These documents are available from the Company upon request or can be viewed online on SEDAR at www.sedar.com.

Management considers the following to be the most critical in understanding the judgments that are involved in preparing the Company's financial statements and the uncertainties that could impact its results of operations, financial condition and future cash flows.

Use of Estimates - The preparation of the consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the year. Actual results could differ from estimates. During the fiscal years presented, management has made a number of significant estimates and valuation assumptions, including the recoverability of investments in exploration properties, the future costs associated with environmental remediation and site restoration matters, fair value of financial instruments, valuation of investments, valuation of tax accounts and factors affecting the valuation of stock-based compensation and share purchase warrants. These estimates and valuation assumptions are based on present conditions and management's planned course of action, as well as an assumption about future business and economic conditions. Should the underlying valuation assumptions and estimates change, the recorded amounts could change by a material amount.

Exploration Properties and Deferred Exploration Expenditures - These assets are carried at historical cost. The cost of exploration properties and related exploration and development costs are deferred. These costs will be amortized over the estimated useful life of the properties following commencement of commercial production or written off if the properties are sold, allowed to lapse, or the property shows no promise from prior exploration results, or management determines that there is a permanent and significant impairment in value. All of the

Company's properties are considered to be in the exploration or development stage and none have achieved commercial production. Accordingly any revenue generated from testing or pilot plant processing is credited to deferred exploration expense. The Company does not accrue the future costs to keep the properties in good standing. Administrative expenditures, not directly related to property maintenance, are charged to operations as incurred.

Stock-Based Compensation – The Company records compensation cost based on the fair value method of accounting for stock-based compensation. The fair value of stock options is determined using the Black-Scholes option pricing model. The fair value of stock options is recognized over the vesting period as compensation expense and contributed surplus. When options are exercised, the proceeds received, together with any related amount in contributed surplus, will be credited to capital stock. The Black-Scholes model was developed for use in estimating the fair value of freely traded options which are fully transferable and have no vesting restrictions. The Company's options have characteristics that are significantly different from those of traded options and changes in any of the assumptions used can materially affect fair value estimates.

Changes In Accounting Policies Including Initial Adoption

Effective January 1, 2007, the company adopted the revised CICA Section 1506 "Accounting Changes", with requires that: (a) a voluntary change in accounting principles can be made if, and only if, the changes result in more reliable and relevant information, (b) changes in accounting policies are accompanied with disclosures of prior period amounts and justification for the change, and (c) for changes in estimates, the nature and amount of the change should be disclosed. The company has not made any voluntary change in accounting principles since the adoption of the revised standard.

Effective January 1, 2007, the company adopted the two new accounting standards and related amendments to other standards on financial instruments issued by the CICA. Prior periods have not been restated.

(i) Financial Instruments - Recognition and Measurement, Section 3855

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based methods are used to measure the recorded amounts. It also specifies how financial instrument gains and losses are to be presented.

Effective January 1, 2007, the company's cash equivalents, temporary investments and investments in marketable securities have been classified as available-for-sale and re recorded at fair value on the balance sheet. Fair values are determined directly by reference to published price quotations in an active market. Changes in the fair value of these instruments are reflected in other comprehensive income and included in shareholders' equity on the balance sheet. All derivatives are recorded on the balance sheet at fair value. Mark-to-market adjustments on these instruments are included in net income, unless the instruments are designated as part of a cash flow hedge relationship. In accordance with the standard's transitional provisions, the company recognizes as separate assets and liabilities only embedded derivatives acquired or substantively modified on or after January 1, 2003.

All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. The criteria for assessing other than a temporary impairment remain unchanged. Transaction costs incurred to acquire financial instruments are included in the underlying balance. Regular-way purchases and sales of financial assets are accounted for on the trade date.

(ii) Comprehensive Income, Section 1530

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized.

The effect on the company's balance sheet of adopting these standards is not material as there is no significant difference to market.

Disclosure on Outstanding Share Capital

The Company has unlimited authorized share capital of a single class of common shares of which, at June 30 and August 23, 2007, 62,663,830 common shares were issued. Each common share entitles the holder to one vote. The common shares rank equally for dividends and for all distributions upon dissolution or wind up.

At June 30 and August 23 2007, the Company had 3,357,691 share purchase warrants outstanding and 5,200,000 share options issued pursuant to the Company's Stock Option Plan. The share purchase warrants will expire on December 15, 2008

Industry Trends and Outlook

Despite buoyant metals market, some resource exploration companies, particularly in the junior sector, continued to exhibit generally weak share prices. Continued low market capitalization, reflected in depressed share prices may result in less receptive equity markets for junior mining shares which could impact upon the Company's ability to finance ongoing exploration activities.

The Company plans an ongoing program of exploration on its projects during 2007 with significant emphasis on diamond drilling. Sufficient funds are available to support continued exploration activities for 2007 but the Company will have to seek additional financing to more aggressively pursue exploration on its Alexander and King Bay properties and/or to complete the acquisition of any new projects. There is no guarantee that such financing can be secured.

Caution on Forward-Looking Information

This report may contain "forward-looking statements" within the meaning of the United States Private Securities Legislation Reform Act of 1995. Such forward-looking statements are subject to risks, uncertainties and other factors described under the caption "Risk Factors" in the Company's Annual Information Form.