EAGLE PLAINS RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

for the period ended
March 31, 2007

(Unaudited - prepared by management)

EAGLE PLAINS RESOURCES LTD.
CONSOLIDATED UNAUDITED
INTERIM FINANCIAL STATEMENT

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the period ended March 31, 2007.

NOTICE TO READER OF THE
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The financial statements of Eagle Plains Resources Ltd. and the accompanying interim consolidated financial statements as at March 31, 2007 are the responsibility of the Company's management.

These consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, Deloitte & Touche.

The interim consolidated financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian Generally Accepted Accounting Principles.

"Timothy J Termuende"	*"Glen J Diduck"*
Timothy J. Termuende, P.Geo	Glen J. Diduck
President and Chief Executive Officer	Chief Financial Officer, Director

EAGLE PLAINS RESOURCES LTD.
CONSOLIDATED BALANCE SHEET
A Development Stage Corporation
(Unaudited - prepared by management)

	Mar 31 2007 (unaudited)	Restated (Note 13) Dec 31 2006 (unaudited)
ASSETS		
Current		
Cash and cash equivalents	**$ 5,121,671**	$ 5,969,041
Accounts receivable	**2,401,212**	1,766,203
Mineral Exploration Tax credits recoverable	**77,413**	114,802
	7,600,296	7,850,046
Due from related company (Note 8)	**300,100**	-
Investments, at cost (Note 3)		
(Quoted trading price - $2,741,996 (2006 - $2,537,333))	**1,576,703**	1,414,703
Property and equipment (Note 4)	**236,470**	218,742
Mineral exploration properties (Note 5)	**5,132,477**	5,614,944
	$ 14,846,046	$ 15,098,435
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 317,063**	$ 398,786
Future income tax	**1,679,747**	1,679,747
	1,996,810	2,078,533
EQUITY		
Share Capital (Note 7)	**15,394,475**	15,388,946
Contributed surplus (Note 7)	**1,375,382**	1,354,714
	16,769,857	16,743,660
Deficit, unadjusted	**(3,920,621)**	(3,613,438)
Prior period adjustment (Note 13)	**-**	(110,320)
Deficit, adjusted	**(3,920,621)**	(3,723,758)
	12,849,236	13,019,902
	$ 14,846,046	$ 15,098,435

Commitments and contingencies (Note 10)

On behalf of the Board:

"Timothy J. Termuende"
Mr. Timothy J. Termuende (Signed)

"Glen J. Diduck"
Mr. Glen J. Diduck (Signed)

EAGLE PLAINS RESOURCES LTD.
CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT
A Development Stage Corporation
(Unaudited - prepared by management)

	1st Quarter Ended Mar 31 **2007**	1st Quarter Ended Mar 31 2006	**Three Months Ended Mar 31 2007**	Restated (Note 13) Year Ended Dec 31 2006
Revenue				
Geological Services	**$ 111,443**	$ 447,009	**$ 111,443**	$ 3,097,100
Geological expenses				
Services	**51,159**	281,758	**51,159**	1,853,717
Amortization	**12,619**	8,348	**12,619**	37,143
Salaries and subcontractors	**74,356**	105,609	**74,356**	433,868
	138,135	395,715	**138,135**	2,324,728
Income (loss) before other expenses	**(26,692)**	51,294	**(26,692)**	772,372
Expenses				
Administration costs	**118,204**	92,312	**118,204**	485,446
Trade shows, travel and promotion	**133,654**	174,962	**133,654**	486,057
Stock option compensation expense	**36,100**	-	**36,100**	311,500
Public company costs	**21,195**	10,399	**21,195**	36,383
Professional fees	**25,081**	29,012	**25,081**	143,336
Amortization of capital assets	**4,285**	5,489	**4,285**	23,221
	345,447	312,174	**345,447**	1,485,943
Loss before Other Income	**(372,139)**	(260,880)	**(372,139)**	(713,571)
Other income				
Interest and other	**175,276**	44,323	**175,276**	270,850
Gain on sale of long-term investments	**-**	353,195	**-**	860,761
	175,276	397,518	**175,276**	1,131,611
Profit (loss) before income tax	**(196,863)**	136,638	**(196,863)**	418,040
Future income tax recovery	-	-	**-**	(1,949)
Net income (loss) for the period	**(196,863)**	136,638	**(196,863)**	419,989
DEFICIT, beginning of period	**(3,723,758)**	(3,101,200)	**(3,723,758)**	(4,143,747)
DEFICIT, end of period	**$ (3,920,621)**	$ (4,007,115)	**$ (3,920,621)**	$ (3,723,758)
Net income (loss) per share – basic (Note 7)	**$ (0.0037)**	$ 0.0029	**$ (0.0037)**	$ 0.0112
- diluted (Note7)	**(0.0036)**	0.0028	**(0.0036)**	0.0109

EAGLE PLAINS RESOURCES LTD.
CONSOLIDATED STATEMENT OF CASH FLOW
A Development Stage Corporation
(Unaudited - prepared by management)

	1st Quarter Ended Mar 31 2007	1st Quarter Ended Mar 31 2006	Three Months Ended Mar 31 2007	Restated (Note 13) Year Ended Dec 31 2006
Cash flows from operating activities				
Net income (loss) for the period	**$ (196,863)**	$ 136,638	**$ (196,863)**	$ 419,989
Adjustments for:				
Amortization and depletion of capital assets	**16,905**	13,837	**16,905**	60,364
Stock options expense	**36,100**	-	**36,100**	311,500
Gain on sale of investments	**-**	(353,195)	**-**	(860,760)
Loss on sale of fixed assets	**-**	-	**-**	260
Future income tax	-	-	**-**	(1,949)
	(143,858)	(202,720)	**(143,858**	(70,596)
Changes in non-cash working capital items				
Increase in accounts receivable	**(635,009)**	(154,174)	**(635,009)**	(1,034,495)
Decrease (increase) in exploration tax credits recoverable	**37,389**	-	**37,389**	(78,112)
Increase (decrease) in accounts payable	**(80,917)**	(87,801)	**(80,917)**	138,545
	(822,395)	(445,365)	**(822,395)**	(1,044,658)
Cash flows from financing activity				
Issue of shares for cash, net	**(9,903)**	220,864	**(9,903)**	5,071,883
Cash flows from investing activities				
Transfer of cash per plan of arrangement	**-**	-	**-**	(650,000)
Shares received on option agreements	-	(906,665)	**-**	-
Cash advance to related company	**(300,100)**	**-**	**(300,100)**	**-**
Proceeds from sale of investments	**-**	836,615	**-**	1,917,789
Development of mineral exploration properties	**319,661**	576,770	**319,661**	(2,933,638)
Purchase of capital assets	**(34,633)**	(102,681)	**(34,633)**	(136,738)
Proceeds from disposal of equipment	-	-	-	1,000
	(15,072)	404,039	**(15,072)**	(1,801,587)
Increase (decrease) in cash and cash equivalents	**(847,370)**	179,358	**(847,370)**	2,225,638
Cash and cash equivalents, beginning of period	**5,969,041**	3,743,403	**5,969,041**	3,743,403
Cash and cash equivalents, end of period	**$ 5,121,671**	$ 3,922,761	**$ 5,121,671**	$ 5,969,041
Cash and cash equivalents comprises:				
Bank deposits	**$ (42,451)**	$ 16,630	**$ (42,451)**	$ 172,832
Term deposits	**5,164,122**	3,906,131	**5,164,122**	5,796,209
	$ 5,121,671	$ 3,922,761	$ 5,121,671	$ 5,969,041

1. Nature of Operations

Eagle Plains Resources Limited (the "Company" or "Eagle Plains") was incorporated on March 30, 1994, pursuant to the Alberta Business Corporation Act (Alberta), and is extra provincially registered in the Yukon, British Columbia, the Northwest Territories and Saskatchewan. The Company is in the business of exploring for mineral resources and is actively exploring properties located in British Columbia, Yukon, the Northwest Territories and Saskatchewan. As the Company has not commenced production on any of its mining properties the Company continues to be a development stage company.

Recoverability of the amounts shown for mineral exploration properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development, and attain profitable production or proceeds from the disposition of the properties in excess of the carrying amount.

2. Significant Accounting Policies

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles. The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) <u>Changes in accounting policies and practices</u>
Effective January 1, 2007, the Company has adopted two new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

<u>Financial Instruments – Recognition and measurement (Section 3855)</u>
In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables, or other financial liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of operations and deficit.

Upon adoption of this new standard, the Company has designated its cash as held-for-trading, which is measured at fair value. Prepaids and other receivables are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost. As at March 31, 2007, the Company did not have any financial assets classified as available-for-sale and therefore, the adoption of the standard noted above had no effect on the presentation of the Company's consolidated financial statements.

2. Significant Accounting Policies - continued

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 statement of comprehensive income and a new category, accumulated other comprehensive income, in the shareholders' equity section of the consolidated balance sheet. The components of this new category may include unrealized gains and losses on financial assets classified as available-for-sale, exchange gains and losses arising from the translation of financial statements of a self-sustaining foreign operation and the effective portion of the changes in fair value of cash flow hedging instruments.

Accounting Changes (Section 1506)
Beginning January 1, 2007 the Company adopted Section 1506 "Accounting Changes" the only impact of which is to provide disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. This is the case with Section 3862 "Financial Instruments Disclosures" and Section 3863 "Financial Instruments Presentation" which are required to be adopted for fiscal years beginning on or after October 1, 2007. The Company will adopt theses standards on January 1, 2008 and it is expected the only effect on the Company will be incremental disclosures regarding the significance of financial instruments for the entity's financial position and performance; and the nature, extent and management of risks arising from financial instruments to which the entity is exposed.

During the period ended March 31, 2007, there were no changes in shareholders' equity that resulted from the non-owner sources and consequently, the adoption of the standard noted above had no effect on the presentation of the Company's consolidated financial statements.

b) Principles of consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bootleg Exploration Inc. Investments in business entities in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method and the company's proportionate share of income or loss is recorded in Other (income) and expense.

c) Mineral exploration properties
Costs of acquisition, exploration and development of mineral properties are capitalized on an area-of-interest basis. General and administrative costs are either charged to expense in the year incurred or capitalized if they directly relate to exploration. Amortization of these costs will be on a unit-of-production basis, based on estimated proven reserves of minerals of the areas, should such reserves be found. Properties are abandoned either when the lease expires or when management determines that no further work will be performed on the property since it has no value to the Company. When significant properties in an area of interest are abandoned, the costs related thereto are charged to operations on a pro-rata basis to the total costs to date included in the area, in the year of abandonment. The proceeds received from a partial disposition or an option payment is credited against the capitalized costs. In addition, if there has been a delay in development activity for several successive years, a write-down of those project-capitalized costs will be charged to operations.

d) Investments
Securities acquired under option agreements executed with joint venture partners on the Company's mineral properties are recorded at the "fair value" as determined by management. Fair value is based on closing market prices for publicly traded shares recognizing the possible effects of price fluctuations, quantities traded and similar items. The fair value may or may not approximate trading prices at the time the agreement is executed. As such, the related capitalized mining expenditures are also reduced by the fair value of the investment received.

2. Significant Accounting Policies - continued

e) Property and equipment

Property and equipment consists of automotive, computers, office and field equipment and leasehold improvements, and is recorded at cost. Amortization is determined using the declining balance method, using the rates below which approximate the estimated useful life of the asset:

Automotive	- 20 % to 30 % per annum
Computer	- 30 % and 45 % per annum
Computer software	- 100% per annum
Furniture and equipment	- 20 % per annum
Leasehold improvements	- straight line over 6 years

f) Asset retirement obligations

A liability for the fair value of environmental and site restoration obligations are recorded when the obligations are incurred. For most projects, the Company restores the site on an ongoing basis as is required by local laws. For the Company, significant obligations will be incurred at the time the related assets are brought into production. The fair value of the obligations is based on the estimated cash flow required to settle the obligations discounted using the Government of Canada Bond Rate for the applicable term adjusted for the Company's credit rating. The fair value of the obligations is recorded as a liability with the same amount recorded as an increase in capitalized costs. The amounts included in capitalized costs will be depleted using the unit-of-production method. The liability is adjusted for accretion expense representing the increase in the fair value of the obligations due to the passage of time.

g) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the future income taxes related to the temporary difference arising at the renunciation date are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

h) Financial instruments

The Company carries various financial instruments. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, term deposits and investments with maturities of three months or less from the date of purchase.

j) Per share amounts

Basic income (loss) per common share is computed by dividing the net income (loss) for the year by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

2. Significant Accounting Policies - continued

k) Income taxes
The Company uses the liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences – the difference between the carrying amount of an asset and liability in the balance sheet and its tax basis and the carry forward of unused tax pools and unamortized share issue costs. Future income tax assets and liabilities are measured using income tax rates expected to apply on the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that the change is substantially enacted. Future income tax assets are evaluated and if realization is not considered "more likely than not", a valuation allowance is provided.

l) Stock-based compensation plan
The Company has equity incentive plans which are described in Note 6. The fair value of options to purchase common shares is calculated at the date of grant using the Black-Scholes option-pricing model and that value is recorded as compensation expense over the grant's vesting period with an offsetting credit to contributed surplus. Upon exercise of the share purchase option, the associated amount is reclassified from contributed surplus to share capital. Consideration paid by employees upon exercise of share purchase options is credited to share capital.

m) Mineral tax credit
The Federal and Provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company accrues these credits as a reduction of mineral exploration expenditures in the period that the related expenditures were incurred. These accrued credits are subject to review by the relevant authorities and by their nature are subject to measurement uncertainty. Adjustments if any, resulting from such a review are recorded in the period that the tax filings are amended.

n) Revenue recognition
Revenue associated with the geological services provided by the Company is recognized when services are performed.

o) Joint venture
The Company's exploration and development activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

p) Measurement Uncertainty
The preparation of 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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include impairment of mineral properties; impairment of capital assets; useful lives for amortization of capital assets; reclamation and environmental obligations; and contingencies reported in the notes to the financial statements. Financial results as determined by actual events could differ from those estimates

2. Significant Accounting Policies - continued

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options and warrants have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

3. Investments

	Mar 31 2007	Dec 31 2006
900,000 (2006 – 900,000) common shares of Northern Continental Resources Inc. (market value - $468,000 (2006 - $648,000))	**$ 240,250**	$ 240,250
65,000 (2006 – 65,000) common shares of NovaGold Resources Inc. (market value - $1,267,500 (2006 - $1,285,700))	**631,445**	631,445
50,000 (2006 – 50,000) common shares of Kobex Resources (market value - $122,500 (2006 – $66,000)	**27,000**	27,000
9,710,658 (2006 – 9,710,658) common shares of Golden Cariboo Resources Ltd. (market value - $679,746 (2006 - $485,533)	**485,533**	485,533
140,000 (2006 – 140,000) common shares of Shoshone Silver Mining (market value - $49,000 (2006 – $40,600)	**22,400**	22,400
25,000 (2005 – 25,000) common shares of Amarc Resources Ltd (market value - $11,500 (2005 – $7,250)	**8,075**	8,075
200,000 (2005 – nil) common shares of Blue Sky Uranium Corp (market value - $190,000 (2005 – $ nil)	**162,000**	-
	$1,576,703	$1,414,703

Market value is based on the quoted closing prices of the securities at March 31, 2007. The fair value of these securities may differ from the quoted trading price due to the effect of market fluctuations and adjustment for quantities traded.

4. Property and Equipment

	Mar 31 2007		Dec 31 2006	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Automotive	**66,970**	**24,227**	65,515	20,821
Computer equipment & software	**128,136**	**73,297**	95,510	67,592
Equipment and furniture	**171,544**	**49,394**	170,992	42,979
Leasehold Improvements	**29,246**	**12,508**	29,246	11,129
	395,896	**159,426**	361,263	142,521
Net book value	**$ 236,470**		$ 218,742	

5. Mineral Properties

During the first quarter, the Company expended $(37,887) (2006 - $363,578), net of grants, option payments, and mineral tax credits of $444,580 (2006 - $940,354), on the exploration and development of their mineral properties, of which $47,487 (2006 - $187,907) was expended in B.C., $283,681 (2006 - $138,768) in the Northwest Territories, $(421,009) (2006 – $19,583) in the Yukon and $51,954 (2006 – $17,310) in Saskatchewan. The large credit to the Yukon was due to expenditures included in mineral exploration properties but subsequently invoiced to a third party.

The Company has interests in a number of exploration projects. As at March 31, 2007, the Company had executed agreements with third parties on the following projects:

a) **Blende Project:** In 2005 the Company entered into an option agreement with Blind Creek Resources Ltd. ("Blind Creek") whereby Blind Creek may earn a 60% interest in Eagle Plains' wholly owned Blende property by completing $5,000,000 in exploration expenditures, issuing to Eagle Plains 900,000 common shares, and making $225,000 in cash payments by December 31, 2010. The payments are due as follows:

Cash Payments	Share Payments	Exploration Expenditures	Due Date
$ 13,500	180,000		Upon execution
27,000	180,000	$ 500,000 (completed)	December 31, 2006
36,000	180,000	500,000	December 31, 2007
36,000	180,000	1,000,000	December 31, 2008
45,000	180,000	1,000,000	December 31, 2009
67,500	-	2,000,000	December 31, 2010
$ 225,000	900,000	$5,000,000	

All of the commitments made by Blind Creek to December 31, 2006 have been met.

b) **Coyote Creek Project:** On October 2, 2006, the Company completed an option-to-purchase agreement with CGC Inc. ("CGC"). Under terms of the agreement, CGC has the right to acquire a 100% interest in Eagle Plains' 100% owned Coyote Creek gypsum project by paying $1,250,000 to Eagle Plains prior to October 2, 2007, the expiry date of the option. CGC has paid to Eagle Plains the sum of $30,000 for the right to evaluate the property. In the fourth quarter 2006, CGC completed a drill program to assist in evaluating the property. Further drilling will be carried out in the summer of 2007.

c) **Eagle Lake Project:** In December 2006, the Company completed an option agreement whereby Blue Sky Uranium Corp ("Blue Sky") can earn a 60% interest in Eagle Plains' 100% owned uranium project located in north-central Saskatchewan by incurring $5,000,000 in exploration expenditures by December 31, 2010, issuing 1,000,000 common shares of Blue Sky to Eagle Plains and reimburse Eagle Plains for all acquisition costs. A 1% royalty has been reserved for a third-party individual, and may be purchased at any time for $1,000,000. Payments are due from Blue Sky as follows:

Cash Payments	Share Payments	Exploration Expenditures	Due Date
$10,000	50,000		30 days following qualified independent report
25,000	50,000		On signing of formal agreement
	100,000	$ 200,000	December 31, 2006
	200,000	300,000	December 31, 2007
	200,000	500,000	December 31, 2008
	200,000	2,000,000	December 31, 2009
	200,000	2,000,000	December 31, 2010
$35,000	1,000,000	$5,000,000	

5. Mineral Properties - continued

On February 2, 2007, the Company received 200,000 shares of Blue Sky Uranium Corp. valued at $184,000, based on the closing trading price of $0.92, a cash payment of $35,000 as required by the Eagle Lake option agreement and received $73,779 in reimbursement of acquisition costs. The exploration expenditure commitment was met for December 31, 2006.

d) **Karin Lake Project:** On February 15th, 2007 Eagle Plains Resources and Blue Sky Uranium Corp. ("Blue Sky") executed a Letter of Intent whereby Eagle Plains has agreed to grant Blue Sky the option to earn a 60% interest in the 35,000 ha Karin Lake property. Under terms of the proposed agreement, Blue Sky will incur $2,500,000 in exploration expenditures by December 31st, 2011, issue 700,000 common shares to Eagle Plains and reimburse Eagle Plains all acquisition costs. Blue Sky has agreed to issue Eagle Plains 150,000 shares and complete $100,000 in exploration expenditures during the first year.

Cash Payments	Share Payments	Exploration Expenditures	Due Date
$107,795	50,000		Within 5 days of the Approval date
	100,000	$ 100,000	December 31, 2007
	100,000	150,000	December 31, 2008
	200,000	250,000	December 31, 2009
	100,000	1,000,000	December 31, 2010
	150,000	1,000,000	December 31, 2011
$107,795	700,000	$2,500,000	

e) **Kulyk Lake Project:** On February 5, 2007, the Company executed a Letter of Intent with Wellstar Energy Corporation (Wellstar) whereby Eagle Plains has agreed to grant an option to Wellstar to earn a 60-per-cent interest in Eagle Plains' 100-per-cent-owned Kulyk Lake and Jenny Lake uranium properties. Under terms of the agreement, Wellstar has reimbursed EPL $77,500 in acquisition costs, will commit to $5,000,000 in exploration expenditures and issue 1,000,000 common shares to EPL by December 31st, 2011.

Share Payments	Exploration Expenditures	Due Date
200,000		Within 5 days of the Approval date
200,000	100,000	December 31, 2007
200,000	150,000	December 31, 2008
200,000	750,000	December 31, 2009
200,000	1,500,000	December 31, 2010
-	2,500,000	December 31, 2011
1,000,000	$5,000,000	

5. Mineral Properties - continued

f) **LCR Project:** On February 12, 2003, the Company entered into an option agreement to earn a 100% interest, subject to a 1% net smelter return royalty, in the LCR property through option payments, exploration expenditures, and issuance of the Company's common shares as detailed below:

Option Payments	Common Shares	Due Date
$ 5,000	100,000	December 31, 2003
-	100,000	December 31, 2005
-	100,000	December 31, 2007
$ 5,000	300,000	

Pursuant to this option agreement, the Company has issued 200,000 common shares to the property owner valued at $88,000 to complete the option commitment to December 31, 2005. The value assigned to these shares issued was based on recent share issuances.

g) **McQuesten Project:** The Company entered into an option agreement with Viceroy Resources Corporation (as of July 2003, Viceroy changed their name to Quest Capital Corp.) dated October 1, 1997, and transferred to NovaGold Resources Inc. ("NovaGold") on April 26, 1999. The agreement was amended on October 12, 2001 whereby NovaGold can earn up to a 70% interest in the property through an $80,000 option payment and by undertaking a pre-determined 10,000 foot drilling program on the optioned property. As of December 31, 2004, all option payments have been received and a joint venture established between the Company and NovaGold whereby the Company will retain a 30% interest. On March 15, 2005, NovaGold sold their 70% interest to Alexco Resource Group, who will be continuing with the joint venture agreement.

h) **Sphinx Project:** On February 15, 2005, the Company signed a property option agreement with Gordon Johnstone and Bryan Johnstone whereby the Company can purchase a 100% interest (less 2.5% NSR) of certain mineral properties (molybdenum) located in the Baker Creek area in south-eastern British Columbia through option payments and expenditures as follows:

Option Payments	Common Shares	Exploration Expenditures	Due Date
20,000	25,000		February 15, 2005
	50,000	200,000	December 31, 2005
	50,000	200,000	December 31, 2006
	50,000	200,000	December 31, 2007
		200,000	December 31, 2008
		200,000	December 31, 2009
20,000	175,000	1,000,000	

All of the commitments to December 31, 2006 have been met by the Company.

5. Mineral Properties - continued

i) **Titan Project:** On October 25, 2002, the Company entered into an option agreement to earn a 100% interest in the property through option payments as detailed below:

Option Payments	Exploration Expenditures	Due Date
$ 5,000		December 31, 2003
7,000		December 31, 2004
10,000		December 31, 2005
15,000		December 31, 2006
35,000	$150,000	December 31, 2007 Cumulative
$72,000	$150,000	

All of the commitments to December 31, 2006 have been met by the Company and the Company has expended $192,340 on the property.

6. Equity Instruments

a) Authorized
Unlimited number of common shares without nominal or par value.

Unlimited number of first and second preference shares without nominal or par value, with the rights, privileges and conditions thereof determined by the directors of the Company at the time of issuance.

b) Issued and outstanding

	2007		Year Ended 2006	
	Number of Shares		Number of Shares	
Common Shares				
Balance, beginning of period	**53,189,873**	**$ 14,803,446**	46,139,501	$ 11,062,353
Issued flow through shares for cash	**-**	**-**	3,038,663	2,361,700
Issued for cash via private placement	**-**	**-**	1,649,400	1,072,110
Issued upon exercise of Agent's options	**-**	**-**	418,524	209,262
Issued in exchange for mineral claims	**-**	**-**	175,000	124,500
Issued for cash on exercise of warrants	**-**	**-**	1,269,285	1,269,285
Issued for cash on exercise of options	**131,000**	**16,819**	499,500	274,550
Black Scholes value of warrants issued	**-**	**-**	-	(585,500)
Black Scholes value of options exercised	**-**	**15,432**	-	245,839
Black Scholes value of warrants exercised	**-**	**-**	-	1,081,989
Transfer of properties and cash per Plan of Arrangement	**-**	**-**	-	(1,147,827)
Tax effect of flow through shares	**-**	**-**	-	(1,030,367)
Share issue costs	**-**	**(26,722)**	-	(134,450)
Balance, end of period	**53,320,873**	**14,808,975**	53,189,873	$ 14,803,446
Warrants				
Balance, beginning of period	**4,457,294**	**585,500**	1,334,346	$ 1,081,988
Issued in private placement	**-**	**-**	4,457,294	585,500
Expired	**-**	**-**	(65,061)	(957,388)
Exercised	**-**	**-**	(1,269,285)	(124,600)
Balance, end of period	**4,457,294**	**585,500**	4,457,294	$ 585,500
Total share capital		**15,394,475**		$ 15,388,946

The Company valued the options and warrants issued using the Black-Scholes model with the following assumptions: Dividend yield Nil, expected volatility 50%, risk-free interest rate 4.04% and weighted average life of five years.

c) Directors and management share options
The Company has a stock option plan for employees, directors, officers and consultants. Stock options can be issued up to a maximum number of common shares equal to 10% of the issued and outstanding common shares of the Company. The exercise price and vesting period of options granted is not less than the market price of the common shares traded less the available discount under TSX Venture Exchange Inc. policies, and is determined by the Board of Directors. Options granted can have a term of up to 5 years.

6. Equity Instruments

As at March 31, 2007, the Company has the following stock options outstanding:

	Number of Options	**Option Price per Share Range**	**Weighted Average Exercise Price**
Options outstanding, December 31, 2006	**4,610,500**	**$0.10 - $1.40**	**$0.63**
Options - granted	**100,000**	**$0.70**	**$0.70**
Options - exercised	**(131,000)**	**($0.10 - $0.70)**	**($0.54)**
Options outstanding, March 31, 2007	**4,579,500**	**$0.10 - $1.40**	**$0.63**

As at December 31, 2006 the Company had the following stock options outstanding:

	Number of Options	Option Price per Share Range	Weighted Average Exercise Price
Options outstanding, December 31, 2005	5,022,868	$0.10 - $1.00	$0.58
Options - granted	700,000	$0.75 - $1.40	$0.84
Options - exercised	(918,024)	($0.10 - $0.70)	($0.54)
Options - expired	(194,344)	($0.65 - $1.00)	($0.53)
Options outstanding, December 31, 2006	4,610,500	$0.10 - $1.40	$0.63

The following table summarizes information about the stock options outstanding at March 31, 2007:

Options outstanding	**Option price**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**	**Number of Options Currently Exercisable**	**Weighted Average Exercise Price of Options Currently Exercisable**
30,000	**$0.10**	**$0.10**	**0.50 years**	**30,000**	**$0.10**
281,500	**$0.25**	**$0.25**	**1.00 years**	**281,500**	**$0.25**
10,000	**$0.50**	**$0.50**	**2.00 years**	**10,000**	**$0.50**
525,000	**$0.50**	**$0.50**	**2.25 years**	**525,000**	**$0.50**
650,000	**$0.50**	**$0.50**	**2.50 years**	**610,000**	**$0.50**
20,000	**$0.65**	**$0.65**	**2.75 years**	**-**	**$0.65**
793,000	**$0.65**	**$0.65**	**3.00 years**	**733,000**	**$0.65**
625,000	**$0.75**	**$0.75**	**3.25 years**	**625,000**	**$0.75**
845,000	**$0.70**	**$0.70**	**3.75 years**	**680,000**	**$0.70**
100,000	**$1.40**	**$1.40**	**4.25 years**	**20,000**	**$1.40**
600,000	**$0.75**	**$0.75**	**4.75 years**	**365,000**	**$0.75**
100,000	**$0.70**	**$0.70**	**5.00 years**	**-**	**$0.70**
4,579,500		**$0.63**		**3,879,500**	**$0.58**

6. Equity Instruments – continued

The following table summarized information for the stock options outstanding at December 31, 2006:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Currently Exercisable	Weighted Average Exercise Price of Options Currently Exercisable
97,500	$0.10	$0.10	0.75 years	97.500	$0.10
300,000	$0.25	$0.25	1.25 years	300,000	$0.25
10,000	$0.50	$0.50	2.25 years	10,000	$0.50
525,000	$0.50	$0.50	2.50 years	525,000	$0.50
650,000	$0.50	$0.50	2.75 years	610,000	$0.65
30,000	$0.65	$0.65	3.00 years	10,000	$0.65
813,000	$0.65	$0.65	3.25 years	753,000	$0.65
625,000	$0.75	$0.75	3.50 years	625,500	$0.75
860,000	$0.70	$0.70	4.00 years	695,000	$0.70
100,000	$1.40	$1.40	4.50 years	20,000	$0.75
600,000	$0.75	$0.75	5.00 years	460,000	$0.75
4,610,500		$0.63		4,105,500	$0.68

d) Compensation expense for share options
Compensation expense has been determined based on the estimated fair value of the options at the grant dates and amortized over the vesting period.

For options issued in 2006, the fair value of stock options was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield Nil (2005 – Nil), expected volatility 55% (2005 – 61%); risk-free interest rate 4.04% (2005 – 3.35%); and weighted average life of 5 years (2005 - 5 years), fair value of $0.39 per option (2005 - $0.46 per option).

As at March 31, 2007, $36,100 (2006 – nil) has been recorded as stock based compensation related to the options issued to employees with the corresponding amount charged to stock option expense.

e) Warrants outstanding

At March 31, 2007, the Company has the following share purchase warrants outstanding:

Total issued and outstanding	**Expiry**	**Number**	**Price**
Balance, December 31, 2006	Mar 2008 & Jun 2008	4,457,294	$0.80 - $1.00
		4,457,294	**$0.80 - $1.00**

461,538 half share purchase warrants (2 warrants required for purchase of 1 share) were issued with an exercise price of $0.80 per share as part the unit offering in the flow-through financing completed September 2006. 4,226,525 full share purchase warrants were issued at $1.00 as part of the unit offering in the financing completed in December 2006.

6. Equity Instruments – continued

As at December 31, 2006, the Company had the following share purchase warrants outstanding:

Total Issued and outstanding	Expiry	Number	Price
Balance, December 31, 2005	Mar 2006 to Dec 2007	1,334,346	$1.00
Issued	Mar 2008 & Jun 2008	4,457,294	$0.80-$1.00
Exercised	Dec 2007	(1,269,285)	($1.00)
Expired	Mar 2006	(65,061)	($1.00)
Balance, December 31, 2006		4,457,294	$0.80-$1.00

f) Contributed surplus

Options	**2007 Number of options**		2006 Number of options	
Balance, beginning of period	**4,610,500**	**$ 1,354,714**	5,022,868	$ 1,289,053
Granted – employees (Note 6 (c))	**100,000**	**36,100**	700,000	311,500
Exercised	**(131,000)**	**(15,432)**	(918,024)	(245,839)
Expired	**-**	**-**	(194,344)	-
Balance, end of year	**4,579,500**	**$ 1,375,382**	4,610,500	$ 1,354,714

g) Shareholder rights protection plan

The shareholders have approved a plan which the directors intend to implement at their discretion to provide adequate time for the shareholders and the directors to seek alternatives to, and to assess the merits of, bids for the shares of the Company. This plan attaches special rights to the issued shares of the Company. These special rights are void to a bidder who seeks to acquire more than 20 % of the voting shares of the Company.

7. Per Share Amounts

The calculation of income (loss) per share have been calculated based on the weighted average number of shares outstanding during the year ended March 31, 2007 of 53,289,017 shares (2006 – 46,193,321).

	Number of Shares	
	2007	2006
Weighted average number of common shares outstanding	**53,289,017**	47,875,207
Effect of dilutive securities:		
Stock Options	**849,093**	830,242
Warrants	**10,989**	10,989
Diluted weighted average number of common shares outstanding	**54,149,099**	48,716,438

The effect of dilutive securities with respect to stock options and warrants is that 4,710,269 are assumed exercised (2006 – 4,741,269l) and 3,850,187 shares are assumed purchased (2006 – 3,900,038).

7. Per Share Amounts - continued

Excluded from the computation of diluted (loss) earnings per share were:

- 4,226,525 (2006 – 4,226,525) warrants with an average exercise price greater than the average market price of the Company's common shares.
- 100,000 (2006 – 100,000) options with an average exercise price greater than the average market price of the Company's common shares.

8. Related Party Transactions

Except as noted elsewhere in these consolidated financial statements, the Company was involved in the following related party transactions during the year:

a) Included in administrative expenses is $7,538 (2006 - $5,775) paid for accounting services and related expenses to a director and officer of the Company.

b) Of the 131,000 (2006 – 438,524) options exercised in the year, 86,000 (2006 – nil) were exercised by a director of the Company, resulting in proceeds to the Company of $11,375 (2006 - nil).

c) Legal fees of $16,978 (2006 - $13,442) were paid to a company of which one of the directors is a partner.

d) Management fees of $15,000 (2006 – nil) and other costs of $53,620 (2006 – nil) were received from a related company which has common directors.

The Company is related to Apex Diamond Drilling Ltd. through common control and owns 50% of the shares of Apex Diamond Drilling Ltd.

(a) Due from related company

	Mar 31 2007
Shareholder loan, interest free, no specific terms of repayment	$ 100,000
Promissory note, 6% interest, no specific terms of repayment	200,000
Shares in Apex Diamond Drilling Ltd.	100
	$ 300,100

(b) During the quarter the Company had the following transactions with the related company:

Advances paid	$ 300,000
Purchase of shares	100

Except as disclosed, all related party transactions in the normal course of business have been measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties. The exchange amounts approximate fair values.

9. Asset Retirement Obligation

At March 31, 2007 and 2006, the Company estimate for asset retirement obligations is not material. The Company has currently made no provision for site restoration costs or potential environmental liabilities as all properties are still in the exploration stages

10. Commitments and Contingent Liabilities

As detailed in Note 5, the Company has entered into various option agreements pursuant to the terms of which it is committed to the following over the next three years:

2007	$200,000 Expenditures, $35,000 Cash Payments, 150,000 Shares
2008	$200,000 Expenditures
2009	$200,000 Expenditures

At the beginning of the year the company was committed to incur exploration expenditures of $2,061,700, of which $945,700 must be expended in British Columbia, to meet the renouncement requirements from the issuance of flow-through shares in December 2006.

The Company has agreed to indemnify directors and officers under the bylaws of the Company to the extent permitted by law. The nature of the indemnifications prevent the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiary of such indemnification agreement. The Company has purchased various insurance policies to reduce the risks association with such indemnification.

Additionally, in the ordinary course of business, other indemnifications may have also been provided pursuant to provisions of purchase and sale contracts, service agreements, joint venture agreements, operating agreements and leasing agreements. In these agreements, the Company has indemnified counterparties if certain events occur. These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

11. Financial Instruments

As disclosed in Note 2 (g), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to concentration risk and currency risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

a) <u>Concentration risk</u>
At March 31, 2007 and 2006, substantially all of the Company's cash was held at two recognized Canadian National financial institutions. As a result, the Company was exposed to all of the risks associated with those institutions.

At March 31, 2007, 93% (2006 – 74%) of the Company's accounts receivable and 65% (2006 – 77%) of revenue was from one company. As a result, the Company was exposed to all the risks associated with that company.

11. Financial Instruments - continued

b) Currency risk
Currency risk is the risk to the Company's operations that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

12. Statement of Cash Flow

a) Pursuant to certain mineral property option agreements, the Company received 200,000 (2006 – 74,074) shares with an attributed value of $162,000 (2006 - $906,665).

b) At March 31, 2007, the Company held cashable guaranteed investment certificates (GIC's) bearing interest rates from 2.40% to 4.15% (2006 – 2.00% to 3.55%) with maturity terms of April 2, 2007 to April 30, 2007 (2006 – April 3, 2006 to April 20, 2006). All of these GIC's are cashable before maturity and have been treated as cash equivalents.

13. Prior Period Adjustment

In preparing the 2007 first quarter financial statements, management has determined that an overstatement of revenue and a corresponding overstatement of mineral exploration properties in the amount of $ 110,320 was recorded in the December 31, 2006 audited financial statements. The error is a result of improper elimination of revenue accrued to December 31, 2006. The adjustment required is as follows:

Mineral Exploration Properties	$ 5,725,264
Prior period adjustment	(110,320)
Mineral Exploration Properties, as restated December 31, 2006	5,614,944
Current year acquisitions and expenditures	(37,887)
Current year grants and option payments	(444,580)
Mineral exploration properties, March 31, 2007	$ 5,132,477

Deficit, as previously reported	$ 3,613,438
Prior period adjustment	110,320
Deficit, as restated December 31, 2006	3,723,758
Current year loss	196,863
Deficit, March 31, 2007	$ 3,920,621

14. Income Taxes

As of December 31, 2006, the effective tax rate of income tax varies from the statutory rate as follows:

	2006	2005
Statutory tax rates	**34%**	36%
Expected income tax recovery (payable) at statutory rates	**$ 179,642**	$ (867,894)
Stock compensation	**105,910**	268,632
Gain on sale of long-term investments	**(146,329)**	(41,610)
Adjustment to opening tax pools	**52,797**	-
Rate change	**(30,394)**	-
Change in valuation allowance	**(173,382)**	-
Other permanent differences	**9,807**	6,112
	$ (1,949)	$ (634,760)

As of December 31, 2006, subject to confirmation by income tax authorities, the Company has approximately the following available tax pools:

	2006	2005
Undepreciated capital cost	**$ 298,594**	$ 162,027
Cumulative eligible capital	**14,505**	15,597
Non-capital losses carried forward for tax purposes available from time to time until 2010	**1,292**	482,837
Cumulative Canadian exploration expenses (“CEE”)	**2,440,515**	763,972
Undeducted share issue costs carried forward	**470,602**	443,865
	$3,225,508	$ 1,868,298

14. Income Taxes

As of December 31, 2006, these pools are deductible from future income at rates prescribed by the Canadian Income Tax Act. The pools have not been adjusted for $2,061,700 of CEE to be incurred in 2007.

The components of the Company’s future income tax liability are a result of the origination and reversal of temporary differences and are comprised of the following:

Nature of temporary differences	**2006**	2005
Property and equipment	**$ (1,839,751)**	$(1,137,157)
Unused tax losses carry forward	**439**	173,821
Share issue costs	**160,004**	159,791
Future income tax	**(1,679,308)**	(803,545)
Valuation allowance	**(439)**	(173,821)
Future income tax liability	**$ (1,679,747)**	$ (977,366)

	December 31 2006	Acquisition and Exploration	Prior Period Adjustment (Note 13)	Grants,Option Payments & Mineral Tax Credits	**March 31 2007**
British Columbia	3,203,095	47,487	(110,320)	-	**3,140,262**
NW Territories	1,093,430	283,681		(23,616)	**1,353,495**
Yukon	891,001	(421,009)		(42,000)	**427,992**
Saskatchewan	537,738	51,954		(378,964)	**210,728**
	5,725,264	(37,887)	(110,320)	(444,580)	**5,132,477**

	December 31 2005	Acquisition and Exploration	Grants,Option Payments & Mineral Tax Credits	March 31 2006
British Columbia	3,699.291	187,907	(867,218)	3,019,980
NW Territories	283,091	138,768	(156,190)	265,669
Yukon	235,374	19,583	83,054	338,021
Saskatchewan	-	17,310	-	17,310
	4,217,756	363,578	(940,354)	3,340,980

	2007 Claims	**Hectares**	2006 Claims	Hectares
British Columbia	**570**	**121,424**	583	125,764
Northwest Territories	**63**	**240,857**	49	240,857
Yukon	**681**	**12,882**	711	13,512
Saskatchewan	**7**	**21,805**	2	6,294
		396,968		386,427