



Suite 1050-625 Howe Street
Vancouver, BC V6C 2T6

Tel: 1-604-687-9931
Fax: 1-604-688-0094

NOTICE

**RE: INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH
PERIOD ENDED MARCH 31, 2007**

The first quarter financial statements for the three month period ended March 31, 2007 have not been reviewed by the auditors of Galway Resources Ltd.

GALWAY RESOURCES LTD.

“Christopher Park”

CHRISTOPHER PARK

Chief Financial Officer

Galway Resources Ltd.

(A Development Stage Company)

Interim Consolidated Financial Statements
March 31, 2007

US Dollars
(unaudited)

GALWAY RESOURCES LTD.
(A Development Stage Company)
Interim Consolidated Balance Sheets
US Dollars
(unaudited)

	March 31 2007	December 31 2006 (audited)
Current		
Cash and cash equivalents	\$ 3,292,184	\$ 4,480,638
Accounts receivable	7,551	6,684
Prepaid expenses	71,142	32,322
	<u>3,370,877</u>	<u>4,519,644</u>
Deposits	26,486	26,486
Equipment (Note 4)	79,663	89,521
Resource Property Costs (Note 5)	458,831	458,831
	<u>\$ 3,935,857</u>	<u>\$ 5,094,482</u>

LIABILITIES

Current

Accounts payable and accrued liabilities	\$ 438,399	\$ 405,055
Due to related parties (Note 7)	221,962	74,514
	<u>660,361</u>	<u>479,569</u>

SHAREHOLDERS' EQUITY

Share Capital (Note 6)

Authorized:

Unlimited common shares without par value

Issued and outstanding:

33,232,975 (December 31, 2006 - 31,251,809 common shares)

7,264,005

6,789,040

Contributed Surplus (Note 6a)

1,710,607

1,811,482

Deficit

(5,688,739)

(3,973,614)

Accumulated Other Comprehensive Income (Loss) (Note 9)

(10,377)

(11,995)

3,275,496

4,614,913

\$ 3,935,857

\$ 5,094,482

ON BEHALF OF THE BOARD:

"Rob Hinchcliffe", Director

"David De Witt", Director

- See Accompanying Notes -

GALWAY RESOURCES LTD.*(A Development Stage Company)***Interim Consolidated Statements of Loss and Deficit***US Dollars**(unaudited)*

	Three Months Ended March 31 2007	Three Months Ended March 31 2006
Expenses		
Amortization	\$ 9,998	\$ 262
Exploration costs <i>(Consolidated Schedule of Exploration Costs)</i>	948,003	226,307
General and administrative expenses	588,930	17,365
Listing and filing fees	8,043	13,924
Professional fees	101,323	34,211
Stock-based compensation	36,083	-
Travel	48,689	11,606
Total Expenses	(1,741,069)	(303,675)
Other Items		
Interest income	24,508	-
Foreign exchange gain (loss)	1,436	(3,807)
Loss for the Period	(1,715,125)	(307,482)
Other Comprehensive Income		
Unrealized foreign currency translation	1,618	-
Comprehensive Loss	(1,713,507)	(307,482)
Loss for the Period	(1,715,125)	(307,482)
Deficit - beginning of period	(3,973,614)	(282,417)
Deficit - End of Period	\$ (5,688,739)	\$ (589,899)
Loss per Share - Basic and Diluted	\$ (0.05)	\$ (0.05)
Weighted Average Number of Common Shares	31,544,437	6,138,000

- See Accompanying Notes -

GALWAY RESOURCES LTD.*(A Development Stage Company)***Interim Consolidated Statements of Cash Flows***US Dollars**(unaudited)*

	Three Months Ended March 31 2007	Three Months Ended March 31 2006
Cash Resources Provided By (Used In):		
Operating Activities		
Loss for the period	\$ (1,715,125)	\$ (307,482)
Items not affecting cash:		
Amortization	9,998	262
Stock-based compensation	36,083	-
	<u>(1,669,044)</u>	<u>(307,220)</u>
Changes in current assets and liabilities:		
Accounts receivable	(867)	(4,081)
Prepaid expenses	(38,820)	(25,701)
Accounts payable and accrued liabilities	33,344	55,133
Due to related parties	147,448	(576)
	<u>(1,527,939)</u>	<u>(282,445)</u>
Investing Activities		
Deposits	-	-
Purchase of equipment	(140)	(1,997)
Resource property acquisition costs <i>(Note 5)</i>	-	(12,378)
	<u>(140)</u>	<u>(14,375)</u>
Financing Activities		
Share issuance proceeds, net of financing costs	338,007	530,206
	<u>338,007</u>	<u>530,206</u>
Effect of foreign exchange rate changes on cash balances	1,618	3,210
Net Increase (Decrease) in Cash and Cash Equivalents	(1,188,454)	236,596
Cash and cash equivalents - beginning of period	4,480,638	143,981
Cash and Cash Equivalents - End of Period	\$ 3,292,184	\$ 380,577
Schedule of Non-Cash Investing and Financing Activities		
Fair value of options and warrants exercised	\$ 136,958	\$ -
Shares issued for property acquisition <i>(Notes 5 and 6a)</i>	\$ -	\$ -
Non-cash financing costs	\$ -	\$ -

- See Accompanying Notes -

GALWAY RESOURCES LTD.*(A Development Stage Company)***Interim Consolidated Schedule of Exploration Costs***US Dollars**(unaudited)*

	Three Months Ended March 31 2007	Three Months Ended March 31 2006
Indian Springs, Nevada, USA		
Assaying and sampling	\$ 1,729	\$ -
Environmental consulting	31,595	-
General	2,141	600
Geological and field expenses	62,377	87,555
Maps, reports and data	-	29,569
Mineral property fees	105	13,325
Supplies	-	1,857
Travel	7,381	18,807
Wages and salaries	40,513	-
	<u>145,841</u>	<u>151,713</u>
Lone Mountain, Nevada, USA		
Drilling	110,576	-
Environmental consulting	1,330	-
General	7,948	-
Geological and field expenses	12,707	-
Maps, reports and data	450	-
Mineral property fees	50,000	-
Travel	5,459	-
Wages and salaries	33,089	-
	<u>221,559</u>	<u>-</u>
Victorio Mountain, New Mexico		
Assaying and sampling	20,289	-
Drilling	313,286	-
Environmental consulting	9,702	-
General	19,437	-
Geological and field expenses	66,854	-
Travel	21,340	-
Wages and salaries	43,395	-
	<u>494,303</u>	<u>-</u>
General Exploration		
General	244	705
Geological and field expenses	44,115	65,700
Maps, reports and data	600	-
Mineral property fees	920	-
Travel	8,379	8,189
Wages and salaries	32,042	-
	<u>86,300</u>	<u>74,594</u>
Costs for the Period	\$ 948,003	\$ 226,307

- See Accompanying Notes -

GALWAY RESOURCES LTD.

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

March 31, 2007

US Dollars

(unaudited)

1. Nature of Operations

Galway Resources Ltd. ("the Company") was incorporated under the Business Corporations Act of British Columbia on August 31, 2004. The Company completed its qualifying transaction on April 25, 2006 through the incorporation of its wholly owned subsidiary, Galway Resources US Inc. and the acquisition of 100% interest in the Indian Springs Tungsten Project. The Company is a mining exploration company focused on developing its three recently acquired advanced exploration projects.

2. Significant Accounting Policies

These interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and follow the same accounting policies and methods of their application as the most recent annual financial statements, except as noted below (*Note 3*). These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements as at December 31, 2006.

These interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Galway Resources US Inc., Nyak Resources Inc., Galway Resources Holdco Ltd., Galway Resources (Cayman) Ltd. and Galway Resources (Colombia) Ltd. All significant inter-company transactions and balances have been eliminated.

These interim consolidated financial statements are presented in United States Dollars ("USD"), the functional and presentational currency of the Company.

Foreign Currency Translation

The accounts of the Company have been translated into United States dollars using the temporal rate method as follows:

- Monetary assets and liabilities at the exchange rate in effect at the balance sheet date;
 - All other assets and liabilities at the exchange rates in effect at the time of acquisition or issue; and
 - Revenue and expense, and exploration and development items at the average rate of exchange prevailing during the period.
-

3. Fair Value of Financial Instruments*Adoption of new accounting standards*

The Company adopted the provisions of CICA Sections 3855, Financial Instruments – Recognition and Measurement; 3865, Hedges; and 1530, Comprehensive Income on January 1, 2007 which addresses the classification, recognition and measurement of financial instruments and hedges in the financial statements and inclusion of other comprehensive income. The adoption of these accounting policies did not have a material effect on the financial statements of the Company during the period.

GALWAY RESOURCES LTD.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements**

March 31, 2007

*US Dollars**(unaudited)***4. Equipment**

Details are as follows:

	Cost	Accumulated Amortization	March 31 2007	December 31 2006
Office equipment	\$ 22,271	\$ 5,510	\$ 16,761	\$ 18,104
Computer software	37,766	23,518	14,248	18,824
Equipment	61,874	13,220	48,654	52,593
	<u>\$ 121,911</u>	<u>\$ 42,248</u>	<u>\$ 79,663</u>	<u>\$ 89,521</u>

5. Resource Property Costs

Cumulative acquisition costs per project under active exploration:

	March 31 2007	December 31 2006
Indian Springs	\$ 66,488	\$ 66,488
Lone Mountain	232,134	232,134
Victorio Mountain	160,209	160,209
	<u>\$ 458,831</u>	<u>\$ 458,831</u>

Indian Springs, Nevada, USA

The Company entered into an agreement with Geological Services Inc. ("GSI") on February 27, 2006 to obtain an option to acquire 100% interest in the Indian Springs Project. Pursuant to the agreement, the Company may exercise its right to acquire an undivided 100% right, title and interest in and to the Indian Springs Project by paying an aggregate of \$300,000 and issuing a total of 2,000,000 Shares to GSI as follows:

- payment of \$12,500 on or before February 15, 2006 (paid);
- issuance of 400,000 Shares on or before April 25, 2006 (issued at a fair value of Cdn\$0.15);
- payment of \$40,000 and issuance of 400,000 Shares on April 25, 2007 (paid and issued subsequent to March 31, 2007);
- payment of \$60,000 and issuance of 400,000 Shares on April 25, 2008;
- payment of \$75,000 and issuance of 400,000 Shares on April 25, 2009; and
- payment of \$112,500 and issuance of 400,000 Shares on April 25, 2010.

GALWAY RESOURCES LTD.

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

March 31, 2007

US Dollars

(unaudited)

The property will be subject to a 2.0% net smelter royalty (NSR) due to GSI on future production from Indian Springs. The Company has the option to buy 1.0% of the NSR royalty for \$1,000,000 and has the right of first offer to purchase the remaining 1.0% NSR royalty.

The Company shall have the right, on payment of \$150,000 to the owner of the net smelter royalty within 60 days from the date that construction begins for commercial production on the mineral claims comprising the Indian Springs Project, to elect to establish a floor price of \$100 per metric ton unit for the price of APT Tungsten as quoted by Metal Bulletin; no net smelter royalty payments shall be owing by the Company for any and each calendar month during which the average 30-day price of APT Tungsten as quoted by Metal Bulletin is below the floor price.

The Company will assume responsibility for all continuing property maintenance payments (which presently total approximately \$15,000 per annum) until such time as the Company acquires a 100% interest in the Indian Springs Project.

During the year ended December 31, 2006, the Company staked 92 additional claims. This brings the total number of claims at Indian Springs to 155 unpatented lode mining claims.

Victorio Mountain, New Mexico, USA

The Company has entered into two agreements with regard to the Victorio Mountain Molybdenum-Tungsten Project in New Mexico.

On April 6, 2006, the Company, through its wholly owned subsidiary Nyak Resources, Inc., entered into an instalment sale agreement with Donegan Resources, Inc., to acquire an undivided 100% right, title and interest in and to certain mining claims in the Victorio Mountain Project. Pursuant to the agreement, the Company will acquire its interest in the Victorio Mountain Project by paying an aggregate of \$2,000,000 as follows:

- payment of \$50,000 on the closing date, not later than June 1, 2006 (paid);
- payment of \$100,000 on June 1, 2007;
- payment of \$200,000 on June 1, 2008;
- payment of \$300,000 on June 1, 2009;
- payment of \$350,000 on June 1, 2010; and
- payment of \$1,000,000 on June 1, 2011.

The property will be subject to a net smelter royalty of 2%. In addition, Donegan Resources will be entitled to receive a 1% NSR on any additional properties acquired within the vicinity of the Victorio Mountain Project. This NSR will be reduced to 0.5% royalty on any properties that are subject to an existing royalty in excess of 0.5%.

On June 1, 2006, the Company entered into an option agreement with Hallelujah Resources LLC, South Branch Resources LLC and MRP Geo Company LLC, collectively the "sellers" to acquire an undivided 100% right, title and interest in and to additional mining claims of the Victorio Mountain Project. Pursuant to the agreement, the Company will acquire its interest in these mining claims by paying an aggregate of \$130,000 and issuing 400,000 shares as follows:

GALWAY RESOURCES LTD.

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

March 31, 2007

US Dollars

(unaudited)

- payment of \$15,000 and issuing 50,000 shares on the closing date (paid and issued at a fair value of Cdn\$1.00);
- payment of \$25,000 and issuing 50,000 shares on July 15, 2007;
- payment of \$40,000 and issuing 50,000 shares on July 15, 2008;
- payment of \$50,000 and issuing 50,000 shares on July 15, 2009; and
- issuing 200,000 shares upon the commencement of commercial production.

On completion of these payments, the Company will own an undivided 100% right, interest and title in these Victorio Mountain Project claims, subject to a net smelter royalty (NSR) of 1% on all primary mining claims excluding the primary mining claim VIC 41 (the "Primary Royalty"). The Company is entitled to purchase 100% of the Primary Royalty for \$500,000, payable as to 50% on completion of a bankable feasibility study and 50% no later than the end of the first full year of commercial production from the primary mining claims.

In addition, there is an NSR of 3% on all secondary mining claims including primary mining claim VIC 41 (the "Secondary Royalty"). The Company is entitled to buy the Secondary Royalty down to 2% for \$1,500,000, payable as to 50% on completion of a bankable feasibility study and 50% no later than the end of the first full year of commercial production from the secondary mining claims.

Lone Mountain, New Mexico, USA

The Company has entered into an option agreement with Hallelujah Resources LLC, South Branch Resources LLC and MRP GEO Company LLC, collectively, the "sellers", to acquire a 100% interest in the Lone Mountain Copper-Zinc Project in Grant County, New Mexico. Pursuant to the agreement, the Company may exercise its right to acquire an undivided 100% legal and beneficial interest in and to the Lone Mountain property by paying an aggregate of \$1,150,000 and issuing a total of 1,380,000 shares to the sellers, as well as committing to incur \$7,000,000 in direct exploration expenditures as follows:

- payment of \$100,000 and issuance of 300,000 shares upon signing (paid and issued at a fair value of Cdn\$0.64);
- payment of \$240,000 and issuance of 300,000 shares on October 11, 2007 and incurring expenditures of \$750,000 by October 11, 2007;
- payment of \$360,000 and issuance of 360,000 shares on October 11, 2008 and incurring expenditures of a further \$1,250,000 by October 11, 2008;
- payment of \$450,000 and issuance of 420,000 shares on October 11, 2009; and
- incurring expenditures of a further \$5,000,000 by October 11, 2011.

Upon completion of these payments, the Company will own an undivided 100% legal and beneficial interest in and to the Lone Mountain property, subject to a floating net smelter royalty (NSR) due to the sellers on future production from Lone Mountain. The NSR varies from 0% to 2%, dependant upon the combined price of copper and zinc. The Company has the option to buy the NSR royalty for \$1,500,000, which can be paid, at the seller's election, in cash, shares or a combination of cash and shares.

GALWAY RESOURCES LTD.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements**

March 31, 2007

*US Dollars**(unaudited)*

Following exercise of the option, the Company will pay \$300,000 annually to the sellers as an advance on the Net Smelter Royalty. The payments will commence on or before the day that is the fourth anniversary of signing the agreement and will continue on each anniversary until the commencement of commercial production.

6) Share Capital**a) Details of share capital are as follows:**

	Shares	Amount	Contributed Surplus	Total
Authorized:				
Unlimited common shares without par value				
Issued and fully paid:				
Balance – December 31, 2005	6,138,000	286,589	36,696	323,285
Shares issued for private placements	19,607,009	7,239,472	--	7,239,472
Proportional allocation of warrants attached to private placements	--	(1,518,832)	1,518,832	--
Shares issued for property acquisition <i>(Note 5)</i>	750,000	263,236	--	263,236
Shares issued for stock option exercise	12,500	1,877	--	1,877
Shares issued for warrant exercise	4,625,200	793,777	--	793,777
Shares issued for agent's warrant exercise	73,000	12,657	--	12,657
Shares issued for broker option exercise	46,100	3,980	--	3,980
Share issuance costs	--	(213,962)	--	(213,962)
Agent's warrants issued as share issuance costs	--	(91,559)	91,559	--
Stock-based compensation	--	--	176,200	176,200
Fair value of options and warrants exercised	--	11,805	(11,805)	--
Balance – December 31, 2006	31,251,809	\$ 6,789,040	\$ 1,811,482	\$ 8,600,522
Shares issued for stock option exercise	180,000	27,263	--	27,263
Shares issued for warrant Exercise	1,741,666	301,310	--	301,310
Shares issued for agent's warrant exercise	47,500	8,222	--	8,222
Shares issued for broker option exercise	12,000	1,212	--	1,212
Stock-based compensation	--	--	36,083	36,083
Fair value of options and warrants exercised	--	136,958	(136,958)	--
Balance – March 31, 2007	33,232,975	\$ 7,264,005	\$ 1,710,607	\$ 8,974,612

GALWAY RESOURCES LTD.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements**

March 31, 2007

*US Dollars**(unaudited)***b) Share Purchase Options**

A summary of the Company's options, which includes options issued under the Company's stock option plan and agent's options, at March 31, 2007 and the changes for the period are as follows:

Exercise Price	Outstanding December 31, 2006	Granted	Exercised	Expired or Cancelled	Outstanding March 31, 2007	Vested March 31, 2007	Expiry date
Cdn\$0.10	153,900	-	12,000	-	141,900	141,900	October 27, 2007
Cdn\$0.10	400,000	-	-	-	400,000	400,000	October 19, 2010
Cdn\$0.175	1,262,500	-	180,000	5,000	1,077,500	470,000	April 25, 2011
Cdn\$0.84	110,000	-	-	-	110,000	55,000	May 19, 2011
Cdn\$0.81	150,000	-	-	-	150,000	-	August 16, 2011
Cdn\$0.66	-	975,000	-	-	975,000	-	January 25, 2012
Cdn\$0.83	-	145,000	-	-	145,000	-	February 19, 2012
	2,076,400	1,120,000	192,000	5,000	2,999,400	1,066,900	
Weighted average exercise price	Cdn\$0.236	Cdn\$0.682	Cdn\$0.170	Cdn\$0.175	Cdn\$0.407	Cdn\$0.171	

c) Share Purchase Warrants

Exercise Price	Outstanding December 31, 2006	Granted	Exercised	Expired or Cancelled	Outstanding March 31, 2007	Expiry date
Cdn\$0.20	127,000	-	47,500	-	79,500	April 25, 2007
Cdn\$0.80	107,625	-	-	-	107,625	February 15, 2008
Cdn\$1.25	1,011,838	-	-	-	1,011,838	February 15, 2008
Cdn\$0.20 if exercised in the first year / Cdn\$0.25 if exercised in the second year	6,708,133	-	1,741,666	-	4,966,467	April 25, 2008
Cdn\$1.25	3,125,000	-	-	-	3,125,000	June 6, 2008
Cdn\$0.85	86,050	-	-	-	86,050	June 6, 2008
	11,165,646	-	1,789,166	-	9,376,480	

GALWAY RESOURCES LTD.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements**

March 31, 2007

*US Dollars**(unaudited)***d) Escrow Shares**

As at March 31, 2007, 2,482,800 shares are held in escrow. A total of 413,800 shares were released on April 25, 2006 upon issuance of notice of final acceptance of the Company's Qualifying Transaction by the TSX-V. The remainder will be released in six equal tranches of 15% every six months thereafter for a period of 36 months, of which a further 620,700 were released on each of October 25, 2006 and April 25, 2007. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

e) Valuation of Share Purchase Options

The fair value of options granted were estimated on their grant date using the Black-Scholes option-pricing model with the following assumptions:

	2007	2006
Expected dividend yield	0.00%	0.00%
Expected stock price volatility	110%	110%
Risk-free interest rate	4.03% to 4.11%	3.83% to 4.20%
Expected life of options	3 years	1 to 5 years

Option pricing models require the input of highly subjective assumptions including the estimate of the share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

As of March 31, 2007, the total stock-based compensation related to non-vested options was \$581,996, which will be recognized over the next two fiscal years.

7. Related Party Transactions

Related party transactions are as follows:

During the period, \$29,326 (2006 - \$nil) was paid to a company with a director and officer in common for administrative services.

During the period, \$30,000 (2006 - \$nil) was paid to a company of which a director is a principal for professional fees.

As at March 31, 2007, \$188,531 (December 31, 2006 - \$53,535) was owed to an officer of the Company in respect of amounts owed for a salary bonus.

As at March 31, 2007, \$20,000 (December 31, 2006 - \$nil) was owed to a company of which a director is a principal for professional fees.

As at March 31, 2007, \$12,479 (December 31, 2006 - \$20,137) was owed to a company with a director and officer in common for consulting fees.

As at March 31, 2007, \$902 (December 31, 2006 - \$nil) was owed to an officer of the Company in respect of an amount owed for wages.

GALWAY RESOURCES LTD.*(A Development Stage Company)***Notes to Interim Consolidated Financial Statements**

March 31, 2007

*US Dollars**(unaudited)*

As at March 31, 2007, \$nil (December 31, 2006 – \$842) was owed to a shareholder of the Company in respect of funds deposited with the Company in excess of share capital issued and was repaid subsequent to year end.

The above transactions, occurring in the normal course of operations, are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Segmented Information

Details are as follows:

	Canada	USA	South America	Other	Total
March 31, 2007					
Segmented operating loss	\$ 141,784	\$ 1,463,109	\$ 110,232	\$ --	\$ 1,715,125
Identifiable assets	\$ 3,175,222	\$ 752,888	\$ 7,747	\$ --	\$ 3,935,857
December 31, 2006					
Segmented operating loss	\$ 466,836	\$ 2,914,060	\$ 301,310	\$ 8,991	\$ 3,691,197
Identifiable assets	\$ 4,505,852	\$ 575,239	\$ 13,391	\$ --	\$ 5,094,482

9. Accumulated and Other Comprehensive Income

As a result of adopting CICA Section 1530, Comprehensive Income, as at January 1, 2007, a new Statement of Comprehensive Income forms part of the Company's unaudited interim consolidated financial statements. The comparative statements are restated to reflect application of this section. Gains and losses from the translation of the Company's financial statements into the United States dollar for reporting purposes are now presented as a separate component of other comprehensive loss in the consolidated statement of operations, comprehensive loss and deficit. Accumulated other comprehensive loss is presented as a separate component of shareholders' equity in the consolidated balance sheet. Previously these gains and losses were deferred and included in the cumulative translation adjustment as part of shareholders' equity. The accumulated other comprehensive loss as at March 31, 2007 is comprised as follows:

	March 31 2007	December 31 2006
Beginning balance	\$ (11,995)	\$ --
Adjustment for adoption of comprehensive income	--	(11,995)
Unrealized foreign currency translation for the period	1,618	--
	<u>\$ (10,377)</u>	<u>\$ (11,995)</u>

GALWAY RESOURCES LTD.

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

March 31, 2007

US Dollars

(unaudited)

10. Subsequent Events**a) Exercise of Warrants**

Subsequent to March 31, 2007 a total of 2,486,666 warrants were exercised at a price of \$0.17 (Cdn\$0.20) for total proceeds to the Company of \$422,733 (Cdn\$497,333).

Subsequent to March 31, 2007 a total of 11,250 warrants were exercised at a price of \$1.08 (Cdn\$1.25) for total proceeds to the Company of \$12,150 (Cdn\$14,062).

Subsequent to March 31, 2007 a total of 79,500 agent's warrants were exercised at a price of \$0.17 (Cdn\$0.20) for total proceeds to the Company of \$13,515 (Cdn\$15,900). In addition, a total of 86,050 agent's warrants were exercised at a price of \$0.74 (Cdn\$0.85) for total proceeds to the Company of \$63,677 (Cdn\$73,142).

b) Exercise of Options

Subsequent to March 31, 2007 a total of 40,000 options were exercised at a price of \$0.15 (Cdn\$0.175) for total proceeds to the Company of \$6,000 (Cdn\$7,000).

Subsequent to March 31, 2007 a total of 91,900 shares were issued on partial exercise of broker options at a price of \$0.09 (Cdn\$0.10) for total proceeds to the Company of \$8,271 (Cdn\$9,190).

c) Private Placement

On April 25, 2007, the Company completed a non-brokered private placement of 6,000,000 units at a price of \$0.73 (Cdn\$0.85) for gross proceeds of \$4,376,310 (Cdn\$5,100,000). Substantially all of the financing was subscribed for by a company controlled by Sprott Asset Management Inc. Each unit is comprised of one common share and one-half of one common share purchase warrant. Each whole warrant is exercisable for one additional common share at a price of \$1.12 (Cdn\$1.30) per share for a period of 24 months from the date of closing.

The warrants are subject to acceleration in the event the closing trading price of the common shares of the Company on the TSX Venture Exchange is \$1.50 (Cdn\$1.75) per share or higher over a period of 20 consecutive trading days, such period beginning on or after the date that is four months and one day after the date of issuance of the warrants.

A 7% cash finder's fee was paid to Fort House Inc. in connection with the private placement.

The Company intends to use the balance of proceeds of the private placement for the ongoing development of its three US based projects and for general corporate purposes and working capital.

d) Indian Springs Payment

Subsequent to March 31, 2007, \$40,000 was paid and 400,000 shares were issued in connection with the acquisition of the Indian Springs property (*Note 5*).