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UNITED BOLERO DEVELOPMENT CORP.

UNITED BOLERO DEVELOPMENT CORP.
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2007

(UNAUDITED)

Responsibility for Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements for United Bolero Development Corp. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the audited December 31, 2006 consolidated financial statements. Only changes in accounting information have been disclosed in these unaudited interim consolidated financial statements. These unaudited interim consolidated financial statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of these unaudited interim consolidated financial statements, management is satisfied that these unaudited interim consolidated financial statements have been fairly presented.

The independent auditor of United Bolero Development Corp. has not performed a review of the unaudited financial statements for the three months ended March 31, 2007 and March 31, 2006.

UNITED BOLERO DEVELOPMENT CORP.

(A Development Stage Company)

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

	March 31, 2007	December 31, 2006
ASSETS		
Current		
Cash	\$ 3,251,328	\$ 3,100,663
Receivables	13,705	70,763
Prepaid expenses	63,052	34,390
Marketable securities	<u>12,078</u>	<u>5,251</u>
	3,340,163	3,211,067
Equipment (Note 3)	19,057	19,849
Oil and gas properties	2	2
Mineral properties (Note 4)	4,115,393	3,784,064
Reclamation deposit	144,966	144,398
Future income tax asset	<u>-</u>	<u>170,600</u>
	<u>\$ 7,619,581</u>	<u>\$ 7,329,980</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 261,740	\$ 307,543
Asset retirement obligation	<u>145,663</u>	<u>145,663</u>
	<u>407,403</u>	<u>453,206</u>
Shareholders' equity		
Capital stock (Note 6)	11,970,674	11,390,672
Warrants	1,414,720	1,438,995
Contributed surplus	963,257	851,380
Deficit	(7,143,300)	(6,804,273)
Accumulated other comprehensive income	<u>6,827</u>	<u>-</u>
	<u>7,212,178</u>	<u>6,876,774</u>
	<u>\$ 7,619,581</u>	<u>\$ 7,329,980</u>

Nature and continuance of operations (Note 1)

Contingent liabilities and commitments (Note 2)

Subsequent events (Note 11)

On behalf of the Board:

"R. Bruce Duncan", Director

"Robert Gardner", Director



UNITED BOLERO DEVELOPMENT CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended March 31,	
	2007	2006
EXPENSES		
Amortization	\$ 1,491	\$ 3,852
Consulting fees	903	5,000
Management and administration fees	60,000	78,320
Office, rent and miscellaneous	16,446	28,647
Professional fees	37,324	39,202
Shareholder communications and promotion	35,794	135,751
Stock-based compensation (Note 7)	185,162	53,248
Transfer agent and filing fees	10,981	13,622
Travel and accommodation	<u>9,125</u>	<u>17,139</u>
Loss before other items	<u>357,226</u>	<u>374,781</u>
OTHER ITEMS		
Foreign exchange loss (gain)	1,264	(510)
Interest income	<u>(19,463)</u>	<u>(4,063)</u>
	<u>(18,199)</u>	<u>(4,573)</u>
Loss from operations	339,027	370,208
Future income tax recovery	<u>-</u>	<u>(61,200)</u>
Net loss for the period	<u>\$ 339,027</u>	<u>\$ 309,008</u>
Basic and diluted loss per common share	<u>\$ 0.01</u>	<u>\$ 0.01</u>
Weighted average number of common shares outstanding	<u>62,744,929</u>	<u>41,741,844</u>



UNITED BOLERO DEVELOPMENT CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF TOTAL OTHER COMPREHENSIVE LOSS

(UNAUDITED)

	Three Months Ended March 31, 2007
Net loss	\$ <u>339,027</u>
Other comprehensive income	
Net increase in unrealized gains on available-for-sale marketable securities	<u>(4,201)</u>
Total other comprehensive loss	\$ <u><u>334,826</u></u>

UNITED BOLERO DEVELOPMENT CORP.

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(UNAUDITED)

	Three Months Ended March 31,	
	2007	2006
Capital Stock		
Balance at beginning of period	\$ 11,390,672	\$ 6,667,349
Shares issued on private placements	-	1,190,000
Exercise of warrants	545,401	1,233,585
Fair value of warrants exercised	52,134	17,862
Exercise of stock options	71,001	99,154
Fair value of stock options exercised	45,426	73,315
Shares to be issued	1,840	3,000
Acquisition of mineral properties	34,800	161,666
Flow-through shares renunciation	(170,600)	(61,200)
Cost of issue	-	(152,786)
Balance at end of period	<u>\$ 11,970,674</u>	<u>\$ 9,231,945</u>
Warrants		
Balance at beginning of period	\$ 1,438,995	\$ -
Fair value of warrants exercised	<u>(24,275)</u>	<u>-</u>
Balance at end of period	<u>\$ 1,414,720</u>	<u>\$ -</u>
Contributed surplus		
Balance at beginning of period	\$ 851,380	\$ 601,036
Fair value of stock options exercised	(45,426)	(73,315)
Fair value of warrants exercised	(27,859)	(17,862)
Finders' warrants issued	-	72,332
Stock-based compensation	<u>185,162</u>	<u>53,248</u>
Balance at end of period	<u>\$ 963,257</u>	<u>\$ 635,439</u>
Deficit		
Balance at beginning of period	\$ (6,804,273)	\$ (5,322,368)
Net loss for the period	<u>(339,027)</u>	<u>(309,008)</u>
Balance at end of period	<u>\$ (7,143,300)</u>	<u>\$ (5,631,376)</u>
Accumulated other comprehensive income		
Balance at beginning of period	\$ -	
Transition adjustments (1)	2,626	
Net increase in unrealized gains on available-for-sale marketable securities	<u>4,201</u>	
Balance at end of period	<u>\$ 6,827</u>	

(1) Transition adjustments relate to the adoption of the new financial instruments accounting standards. Refer to Note 2



UNITED BOLERO DEVELOPMENT CORP.

(A Development Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Three Months Ended March 31,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (339,027)	\$ (309,008)
Items not affecting cash:		
Future income tax recovery	-	(61,200)
Amortization	1,491	3,852
Accrued interest income	(568)	-
Stock-based compensation	185,162	53,248
Foreign exchange loss	321	-
	<u>(152,621)</u>	<u>(313,108)</u>
Changes in non-cash working capital items:		
Decrease (increase) in receivables	57,058	(3,096)
Increase in prepaid expenses	(28,662)	(161,957)
(Decrease) increase in accounts payable and accrued liabilities	<u>(45,803)</u>	<u>116,986</u>
Cash flows from operating activities	<u>(170,028)</u>	<u>(361,175)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of private placement units	-	2,442,285
Exercise of options and warrants	616,402	-
Shares to be issued	<u>1,840</u>	<u>3,000</u>
Cash flows from financing activities	<u>618,242</u>	<u>2,445,285</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(699)	(1,340)
Mineral properties expenditures	<u>(296,529)</u>	<u>(1,289,772)</u>
Cash flows from investing activities	<u>(297,228)</u>	<u>(1,291,112)</u>
Increase in cash during the period	150,665	792,998
Effect of exchange rate changes on cash held in foreign currency	(321)	-
Cash, beginning of period	<u>3,100,663</u>	<u>833,674</u>
Cash, end of period	<u>\$ 3,251,328</u>	<u>\$ 1,626,672</u>

Supplemental disclosure with respect to cash flows (Note 8)



UNITED BOLERO DEVELOPMENT CORP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2007
(UNAUDITED)

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated in British Columbia on August 13, 1985 and is listed on the TSX Venture Exchange ("TSX-V"). The Company's principal business is the acquisition and exploration of resource property interests. To date, the Company has not generated significant revenues from its operations and is considered to be in the exploration stage.

The Company is in the process of exploring its resource properties and has not yet determined whether the properties contain reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves, the achievement of profitable production, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	March 31 2007	December 31 2006
Working capital	\$ 3,078,423	\$ 2,903,524
Deficit	\$ 7,143,300	\$ 6,804,273

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three month period ended March 31, 2007 may not necessarily be indicative of the results that may be expected for the year ended December 31, 2007.

UNITED BOLERO DEVELOPMENT CORP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2007
(UNAUDITED)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

The consolidated balance sheet at December 31, 2006 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2006, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2006.

Refer to Notes 16 and 17 of the audited December 31, 2006 consolidated financial statements for the Company's contingent liabilities and commitments.

Financial instruments, comprehensive income (loss) and hedges

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective January 1, 2007.

(a) Financial instruments - recognition and measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

(b) Comprehensive income (loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

(c) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2007
(UNAUDITED)

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)

Financial instruments, comprehensive income (loss) and hedges (Continued)

(d) Impact upon adoption of Sections 1530, 3855 and 3865

The primary impact on the consolidated financial statements resulting from the adoption of sections 1530 and 3855 is as follows:

(1) The Company's marketable securities are classified as "available-for-sale" and are measured at fair value. Changes in fair value are recognized in other comprehensive income until their disposition, at which time they are transferred to net income. Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange and for which no sales restrictions apply are recorded at values based on the current bid prices.

The Company's investments in equity securities that do not have a quoted market price in an active market are measured at cost. As at December 31, 2006 and March 31, 2007, the Company did not have any such investments.

As at December 31, 2006, marketable securities are carried at cost.

(2) The Company has recorded the following transition adjustments in its consolidated financial statements as at January 1, 2007 resulting from the adoption of sections of 1530 and 3855:

- i) an increase of \$2,626, representing a fair value adjustment to the value of marketable securities; and
- ii) an increase in accumulated other comprehensive income of \$2,626, representing the fair value adjustment of marketable securities of \$2,626, net of taxes of \$446 and recovery of non-capital loss carryforwards of \$446.

(3) The Company has evaluated the impact of section 3865 on its financial statements and determined that no adjustments are currently required.

(4) The adoption of these Handbook Sections had no impact on opening deficit.

3. EQUIPMENT

	March 31, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 4,722	\$ 1,648	\$ 3,074	\$ 4,023	\$ 1,504	\$ 2,519
Machinery and other equipment	7,186	2,641	4,545	7,186	2,289	4,897
Vehicles	3,125	875	2,250	3,125	625	2,500
Computer equipment	<u>23,974</u>	<u>14,786</u>	<u>9,188</u>	<u>23,974</u>	<u>14,041</u>	<u>9,933</u>
	<u>\$ 39,007</u>	<u>\$ 19,950</u>	<u>\$ 19,057</u>	<u>\$ 38,308</u>	<u>\$ 18,459</u>	<u>\$ 19,849</u>

UNITED BOLERO DEVELOPMENT CORP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS THREE MONTHS ENDED MARCH 31, 2007 (UNAUDITED)

4. MINERAL PROPERTIES

On a quarterly basis, management of the Company review mineral properties expenditures to ensure deferred mineral properties expenditures include only costs and projects that are eligible for capitalization.

For a description of mineral properties, refer to Note 6 of the audited consolidated financial statements as at December 31, 2006. Specific changes to mineral properties that occurred from January 1, 2007 to March 31, 2007 are as follows:

(a) In March 2007, the Company entered into a letter of intent to acquire an option to purchase 50% of the Arcadia Property located in Canada's Nunavut territory. Under the option agreement, the Company will pay \$15,000, issue 75,000 common shares of the Company, and complete \$600,000 worth of exploration work over the next two years. The transaction is subject to regulatory approval.

(b) The Company paid \$232,900 (US\$200,000) and issued 120,000 common shares of the Company valued at \$34,800 pursuant to the Bald Butte property agreement.

At March 31, 2007, expenditures incurred on mineral properties were as follows:

	Cannivan Gulch Project, Montana	Bald Butte Project, Montana	Three Months Ended March 31, 2007	Twelve Months Ended December 31, 2006
Acquisition costs:				
Balance, beginning of period	\$ 311,292	\$ 440,353	\$ 751,645	\$ 594,476
Additions during the period	<u>-</u>	<u>267,700</u>	<u>267,700</u>	<u>315,539</u>
Balance, end of period	<u>311,292</u>	<u>708,053</u>	<u>1,019,345</u>	<u>910,015</u>
Deferred exploration costs:				
Balance, beginning of period	68,045	2,964,374	3,032,419	729,288
Assays	-	-	-	42,438
Excavation, drilling and transportation	-	38,669	38,669	1,294,577
Field supplies	-	-	-	177,068
Geologists and other labour	-	24,960	24,960	894,170
Insurance	-	-	-	69,580
Licences, permits and maintenance fees	-	-	-	15,795
Reports, drafting, maps	-	-	-	37,246
Travel and accommodation	-	-	-	12,507
Advance	-	-	-	17,480
	<u>68,045</u>	<u>3,028,003</u>	<u>3,096,048</u>	<u>3,290,149</u>
Less: recovery of costs	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,900)</u>
Balance, end of period	<u>68,045</u>	<u>3,028,003</u>	<u>3,096,048</u>	<u>3,287,249</u>
	379,337	3,736,056	4,115,393	4,197,264
Less: write off of expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(413,200)</u>
Total	<u>\$ 379,337</u>	<u>\$ 3,736,056</u>	<u>\$ 4,115,393</u>	<u>\$ 3,784,064</u>

UNITED BOLERO DEVELOPMENT CORP.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2007
(UNAUDITED)

5. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- Paid or accrued management fees of \$60,000 (2006 - \$76,847) to current and former directors of the Company and to a corporation controlled by a director of the Company.
- Paid or accrued consulting fees of \$Nil (2006 - \$5,000) to former directors of the Company.
- Paid or accrued professional fees of \$11,500 (2006 - \$19,050) to a corporation controlled by a director of the Company.
- Paid or accrued geologist consulting fees included in deferred development costs of \$Nil (2006 - \$38,544) to a former director of the Company.

These transactions were in the normal course of operations and were measured at the exchange amount which is the amount established and agreed to by the related parties.

6. CAPITAL STOCK

	Number of Shares	Capital Stock
Authorized		
Unlimited common shares, without par value		
Common shares		
Balance as at December 31, 2006	62,575,242	\$ 11,390,672
Exercise of warrants	2,269,315	545,401
Fair value of warrants exercised	-	52,134
Exercise of stock options	411,006	71,001
Fair value of stock options exercised	-	45,426
Shares to be issued	-	1,840
Acquisition of mineral properties	120,000	34,800
Flow-through shares renunciation	-	(170,600)
Balance as at March 31, 2007	65,375,563	\$ 11,970,674

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2007
(UNAUDITED)

7. STOCK OPTIONS AND WARRANTS

Share purchase warrants

At March 31, 2007, warrants were outstanding enabling holders to acquire shares as follows:

	Number of Warrants	Exercise Price (\$)	Expiry Date
	182,150	0.15	August 22, 2007
	1,237,750	0.25	November 1, 2007
	2,075,000	0.25	November 28, 2007
	183,236	0.20	November 28, 2007
	3,075,000	0.25	February 22, 2008
	185,000	0.20	February 22, 2008
	8,571,429	0.45	November 23, 2008
	857,142	0.35	November 23, 2008
	16,366,707		

	Number of warrants	Weighted Average Exercise Price \$
Balance, December 31, 2006	18,636,022	0.34
Exercised	(2,269,315)	0.24
Balance, March 31, 2007	16,366,707	0.36

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2007
(UNAUDITED)

7. STOCK OPTIONS AND WARRANTS (Continued)

Stock options

As at March 31, 2007, the following incentive stock options were outstanding:

Number of Stock Options	Exercise Price (\$)	Expiry Date
100,000	0.15	September 30, 2007
10,000	0.25	October 17, 2007
100,000	0.15	August 15, 2008
50,000	0.20	February 27, 2009
100,000	0.24	March 16, 2009
91,667	0.32	March 24, 2009
200,000	0.17	December 21, 2010
300,000	0.32	February 17, 2011
3,408,997	0.25	September 19, 2011
300,000	0.35	January 24, 2012
1,000,000	0.50	March 29, 2012
5,660,664		

Stock options transactions and the number of share options outstanding are summarized as follows:

	Number of stock options	Weighted average Exercise Price \$
Balance, December 31, 2006	5,088,337	0.24
Granted	1,300,000	0.47
Exercised	(411,006)	0.17
Cancelled	(316,667)	0.25
Balance, March 31, 2007	5,660,664	0.30

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2007
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7. STOCK OPTIONS AND WARRANTS (Continued)

Stock-based compensation

On January 24, 2007, the Company granted 300,000 stock options to certain consultants of the Company at an exercise price of \$0.35 expiring January 24, 2012. The estimated fair value of these options is \$70,200. This amount will be expensed as stock-based compensation in the statement of operations with a corresponding amount recorded as contributed surplus in shareholders' equity as they vest. As of March 31, 2007, \$19,110 was charged to the statement of operations and contributed surplus.

On March 29, 2007, the Company granted 1,000,000 stock options to certain directors and officers of the Company at an exercise price of \$0.50 expiring March 29, 2012. The estimated fair value of these options is \$398,000. This amount will be expensed as stock-based compensation in the statement of operations with a corresponding amount recorded as contributed surplus in shareholders' equity as they vest. As of March 31, 2007, \$nil was charged to the statement of operations and contributed surplus.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the period:

Risk-free interest rate	4.02%
Expected dividend yield	0.00%
Expected stock volatility	118%
Expected option life in years	5.00 years

The Company also expensed \$166,052 from previously issued stock options from prior years.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the three months ended March 31, 2007 consisted of the following:

- The issuance of 120,000 common shares of the Company valued at \$34,800 pursuant to mineral property option agreements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED MARCH 31, 2007
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9. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of resource properties in Canada and the United States. Segmented information on a geographic basis is as follows:

	Total Assets	Mineral Properties	Oil and Gas Properties	Other Assets
March 31, 2007				
Assets				
Canada	\$ 3,496,892	\$ -	\$ -	\$ 3,496,892
United States	4,122,689	4,115,393	2	7,294
	\$ 7,619,581	\$ 4,115,393	\$ 2	\$ 3,504,186
December 31, 2006				
Assets				
Canada	\$ 3,393,614	\$ -	\$ -	\$ 3,393,614
United States	3,936,366	3,784,064	2	152,300
	\$ 7,329,980	\$ 3,784,064	\$ 2	\$ 3,545,914

Substantially all of the Company's operating expenses are incurred in Canada.

10. COMPARATIVES

Certain comparative figures have been reclassified to conform with the current period's presentation.

11. SUBSEQUENT EVENTS

The Company has received \$829,073 from the exercise of options and warrants.

Subsequent to March 31, 2007, the Company negotiated a settlement for an outstanding claim for the payment of equipment rental fees which was disclosed as a contingent liability in the notes to the year end financial statements. The negotiated financial settlement has been reflected in the financial statements.