

**PROSPECTOR CONSOLIDATED RESOURCES INC.**

**FINANCIAL STATEMENTS  
AND  
QUARTERLY REPORT  
FOR  
YEAR ENDED DECEMBER 31, 2006; AND  
SIX MONTHS ENDED JUNE 30, 2007**

The accompanying unaudited interim financial statements of the Company have been prepared by management and approved by the Audit Committee and Board of Directors of the Company

The Company advises as required by National Instrument 51-102, Part 4, subsection 4.3(3)(a), that its independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements.

**PROSPECTOR CONSOLIDATED RESOURCES INC.**

Balance Sheet

As at June 30, 2007(unaudited) and December 31, 2006(audited)

	June 30 2007	December 31 2006
<b>ASSETS</b>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 37,554	\$ 25,084
Taxes recoverable	7,893	5,208
Prepaid expenses	<u>-</u>	<u>-</u>
	45,447	30,292
Advances receivable – Note 9	20,822	20,822
Property, plant and Equipment-Note 4	2,598	3,361
Resource properties – Note 5	<u>199,469</u>	<u>199,469</u>
	<u>222,889</u>	<u>223,652</u>
	<u>\$ 268,336</u>	<u>\$ 253,944</u>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Bank indebtedness	\$ -	\$ -
Accounts payable	<u>210,121</u>	<u>216,829</u>
	210,121	216,829
<b>(CAPITAL DEFICIT) SHAREHOLDER'S EQUITY</b>		
Capital Stock- Note 6	9,770,589	9,467,089
Contributed Surplus – Note 8	442,064	442,064
Deficit	<u>(10,154,438)</u>	<u>(10,082,038)</u>
	<u>58,215</u>	<u>37,115</u>
	<u>\$ 268,336</u>	<u>\$ 253,944</u>

Approved by the Board:

“Brad Carlyle ”, Director“Henry Neugebauer”, Director*See accompanying notes to the financial statements*

**PROSPECTOR CONSOLIDATED RESOURCES INC.**

Statements of Deferred Exploration Costs

For the 6 months ended June 30, 2007 and year ended December 31, 2006

	June 30 2007	December 31 2006
<b>Expenditures</b>		
Camp equipment and supplies	\$ -	\$ -
Drilling	-	-
Filings	11,885	11,885
Geological and geochemical	-	-
Labour	-	-
Mapping	-	-
Miscellaneous	-	-
Project Management	<u>-</u>	<u>-</u>
<b>Exploration costs incurred during the period</b>	11,885	11,885
<b>Deferred exploration costs, beginning of the period</b>	76,005	76,005
Write off of deferred exploration costs	<u>-</u>	<u>-</u>
<b>Deferred exploration costs end of period</b>	<u>\$ 87,890</u>	<u>\$ 87,890</u>

*See accompanying notes to the financial statements*

**PROSPECTOR CONSOLIDATED RESOURCES INC**  
**Statements of Loss and Deficit (unaudited – prepared by management)**  
**For the three months and six months ending June 30, 2007 and 2006**

	3 months ended June 30		6 months ended June 30	
	2007	2006	2007	2006
<b>Interest and miscellaneous income</b>	\$ 1,276	\$ -	\$ 1,276	\$ -
<b>Expenses</b>				
Amortization	381	(382)	763	763
Bank Charges	91	(31)	166	132
Couriers and Deliveries	-	-	-	133
Corporate Development	400	-	2,900	-
Equipment rental	-	-	-	308
Filing and transfer agent fees	5,251	9,503	9,887	13,449
Insurance	-	-	-	-
Legal and accounting	1,512	10,218	10,693	11,268
Management fees	10,000	7,500	21,250	22,500
Office and miscellaneous	3,239	296	4,364	3,463
Professional services	-	5,000	5,453	5,000
Project expenses	-	2,668	-	2,668
Rent	3,499	2,750	5,439	5,660
Investor relations	623	505	1,092	505
Telephone	3,354	845	7,169	845
Travel and promotion	-	-	4,500	-
Total expenses for period	<u>28,350</u>	<u>38,872</u>	<u>73,676</u>	<u>66,694</u>
Gain/loss on investment	-	-	-	-
Net loss for period	( 27,074)	( 38,872)	( 72,400)	( 66,694)
Deficit, beginning of period	<u>(10,127,364)</u>	<u>(9,904,677)</u>	<u>(10,082,038)</u>	<u>(9,876,855)</u>
Deficit end of period	<u><b>\$ (10,154,438)</b></u>	<u><b>\$ (9,943,549)</b></u>	<u><b>\$ (10,154,438)</b></u>	<u><b>\$ (9,943,549)</b></u>

**PROSPECTOR CONSOLIDATED RESOURCES INC.**  
 Statements of Cash Flows (unaudited – prepared by management)  
 For the six months ended June 30, 2007 and 2006

	6 months ended June 30, 2007	6 months ended June 30, 2006
<b>Operating activities</b>		
Net loss for the period	\$ (72,400)	\$ ( 66,694)
Items not involving movement of cash		
Amortization	763	763
Stock based compensation	<u>-</u>	<u>-</u>
	763	763
Net change in non-cash working capital balances *	<u>(9,393)</u>	<u>(43,452)</u>
	(81,030)	( 109,383)
<b>Investing activities</b>		
Exploration costs (incurred) recovered	-	-
Property acquisitions	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
<b>Financing activities</b>		
Subscriptions	-	-
Capital stock issued for cash	<u>93,500</u>	<u>167,000</u>
	93,500	167,000
<b>Increase (decrease) in cash, during the period</b>	12,470	57,617
<b>Cash, beginning of the period</b>	<u>25,084</u>	<u>(14)</u>
<b>Cash, end of the period</b>	<u><u>\$ 37,554</u></u>	<u><u>\$ 57,603</u></u>

\* Comprised of changes in term deposits, accounts receivable, advances receivable, prepaid expenses and accounts payable.

*See accompanying notes to the financial statements*

**PROSPECTOR CONSOLIDATED RESOURCES INC.**  
**(An Exploration Stage Company)**  
**Notes to the Financial Statements**  
**June 30, 2007, and December 31, 2006**

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**1. Nature of Operations**

The Company is in the process of exploring its interests in resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred costs is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production or proceeds from the disposition thereof.

Although the Company has taken steps to verify title to mineral properties 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 or transfers and may be affected by undetected defects.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable on a going concern basis, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future. As at December 21, 2006, the Company has a working capital deficiency of \$186,537 (2005-\$213,619), an accumulated deficit of \$10,082,038 (2005 - \$9,876,855) and has incurred a loss of \$205,183 (2005 - \$678,892)

The ability of the Company to continue as a going concern is in substantial doubt. The Company's continued existence as a going concern is dependent upon its ability to continue to obtain adequate financing arrangement and to achieve profitable operation. Management's plans in this regard are to obtain sufficient equity financing to enable the Company to continue its efforts towards the exploration and development of its mineral properties. These financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

**2. Summary of Significant Accounting Policies**

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affects the amounts reported in the financial statements and the accompanying notes. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements necessarily involves the use of estimates which have been made using careful judgement. Significant estimates used in the financial statements include the estimates of the life and realization of resource properties. The amounts the Company will ultimately recover could differ materially from current estimates.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

*Marketable Securities*

Marketable securities are recorded at the lower of cost and the quoted market value.

**PROSPECTOR CONSOLIDATED RESOURCES INC.**  
**(An Exploration Stage Company)**  
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**2. Summary of Significant Accounting Policies - cont'd**

*Property, Plant and Equipment*

Property, plant and equipment are recorded at cost and the Company provides for amortization computed under the declining balance method at the following rates:

Computer hardware and software	30% per annum
Field equipment	30% per annum
Office equipment	20% per annum
Vehicles	30% per annum

*Resource Property Acquisition and Deferred Exploration Expenses*

Costs relating to the acquisition, exploration and development of resource properties are capitalized by the Company. When production is attained, the costs will be amortized based on a method relating recoverable reserves to production. Non-producing resource properties that the Company abandons its interest in are written-off in the year of abandonment. The amounts capitalized represent costs to be charged to operations in the future and do not necessarily reflect the present or future values of the present or future value of the particular properties.

Impairment of mineral properties is assessed whenever changes in circumstances indicate the carrying amount may not be recoverable, at which time the costs are written-down to the impaired value.

*Asset Retirement Obligations*

Effective January 1, 2004, the Company adopted the new CICA Handbook Section 3110 "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. At December 31, 2006 or June 30, 2007 the Company has only performed preliminary work on its mineral properties and has not incurred or committed any asset retirement obligations.

*Impairment of Long-Live Assets*

Effective January 1, 2004, the Company adopted new CICA Handbook Section 3063 "Impairment of Long-live Assets", which requires that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes that there has been no impairment of the Company's long-lived assets as at December 31, 2006 or June 30, 2007.

**PROSPECTOR CONSOLIDATED RESOURCES INC.**  
**(An Exploration Stage Company)**  
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**2. Summary of Significant Accounting Policies - cont'd**

*Foreign Exchange*

The accounts recorded in foreign currencies have been translated into Canadian dollars on the following basis:

- monetary assets and liabilities at the rate of exchange in effect at the balance sheet date;
- non-monetary assets and liabilities at the rates of exchange in effect on the respective dates of transactions; and
- revenues and expenses at average rates of exchange for the year.

*Stock-Based Compensation*

Effective January 1, 2004, the Company adopted the new recommendations of the CICA regarding stock-based compensation with respect to directors and employees, whereby all stock options granted are accounted for under the fair value-based method. Under this method, the fair value of all stock options is estimated at the grant date and the total fair value of the options is amortized over the vesting periods as compensation expense, with an offset to contributed surplus.

*Income Taxes*

The company accounts for income taxes using the liability method. Under this method, future income tax assets and liabilities are determined based on temporary differences between the accounting basis and the tax basis of assets and liabilities. These temporary differences are measured using substantively enacted income tax rates. Future tax benefits are recognized to the extent that realization of such benefits is considered more likely than not. The effect of a change in income tax rates on future income tax assets and liabilities is recognized in earnings in the period that the change occurs.

*Earnings (Loss) Per Share*

Basic and diluted earnings (loss) per share are calculated using the treasury stock method to determine the dilutive effect of options and warrants. For the years presented, the calculation of diluted earnings (loss) per share proved to be anti-dilutive.

**3. Financial Instruments**

The Company's financial instruments consist of cash, accounts receivable and accounts payable, the fair values of which approximate their carrying values. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

**PROSPECTOR CONSOLIDATED RESOURCES INC.**  
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**4. Property, Plant and Equipment**

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 6,244	\$ (2,902)	\$ 2,342	\$ 3,068
Office equipment	3,044	(2,789)	255	292
Land	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>
	<u>\$ 9,289</u>	<u>\$ (6,691)</u>	<u>\$ 2,598</u>	<u>\$ 3,361</u>

**5. Resource Properties**

	Beowawe	Indian Creek	Total
<b>Acquisition Costs</b>			
<i>Bal at Dec 31/2004</i>	\$ 220,536	\$ 17,676	\$ 238,212
Cost incurred	135,699	10,000	145,699
Write-off	<u>(249,260)</u>	<u>(27,676)</u>	<u>(276,936)</u>
<i>Bal at Dec 31/2005</i>	106,975	-	106,975
Cost incurred	4,604	-	4,604
Write-off	<u>-</u>	<u>-</u>	<u>-</u>
<i>Balance Dec 31/2006</i>	<u>111,579</u>	<u>-</u>	<u>111,579</u>
<b>Deferred Exploration Costs</b>			
<i>Bal at Dec 31/2004</i>	149,444	-	149,444
Costs incurred	35,262	-	35,262
Write-off	<u>(108,701)</u>	<u>-</u>	<u>(108,701)</u>
<i>Bal at Dec 31/2005</i>	76,005	-	76,005
Costs incurred	11,885	-	11,885
Write-off	<u>-</u>	<u>-</u>	<u>-</u>
<i>Bal at Dec 31/2006</i>	<u>87,890</u>	<u>-</u>	<u>87,890</u>
<b>Total</b>	<u>\$ 199,469</u>	<u>-</u>	<u>\$ 199,469</u>

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*Beowawe Property (Nevada)*

In 2004, the Company entered into an option agreement with a related party (Note 9) (“Alpha option”), whereby it can acquire a 100% interest in 140 unpatented mining claims and 4 patented fee lands in north eastern Nevada by issuance of up to 1,800,000 common shares in three separate tranches (300,000 shares issued), incurring exploration costs of \$700,000 on the property, with \$350,000 to be spent by July 15, 2005 (amended to December 21, 2008) and an additional \$350,000 to be spent by July 15, 2006 (amended to December 21, 2009). Under the terms of the agreement, the optionor is to retain a 2% net smelter return royalty which the Company has the right to reduce to 1% upon payment of \$1,000,000 at any time up to the third anniversary of commencement of commercial production.

In 2004, the Company entered into an additional option agreement with Atna Resources Inc. (“ATN”) to combine their respective Boewawe gold property interests whereby the Company would acquire a 60% interest in ATN’s Boewawe property interests by issuing a total of 1,800,000 common shares to ATN in three separate tranches (300,000 shares issued), incurring a total of U.S. \$700,000 in exploration costs on the combined property, with US \$250,000 to be incurred by July 15, 2005 and an additional U.S.\$500,000 to be incurred by July 15, 2007, making all payments required under ATN’s agreements to acquire the ATN properties, and assigning a 40% interest in the Alpha Boewawe properties to ATN.

Payments required under ATN’s Boewawe agreements include a cash payments of U.S. \$20,000 by December 1, 2006 and various annual advance royalties ranging from U.S. \$50,000 to U.S. \$107,000 until commencement of commercial production and are subject to overriding net smelter returns royalties ranging from 1% to 3%. The Company was also granted a secondary option whereby it can increase its interest in the combined property from 60% to 70% by obtaining a bankable feasibility study by July 15, 2011, which may be extended by making payments of U.S. \$100,000 not less than 30 days prior to the commencement of each successive year. The ATN option was terminated in 2005 and all related costs were written off.

*Indian Creek Property (Nevada)*

In 2006, the Company negotiated an option agreement to acquire a 100% interest in mining claims located in Lander County, Nevada by making cash payments of U.S. \$320,000 (comprised of U.S. \$10,000 upon signing (paid), U.S. \$10,000 by June 30, 2005 (paid), U.S. \$50,000 by December 31, 2005, U.S. \$100,000 by December 31, 2006 and U.S. \$150,000 by December 31, 2007) and issuance of 450,000 common shares in five separate tranches. The optionor is to retain a 3% net smelter returns royalty which the Company has the right to reduce to 1 1/2% upon payment of U.S.\$500,000 for each 1/2% reduction.

The option payment of U.S. \$50,000 that was due by December 31, 2005 was not made and the option was subsequently terminated. All costs related to the property were written-off as at December 31, 2005.

**PROSPECTOR CONSOLIDATED RESOURCES INC.**  
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**6. Capital Stock**

Authorized: 50,000,000 common shares without par value

	2007		2006	
	Number of Shares	Amount	Number of Shares	Amount
Issued and outstanding: Beginning balance	<u>21,349,768</u>	<u>\$ 9,677,089</u>	<u>19,099,768</u>	<u>\$ 9,314,939</u>
Issued for cash				
Private placements	-	-	2,000,000	200,000
Exercise of warrants	<u>2,120,000</u>	<u>93,500</u>	<u>100,000</u>	<u>10,000</u>
Issued during the period	<u>2,000,000</u>	<u>93,500</u>	<u>2,100,000</u>	<u>210,000</u>
Ending balance	<u>23,469,768</u>	<u>\$ 9,770,589</u>	<u>21,349,768</u>	<u>\$ 9,677,089</u>

*Private Placements*

In May 2006, the Company completed a non-brokered private placement for proceeds of \$200,000. The private placement was comprised of 2,000,000 units at a price of \$0.10 per unit. Each unit consisted of one common share and one common share purchase warrant exercisable until May 17, 2007 at the exercise of \$0.15 per share.

In September 2005 the Company completed a non-brokered private placement for net proceeds of \$152,150. The private placement consisted of 3,150,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one common share purchase warrant exercisable until September 22, 2007 at the exercise price of 0.10 per share.

*Warrants*

Outstanding warrants at December 31, 2006 entitle the holders to purchase up to the following number of shares of the Company:

Number of Warrants	Exercise Price	Expiry Date
3,050,000	\$0.10	September 22, 2007
2,000,000	\$0.15	May 17, 2007

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**(An Exploration Stage Company)**  
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**7. Stock Options**

The Company has a stock option plan for directors, officers and certain consultants. Under the plan, the Company may grant options for up 3,219,950 shares of common stock.

Changes to the stock options are shown in the following table:

	2006		2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
<i>Balance, beginning of year</i>	1,830,750	\$ 0.12	1,830,750	\$ 0.12
Granted	1,150,000	0.15	-	-
Exercised	-	-	-	-
Cancelled	<u>(653,000)</u>	<u>0.12</u>	<u>-</u>	<u>-</u>
<i>Balance, end of period</i>	<u>2,327,750</u>	<u>\$ 0.13</u>	<u>1,830,750</u>	<u>\$ 0.12</u>

Stock options outstanding and exercisable at December 31, 2006 are shown in the following table:

Number	Weighted Average Exercise Price	Expiry Date
1,150,000	\$ 0.15	August 8, 2011
1,100,000	0.10	July 9, 2009
<u>77,750</u>	<u>0.15</u>	March 11, 2009
<u>2,327,750</u>	<u>\$ 0.13</u>	

Effective January 1, 2004, the Company adopted the fair value method of accounting for all stock based compensation.

For the year ended December 31, 2006, the compensation expense recorded for stock options granted was \$58,188 (2005-\$77,645). The weighted average fair value of options granted during 2006 was \$0.11. No options were granted in 2005.

**PROSPECTOR CONSOLIDATED RESOURCES INC.**  
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**7. Stock Options – cont'd**

*Stock-Based Compensation*

The fair value of each option in 2006 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	4.18%
Expected life of options (years)	5
Dividend yield	-
Volatility	150%

Option pricing models require the input of highly subjective assumptions including the expected 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.

**8. Contributed Surplus**

In the period ended December 31, 2006 an additional \$58,188 (2005 - \$77,645) was recorded in contributed surplus based upon the fair value of stock options issued by the Company.

**9. Related Party Transactions**

Management and consulting fees of \$45,000 (200 - \$90,000) were earned by directors for their services during the year. Included in the accounts payable at December 31, 2006 was \$44,050 (2005 - \$38,250) for fees and expenses due to a director. Additional amounts totalling \$20,822 (2005 - \$3,432) were advanced to another director. The balance does not bear interest and is repayable on demand.

During the 2006 year, the Company recorded expense reimbursements of \$15,176 (2005 - \$15,801) to directors.

Transactions with related parties noted above were in the normal course of business and were measured at the exchange rate which was the amount of consideration established and agreed to by the related parties.

**10. Commitments**

The Company is agreed to pay \$45,000 per year to a director for management services.

**PROSPECTOR CONSOLIDATED RESOURCES INC.**  
**Notes to the Financial Statements**  
**June 30, 2007 and December 31, 2006**

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**11. Income Taxes**

Details of the components of income taxes are as follows:

	<u>2006</u>	<u>2005</u>
Loss before income taxes	\$( 205,183)	\$( 678,892)
Expected income tax recovery at statutory rate 34.12%	70,008	231,638
Adjustment in income taxes resulting from:		
Items not deductible for tax purposes	( 20,031)	( 132,134)
Unrecognized benefit of non-capital losses	( 50,892)	( 99,900)
Other items	<u>915</u>	<u>396</u>
Total income taxes	<u>\$ -</u>	<u>\$ -</u>

*Future Income Taxes*

Future income taxes result primarily from differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. The temporary differences that give rise to future tax assets and liabilities at December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Future tax assets (liabilities)		
Non-capital losses carried forward	\$ 679,400	\$ 655,000
Resource related deductions	1,780,000	1,837,000
Property and equipment	<u>26,200</u>	<u>25,800</u>
	2,485,600	2,517,800
Less: valuation allowance	<u>(2,485,600)</u>	<u>(2,517,800)</u>
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

The Company has experienced non-capital losses totalling approximately \$1,991,000 which are deductible against future taxes payable and expire in various stages from 2007 to 2026 and has resource and tax pools available to reduce future taxable income that aggregate approximately \$5,200,000 at December 31, 2006.

**PROSPECTOR CONSOLIDATED RESOURCES INC.**  
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**11. Segmented Information**

The Company has one operating segment, the acquisition, exploration and development of resource properties.

Geographic segmentation of total assets is as follows:

	2006	2005
Canada	\$ 54,475	\$ 12,059
United States	<u>199,469</u>	<u>182,980</u>
	<u>\$ 253,944</u>	<u>\$ 195,039</u>

**12. Subsequent Events**

In January and February 2007, the Company received \$36,000 from issuance of 360,000 common shares upon the exercise of warrants.

During March and April, an additional \$27,500 was received towards the exercise of warrants for 250,000 common shares.

In July and August 2007, an aggregate of 700,000 options were issued to a CFO, a Director and two consultants of the Company to purchase shares at \$0.15 per share for 5 years.

In August the Company received \$165,000 and in September the Company received \$45,000 from the issuance of 450,000 common shares upon the exercise of warrants.