Consolidated Financial Statements

Ontex Resources Limited

June 30, 2007

ONTEX RESOURCES LIMITED

Notice to Reader

The management of Ontex Resources Limited is responsible for the preparation of the accompanying interim financial statements. The interim financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are considered by management to present fairly the financial position, operating results and cash flows of the Company.

These interim financial statements have not been reviewed by an auditor. These interim financial statements are unaudited and include all adjustments, consisting of normal and recurring items, that management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.

(signed) "Gary Conn"

Gary Conn, Executive Vice President

(signed) "Robert Gilmore"

Robert Gilmore, Chief Financial Officer

July 26, 2007

Ontex Resources Limited
[A Development Stage Enterprise]

CONSOLIDATED BALANCE SHEETS

As at

	June 30, 2007	December 31, 2006
	$	$
	(unaudited)	(audited)
ASSETS		
Current assets		
Cash and cash equivalents *[note 2]*	**647,091**	782,995
Accounts receivable	**8,788**	30,970
Due from Echo Energy Canada Inc. *[note 9]*	**65,862**	35,906
Due from Echo Power Generation Inc. *[note 9]*	**6,095**	6,095
Prepaid expenses	**12,726**	13,554
	740,562	869,520
Equipment *[note 5]*	**17,264**	14,253
Investments *[notes 2 and 6]*	**35,584**	41,093
Mineral exploration properties *[note 7]*	**9,889,774**	9,763,843
Investment in Echo Energy Canada Inc. *[notes 8 and 9]*	**463,680**	470,139
	11,146,864	11,158,848
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	**35,038**	61,721
	35,038	61,721
Commitments *[note 12]*		
Shareholders' equity		
Share capital		
Authorized		
Unlimited Class A shares		
Unlimited common shares		
Issued		
Common shares *[note 3]*	**22,825,205**	22,641,205
Contributed surplus *[notes 3b and 3e]*	**645,100**	633,500
Accumulated other comprehensive income	**25,991**	-
Deficit	**(12,384,470)**	(12,177,578)
	11,111,826	11,097,127
	11,146,864	11,158,848

See accompanying notes to consolidated financial statements

On behalf of the Board

"Salvatore Fuda"
Director

"Gary Conn"
Director

Ontex Resources Limited
[A Development Stage Enterprise]

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the

	three month period ended		**six month period ended**	
	June 30, 2007	June 30, 2006	**June 30, 2007**	June 30, 2006
	$	$	**$**	$
	[unaudited]	[unaudited]	**(unaudited)**	(unaudited)
Loss for the period	**(80,592)**	**(42,827)**	**(206,892)**	(176,131)
Other Comprehensive Income	**-**	**-**		
Reclassification of previously recognized gains to income	**(68,553)**	**-**	**(84,653)**	**-**
Unrealized gain (loss) on available for sale securities	**(29,494)**	**-**	**40,903**	-
Comprehensive loss for the year	**(178,639)**	(42,827)	**(250,642)**	(176,131)
Basic and diluted comprehensive loss per share *[note 3f]*	**(0.003)**	(0.001)	**(0.004)**	(0.004)
Accumulated other comprehensive income, beginning of period	**124,038**	**-**	**-**	**-**
Unrealized gain on available for sale securities at beginning of period	**-**	**-**	**69,741**	-
Other comprehensive income for the period	**(98,047)**	**-**	**(43,750)**	-
Accumulated other comprehensive income, end of period	**25,991**	**-**	**25,991**	**-**

See accompanying notes to consolidated financial statements

Ontex Resources Limited
[A Development Stage Enterprise]

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

For the

	three month period ended		**six month period ended**	
	June 30, 2007	June 30, 2006	**June 30, 2007**	June 30, 2006
	$	$	$	$
	[unaudited]	[unaudited]	**(unaudited)**	(unaudited)
INCOME				
Natural gas royalties	**7,902**	3,407	**13,442**	10,242
Interest and dividends	**6,589**	-	**11,635**	1,496
Gain on sale of investments	**68,553**	9,810	**102,323**	14,250
	83,044	13,217	**127,400**	25,988
EXPENSES				
General and administrative	**37,002**	33,615	**90,413**	74,057
Management and professional fees	**112,554**	199,657	**223,167**	294,348
Amortization	**1,616**	1,153	**2,653**	2,306
	151,172	234,425	**316,233**	370,711
Less: legal cost recovery *[note 4]*	**-**	190,000	**-**	190,000
	151,172	44,425	**316,233**	180,711
Loss before the undernoted	**(68,128)**	(31,208)	**(188,833)**	(154,723)
Share compensation expense	**(10,500)**	-	**(11,600)**	-
Equity in earnings (loss) of Echo Energy Canada Inc.	**(1,964)**	(11,619)	**(6,459)**	(21,408)
Loss for the period	**(80,592)**	(42,827)	**(206,892)**	(176,131)
Deficit, beginning of period	**(12,303,878)**	(11,509,492)	**(12,177,578)**	(11,376,188)
Deficit, end of period	**(12,384,470)**	(11,552,319)	**(12,384,470)**	(11,552,319)
Basic and diluted loss per share *[note 3f]*	**(0.001)**	(0.001)	**(0.003)**	(0.004)

See accompanying notes to consolidated financial statements

Ontex Resources Limited
[A Development Stage Enterprise]

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the

	three month period ended		**six month period ended**	
	June 30, 2007 $	June 30, 2006 $	**June 30, 2007 $**	June 30, 2006 $
	[unaudited]	[unaudited]	**(unaudited)**	(unaudited)
Cash provided by (used in)				
OPERATING ACTIVITIES				
Net loss for the period	**(80,592)**	(42,827)	**(206,892)**	(176,131)
Items not involving cash				
Amortization	**1,616**	1,153	**2,653**	2,306
Gain on sale of investments	**(68,553)**	(9,810)	**(102,323)**	(14,250)
Share compensation expense	**10,500**	-	**11,600**	-
Equity loss (earnings) from Echo Energy Canada Inc.	**1,964**	11,619	**6,459**	21,408
Change in non-cash working capital balances *[note 10]*	**19,361**	(79,053)	**(3,673)**	(49,076)
	(115,704)	(118,918)	**(292,176)**	(215,743)
FINANCING ACTIVITIES				
Advances and repayments to Echo Energy Canada Inc.	**(21,892)**	101,803	**(29,956)**	(587,845)
Issuance of common shares	**184,000**	-	**184,000**	811,770
	162,108	101,803	**154,044**	223,925
INVESTING ACTIVITIES				
Mineral exploration properties	**(105,250)**	(21,685)	**(125,931)**	(34,047)
Proceeds from sale of investments	**90,253**	17,510	**133,823**	25,450
Equipment	**(3,857)**	-	**(5,664)**	-
	(18,854)	(4,175)	**2,228**	(8,597)
Increase in cash and cash equivalents	**27,550**	(21,290)	**(135,904)**	(415)
Cash and cash equivalents, beginning of period	**619,541**	27,935	**782,995**	7,060
Cash and cash equivalents, end of period	**647,091**	6,645	**647,091**	6,645

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2007

1. BASIS OF PRESENTATION

Ontex Resources Limited (the "Company") is in the process of exploring its mineral properties and has not yet determined whether these properties contain reserves that are economically recoverable and is considered to be in the development stage. The Company has incurred recurring losses that raise doubt about its ability to continue as a going concern. The recoverability of the amounts shown for mineral exploration properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development and future profitable production or proceeds from the disposition of such properties.

In addition, the Company will be influenced by a number of factors including environmental risks, and legal and political risks. The consolidated financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. These consolidated financial statements do not include any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The accompanying consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements have been prepared by management using Canadian generally accepted accounting principles and follow the same accounting principles and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2006. The interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and the notes thereto.

[a] Basis of consolidation

The consolidated financial statements included the accounts of the Company's subsidiary, Cherbourg Gold Inc. (85.7% owned).

Where the Company believes it exerts significant influence over another entity, it accounts for its investment by the equity method. Under this method, the Company includes its share of the results of operations of the investee as earnings.

[b] Measurement uncertainty

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant areas requiring the use of management estimates relate to the determination of impairment of mineral property costs. Actual results will differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2007

[c] Cash and cash equivalents

Cash and cash equivalents consist of short-term deposits with original maturities of less than three months at the date of purchase.

[d] Investments

Investments in marketable securities are designated as available for sale and recorded at fair value in accordance with financial instrument accounting principles as discussed below. The fair values are determined based on the closing price quotations reported on recognized securities exchanges and over-the-counter markets. Such individual market values change on a daily basis and do not necessarily represent the realizable value of the total holding of any security, which may be more or less than that indicated by market quotations.

Investments in companies over which the Company has significant influence are accounted for on the equity basis.

[e] Equipment

Equipment is carried at cost less amortization. Equipment is amortized on the declining balance method over its estimated useful life commencing in the year of acquisition using the following rates:

Office equipment	30%
Vehicles	20%

An impairment loss is recognized when the carrying value will not be recovered through use.

[f] Mineral exploration properties

The Company considers its exploration costs to have the characteristics of property, plant and equipment. As such, the Company defers all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties until those properties are brought into production, at which time, they will be amortized on a unit-of-production basis based on proven and probable reserves or until the properties are abandoned, sold or considered to be impaired in value, at which time, an appropriate charge will be made.

The recoverability of the amounts shown for mineral exploration properties is dependent on the existence of economically recoverable reserves, the ability to obtain financing to complete the development of such reserves and to meet its obligations under various agreements and the success of future operations or dispositions.

[g] Income taxes

The Company accounts for income taxes under the liability method. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the enacted tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the year in which the change is enacted or substantively enacted. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2007

[h] Stock based compensation

The Company has a stock option plan described in Note 3 which is used to compensate Directors, Officers, employees of the Company, and consultants to the Company. The Company recognizes stock based compensation expense when stock options vest using the fair value method. The recognized stock based compensation is credited to “Contributed Surplus”. Any consideration paid upon the exercise of stock options or purchase of shares is credited to share capital.

[i] Financial instruments

Effective January 1, 2007, the Company adopted the CICA Handbook Section 3861, "Financial Instruments". The new recommendations enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows and require the use of fair value in recognizing and measuring certain financial assets and liabilities. In accordance with these new standards, the Company has designated its investments as available for sale and has measured these financial assets at fair value determined with reference to published price quotations in an active market.

In accordance with the recommendations, prior periods have not been restated. The unrealized gain of $69,741 determined on January 1, 2007, resulting from the increase in value of investments, was recognized as an adjustment to shareholder’s equity at the beginning of the period through accumulated other comprehensive income. Subsequent unrealized gains and losses are recorded directly in other comprehensive income.

The new rules require presentation of a Consolidated Statement of Comprehensive Income, which is comprised of net income and changes in unrealized gains or losses related to available-for-sale securities. Gains and losses on investments are reclassified to the statement of income (loss) from other comprehensive income when realized.

The carrying values of cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities and due to Echo Energy Canada Inc. reflected in the balance sheet, approximate their respective fair values due to the short-term nature of these instruments.

[j] Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provision of the Income Tax Act (Canada). The Act provides that, where the share issuance proceeds are used for eligible exploration and development expenditures and other requirements are met, these expenses may be renounced to subscribers. Accordingly, these expenditures provide no income tax deduction to the Company.

[k] Earnings (loss) per common share

Basic earnings (loss) per share is computed by dividing net income (loss) for the year by the weighted average number of common shares outstanding in each respective year. Diluted earnings (loss) per share reflects the potential dilution of securities by adding other common stock equivalents in weighted average number of common shares outstanding during the period, if dilutive, and calculated using the treasury stock method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2007

3. SHARE CAPITAL

[a] The Company issued common shares as follows:

	Shares #	Amount $
Balance, December 31, 2005	**49,000,189**	**20,338,685**
Issued pursuant to a debt to shares conversion agreement	4,509,833	811,770
Issued pursuant to a rights offering	13,377,499	1,337,750
Exercise of options	200,000	23,000
Issued pursuant to flow through agreements	928,569	130,000
Balance, December 31, 2006	**68,016,090**	**22,641,205**
Exercise of options	1,600,000	184,000
Balance, June 30, 2007	**69,616,090**	**22,825,205**

[b] Stock options

Under the stock option plan, eligible directors, officers, employees and consultants may be granted options to acquire common shares at a price which is not less than the closing price of the Company's common shares on the Toronto Stock Exchange (the "Exchange") on the trading day immediately preceding the date of grant less any discounts permitted by the rules of the Exchange. The options are not transferable and may be subject to any vesting the Board of Directors determines and may not exceed a term of 10 years. Changes in stock options for the period ended June 30, 2007 and the year ended December 31, 2006 are as follows:

	Options outstanding and exercisable #	Weighted average exercise price $
Balance, December 31, 2005	—	—
Granted October 2006	8,800,000	0.115
Exercised	(200,000)	0.115
Balance, December 31, 2006	**8,600,000**	**0.115**
Vested February 2007	82,500	0.120
Exercised April 19, 2007	(1,600,000)	(0.115)
Vested May 31, 2007	82,500	0.120
Granted June 29, 2007	300,000	0.250
Balance, June 30, 2007	**7,465,000**	**0.121**

At the beginning of 2006, 9,621,154 options were available under the approved plan. During October 2006, 8,800,000 of those available options were granted to directors, officers and contractors and are exercisable in whole or in part at any time prior to October 13, 2008 at the exercise price of $0.115 per common share.

On October 25, 2006, 200,000 of the options were exercised for total proceeds of $23,000 and on April 19, 2007, 1,600,000 of the options were exercised for total proceeds of $184,000.

On December 1, 2006, 330,000 options, exercisable at any time from November 30, 2007 to November 30, 2008 at a price of $0.12, were granted to the Company's investor relations firm under an investor relations agreement with vesting of one-quarter of the options on each of February 28, 2007, May 31, 2007, August 31, 2007 and November 30, 2007. The fair values of the option compensation which vested on February 28, 2007 and May 31, 2007 were estimated at $1,100 and $1,000, respectively, as discussed below and the fair value of the remaining options will be recognized on the vesting dates.

On June 29, 2007, 300,000 options, exercisable in whole or in part at any time prior to June 29, 2009 at a price of $0.25, were granted to a director. 191,154 options remain available for issuance under the plan as at June 30, 2007.

[c] Escrow shares

Pursuant to an escrow agreement dated October 6, 1997, 394,182 common shares of the Company were originally deposited in escrow. Under the terms of the escrow agreement, these shares are releasable upon approval from the Ontario Securities Commission based upon certain expenditures on mineral exploration properties, the achievement of a specific five-year cumulative cash flow and the attainment of commercial production.

[d] Issuance of Shares

On March 16, 2006, the Company issued 4,509,833 common shares to Echo Energy Canada Inc. ("Echo") at a price of $0.18 per share pursuant to a debt to shares conversion agreement under which Ontex settled a $811,770 debt owed to Echo. The debt comprised a number of cash advances made by Echo to Ontex. The shares were subject to a four month hold period which expired July 16, 2006.

On October 6, 2006, the Company issued 13,377,505 common shares at an issue price of $0.10 per share pursuant to a rights offering raising gross proceeds of approximately $1,337,750.

During December 2006, the Company issued 928,569 common shares at an issue price of $0.14 per share pursuant to flow through agreements for gross proceeds of approximately $130,000.

In addition, shares were issued on the exercise of options as described above.

[e] Share compensation expense

The fair value of the options granted and vested in 2006 and 2007 were estimated at the date of vesting using the Black-Scholes option pricing model with no expected dividend yield and the following weighted average assumptions and fair values:

Number of options	Risk free rate	Expected volatility	Option life	Fair value per option	Total fair value
October 2006:					
8,800,000	**6.5%**	**26.6%**	**2 years**	**$0.02**	**$176,000**
February 2007:					
82,500	**6.5%**	**8.4%**	**21 months**	**$0.01**	**$1,100**
May 2007:					
82,500	**6.5%**	**7.4%**	**18 months**	**$0.01**	**$1,000**
June 2007:					
300,000	**6.5%**	**7.4%**	**2 years**	**$0.03**	**$9.500**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2007

The Black-Scholes model, used by the Company to calculate option values, as well as other accepted option valuation models, were developed to estimate fair value of freely tradeable, fully transferable options without vesting restrictions. These models also require four highly subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values.

[f] Loss per share

Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the year. Diluted loss per share is similar to basic loss per share, except that the denominator is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued.

	June 30 2007 $	June 30 2006 $
Basic and diluted loss per share computation		
Numerator:		
Loss for the period	**(206,892)**	(176,131)
Denominator:		
Weighted average common shares outstanding	**68,331,706**	50,309,894
Escrowed shares	**(394,182)**	(394,182)
	67,937,524	49,915,712
Basic and diluted loss per share	**(0.003)**	(0.004)
Basic and diluted comprehensive loss per share computation		
Numerator:		
Comprehensive loss for the period	**(250,642)**	(176,131)
Denominator:		
Weighted average common shares outstanding	**68,331,706**	50,309,894
Escrowed shares	**(394,182)**	(394,182)
	67,937,524	49,915,712
Basic and diluted comprehensive loss per share	**(0.004)**	(0.004)

The determination of the weighted average number of shares outstanding for the calculation of diluted loss per share does not include the effect of outstanding share options and warrants, if any, since they are anti-dilutive.

4. LEGAL COSTS RECOVERY

In 2002, the Company entered a claim for outstanding lease payments from Bioforest Pacific Inc. and Mr. Ross McGroarty in the amount of approximately $16,250. Subsequently Mr. McGroarty filed a counterclaim against the Company for allegedly unpaid Officers and Directors fees from 1993 to 1999 and for severance fees payable subsequent to 1999 in the amount of $1,016,497. Mr. McGroarty then amended his counterclaim to rely on the doctrine of quantum meruit in support of his damages claim.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2007

On March 9, 2006, the Ontario Superior Court of Justice awarded judgment in favour of the Company dismissing Mr. McGroarty's counterclaim with costs payable to the Company. The amount of costs to be recovered were fixed by the Court at $190,000 in July 2006 and received by the Company in August 2006. In addition, the Company obtained judgment on its claim for rental arrears plus interest and costs. Mr. McGroarty's motion for leave to appeal was dismissed November 24, 2006 with costs.

5. EQUIPMENT

	June 30, 2007		
	Cost	**Accumulated amortization**	**Net book value**
	$	$	$
Office equipment	**65,329**	**57,620**	**7,709**
Vehicles	**32,946**	**23,391**	**9,555**
	98,275	**81,011**	**17,264**

	December 31, 2006		
	Cost	Accumulated amortization	Net book value
	$	$	$
Office equipment	63,521	56,259	7,262
Vehicles	29,089	22,098	6,991
	92,610	78,357	14,253

6. INVESTMENTS

	June 30, 2007		December 31, 2006	
	Quoted market value	**Carrying value**	Quoted market value	Carrying value
	$	**$**	$	$
Metalore Resources Limited:				
2,000 shares (2006 - 11,000)	**26,500**	**26,500**	101,750	38,500
Micromem Technologies Inc.:				
19,327 shares	**9,084**	**9,084**	9,084	2,593
	35,584	**35,584**	110,834	41,093

During the quarter ended March 31, 2006, the Company sold 1,000 Metalore Resources Limited ("Metalore") shares for proceeds of $7,940 resulting in a gain of $4,440. During the quarter ended June 30, 2006, the company sold a further 2,200 Metalore shares for proceeds of $17,510.

On January 1, 2007, the Company recognized an unrealized gain of $69,741 in accumulated other comprehensive income to adjust its investments to fair value in accordance CICA Handbook Section 3861, "Financial Instruments" as discussed above. During the three months ended March 31, 2007, the Company sold 2,800 Metalore shares for proceeds of $43,570 resulting in a gain of $33,770, $16,100 of which was reclassified from other comprehensive income. During the three months ended June 30, 2007, the Company sold 6,200 Metalore shares for proceeds of $90,253 resulting in a gain of $68,553 which was reclassified from other comprehensive income. As at June 30, 2007, the Company had recognized unrealized net gains of $25,991 on its investments.

On July 3, 2007, the Company sold 500 Metalore shares for proceeds of $6,605. Micromem Technologies Inc. is related to the Company through a common director.

7. MINERAL EXPLORATION PROPERTIES

	$
Balance, December 31, 2005	**9,384,218**
Expenditures	379,625
Balance, December 31, 2006	**9,763,843**
Expenditures	125,931
Balance, June 30, 2007	**9,889,774**

[a] Brookbank claims, Beardmore, Ontario

In 1998, the Company paid Metalore Resources Limited ("Metalore") $2.66 million in cash as aggregate consideration for:

(i) Metalore relinquishing its right, pursuant to the agreement (the "1981 Agreement") dated July 1, 1981 between Metalore and Brookbank-Sturgeon (a predecessor of The Company), to acquire a 60% undivided leasehold interest in certain claims in Irwin Township, Ontario. The claims contain the Brookbank gold deposit (the "Brookbank Property"). Metalore will receive a 1% net smelter return royalty ("NSR") on the Brookbank Property;

(ii) the acquisition of a 10% net profits interest in certain properties owned by Metalore in lrwin and Sandra Townships (the "Cherbourg-Fox Ear Property") and for Metalore granting the Company the right (the "Cherbourg-Fox Ear Option") to earn an additional 50% or 60% participating interest as follows:

(a) The Company can earn a further 50% participating interest (for an aggregate 60%) by spending $750,000 in exploration of the property over four years from December 14, 1998; and

(b) The Company can earn an additional 10% participating interest (for an aggregate 70%) by spending an additional $250,000 (for an aggregate $1.0 million) in exploration of the property over the four-year period.

By December 31, 2003, the Company had incurred the required expenditures and had earned the 70% interest in the property. The Company can also earn an incremental 1% interest for each $20,000 expended, where, Metalore does not reimburse its proportional interest. During 2003, the Company earned an additional 4% interest in the property. As at June 30, 2007, the Company holds a 74% interest in the property. Metalore retains 26%.

(iii) Metalore granting to the Company an option (the "Staked Claim Option") to earn a 70% interest in certain claims owned by Metalore in Leduc and Walters Townships by expending $500,000 in exploration of the property over four years commencing December 15, 1998. By December 31, 2003, the Company exercised its option and had earned the 70% interest in the property. The Company can also earn an incremental 1% interest for each $20,000 expended, where Metalore does not reimburse its proportional interest. During 2003, the Company earned an additional 4% interest in the property. As at June 30, 2007, the Company holds a 74% interest in the property. Metalore retains 26%; and,

(iv) Metalore granting to The Company a right of first refusal with respect to the mineral rights to six leased claims in Walters Township owned by Metalore (the "Paint Lake Leased Claims").

[b] Deloro Township, Ontario

The Company holds certain claims in Deloro Township, Ontario. The claims are subject to a 1% NSR. During the year ended December 31, 2003, the Company decided not to actively pursue further mineral exploration on its Deloro Township claim. Accordingly, capitalized expenditures to date were expensed on the Company’s consolidated statements of loss and deficit in that year. During the period ended June 30, 2007, the company completed the minimum necessary filings to keep claims current.

8. INVESTMENT IN ECHO ENERGY CANADA INC.

The Company’s investment in Echo is comprised as follows:

	Period ended June 30 2007 $	Year ended December 31 2006 $
Balance, beginning of the year:	**470,139**	650,178
Equity earnings (loss) in Echo	**(6,459)**	(180,039)
Equity investment, end of year	**463,680**	470,139

At June 30, 2007, the Company held 13.3% or 7,037,436 of the outstanding common shares of Echo.

9. RELATED PARTY TRANSACTIONS

During the period ended June 30, 2007, the Company paid certain of its directors and executive officers $133,600 [2006 - $138,400] in consulting fees. All related party transactions have been recorded at the exchange amount. The amount due from Echo of $65,862 [2006 –$35,906] is non-interest bearing and payable on demand. The amounts due from Echo Power Generation Inc. of $6,095 [2006 - $6,095] are non-interest bearing, unsecured and repayable on demand.

The Company has contractual obligations in the aggregate amount of $208,000 per year under agreements expiring December 15, 2008 to compensate its Chairman and its President for management services provided by them. In March 2007, the Company reached a mutual agreement to terminate its contractual obligation to a company owned by its Chief Operating Officer for services to identify a suitable joint venture partner for its Brookbank property but remains contingently obligated for a $100,000 bonus in the event that the Company enters into a formal joint venture agreement in 2007 with a party introduced by the Chief Operating Officer.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2007

10. STATEMENT OF CASH FLOWS

[a] Changes in non-cash working capital consist of the following:

	June 30 2007 $	June 30 2006 $
Accounts receivable	**22,182**	2,871
Legal costs recoverable	**—**	(190,000)
Capital taxes recoverable	**—**	24,956
Prepaid expenses	**828**	5,359
Accounts payable and accrued liabilities	**(26,683)**	107,738
	(3,673)	(49,076)

[b] Supplemental cash flow information

	June 30 2007 $	June 30 2006 $
Interest received	**11,635**	360

11. INCOME TAXES

The recovery of income taxes varies from the amounts that would be computed by applying the Canadian federal and provincial statutory rates in of approximately 38% to loss before income taxes as follows:

	June 30 2007 $	**December 31, 2006** $
Expected income tax recovery using statutory income tax rates	**(73,800)**	**(305,500)**
Resource allowance	**—**	**21,000**
Equity in loss (income) of affiliate not subject to income tax	**1,700**	**68,600**
Non-deductible expenses	**1,800**	**69,400**
Future income tax expense (benefit) resulting from reduction in tax rate	**—**	**7,700**
Tax benefit of losses not currently recognized	**70,300**	**—**
Tax benefit of losses not previously recognized	**—**	**138,800**
Income tax expense (recovery)	**—**	**—**
Future tax assets		
Non-capital losses	**1,191,600**	**1,121,000**
Investments	**3,900**	**41,400**
Mineral exploration on properties	**(93,300)**	**(93,800)**
	1,102,200	**1,068,600**
Valuation allowance	**(1,102,200)**	**(1,068,600)**
Net future tax assets	**—**	**—**

The Company has approximately $3,157,000 of operating losses that expire between 2007 and 2016.

12. COMMITMENTS

The Company is committed to spending a further $4,069 on exploration costs during 2007 as part of the flow-through funding agreements that were completed during calendar 2006.

The Company has contractual obligations to compensate its Chairman, President and Chief Operating Officer as discussed in Note 9.

13. SEGMENTED INFORMATION

The Company currently operates in Canada in one reportable operating segment, being the acquisition and exploration of resource property.