

SENNEN RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2007

(Unaudited - Prepared by Management)

The accompanying unaudited interim consolidated financial statements of Sennen Resources Ltd. for the three month period ending April 30, 2007 have been prepared by management and approved by the audit committee and the Board of Directors of the Company. These interim consolidated financial statements have not been reviewed by the Company's external auditors.

SENNEN RESOURCES LTD.
INTERIM CONSOLIDATED BALANCE SHEETS
AS AT
(Unaudited - prepared by management)

	April 30, 2007	January 31, 2007
ASSETS		
Current		
Cash and equivalents	\$ 1,475,449	\$ 1,637,829
Receivables	42,598	54,534
Prepaid expenses	<u>18,491</u>	<u>14,301</u>
	1,536,538	1,706,664
Deferred costs (Note 3)	129,826	104,551
Mineral properties (Note 3)	<u>1</u>	<u>1</u>
	<u>\$ 1,666,365</u>	<u>\$ 1,811,216</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	<u>\$ 50,214</u>	<u>\$ 100,394</u>
	<u>50,214</u>	<u>100,394</u>
Shareholders' equity		
Capital stock (Note 5)	14,628,577	14,628,577
Contributed surplus (Note 5)	1,264,667	1,215,406
Deficit	<u>(14,277,093)</u>	<u>(14,133,161)</u>
	<u>1,616,151</u>	<u>1,710,822</u>
	<u>\$ 1,666,365</u>	<u>\$ 1,811,216</u>

Nature of operations (Note 1)

Commitments (Note 7)

Subsequent event (Note 11)

On behalf of the Board:

_____ Director _____ Director

The accompanying notes are an integral part of these interim consolidated financial statements.

SENNEN RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
FOR THE THREE MONTHS ENDED APRIL 30
(Unaudited - prepared by management)

	2007	2006
EXPENSES		
Administration fees	\$ 5,430	\$ 2,619
Amortization	-	4,611
Consulting	42,997	42,949
Directors' fees	5,000	5,000
Exploration Costs	19,152	-
Interest on obligation under capital lease	-	1,102
Management fees	18,000	18,000
Office and miscellaneous	9,967	4,729
Professional fees	12,575	16,198
Rent	13,000	12,000
Stock-based compensation (Note 6)	49,261	94,790
Transfer agent and filing fees	7,062	4,538
Travel and automotive	<u>5,103</u>	<u>345</u>
Loss before other items	<u>(187,547)</u>	<u>(206,881)</u>
OTHER ITEMS		
Interest income	10,735	12,248
Gain on foreign exchange	<u>32,880</u>	<u>-</u>
	<u>43,615</u>	<u>12,248</u>
Loss for the period	(143,932)	(194,633)
Deficit, beginning of period	<u>(14,133,161)</u>	<u>(13,946,022)</u>
Deficit, end of period	<u>\$(14,277,093)</u>	<u>\$(14,140,655)</u>
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	44,501,165	44,501,165

The accompanying notes are an integral part of these interim consolidated financial statements.

SENNEN RESOURCES LTD.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED APRIL 30
(Unaudited - prepared by management)

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the period	\$ (143,932)	\$ (194,633)
Items not affecting cash:		
Amortization	-	4,611
Stock-based compensation	49,261	94,790
Change in non-cash working capital items:		
Decrease in receivables	11,936	12,557
Increase in prepaid expenses and deposit	(4,191)	(3,279)
Decrease in accounts payable and accrued liabilities	<u>(50,179)</u>	<u>(4,691)</u>
Net cash used in operating activities	<u>(137,105)</u>	<u>(90,645)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in deferred costs	<u>(25,275)</u>	<u>-</u>
Net cash used in investing activities	<u>(25,275)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of obligation under capital lease	<u>-</u>	<u>(1,297)</u>
Net cash used in financing activities	<u>-</u>	<u>(1,297)</u>
Decrease in cash and equivalents during the period	(162,380)	(91,942)
Cash and equivalents, beginning of period	<u>1,637,829</u>	<u>1,623,949</u>
Cash and equivalents, end of period	<u>\$ 1,475,449</u>	<u>\$ 1,532,007</u>
Cash and equivalents consists of:		
Cash	\$ 9,419	\$ 401
Term deposits	<u>1,466,030</u>	<u>1,531,606</u>
	<u>\$ 1,475,449</u>	<u>\$ 1,532,007</u>

Supplemental disclosure with respect to cash flows (Note 9)

The accompanying notes are an integral part of these interim consolidated financial statements.

SENNEN RESOURCES LTD.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

APRIL 30, 2007

(Unaudited - prepared by management)

1. NATURE OF OPERATIONS

Sennen Resources Ltd. (the "Company") was incorporated under the laws of the Province of British Columbia and its principal business activities include the acquisition and exploration of mineral properties and is considered to be in the exploration stage.

The Company is in the process of acquiring and exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral 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 and upon future profitable production.

	April 30, 2007	January 31, 2007
Deficit	\$ (14,277,093)	\$ (14,133,161)
Working capital	1,486,324	1,606,270

2. SIGNIFICANT ACCOUNTING POLICIES**Basis of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Huisan Inc., Ribfield Pty. Ltd. ("Ribfield"), Sennen Resources (Barbados) Ltd and Racehorse Investments Inc. All significant inter-company balances and transactions have been eliminated upon consolidation.

Basis of presentation

These unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying financial information reflects all adjustments, consisting primarily of normal and recurring adjustments considered necessary for fair presentation of the results for the interim period. Operating results for the three-month period ending April 30, 2007 are not necessarily indicative of the results that may be expected for the year ending January 31, 2008. These interim consolidated financial statements follow the same accounting policies as the annual financial statements of the Company. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements, and notes thereto, for the year ended January 31, 2007.

3. MINERAL PROPERTIES

	Ownaview/ Middlemount/ Collingwood, Australia	Total
Balance at January 31, 2007 and April 30, 2007	\$ 1	\$ 1

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Ownaview/Middlemount/Collingwood Projects, Queensland, Australia

The Company holds an interest in certain mineral properties located in Queensland, Australia.

During the year ended January 31, 2003, the mineral property costs and related deferred exploration costs were written down to a nominal value of \$1.

During the year ended January 31, 2005, the Company entered into three agreements with DJB Coal PTY Ltd. ("DJB") of Australia whereby DJB acquired a 5% interest in certain claims (the "Ownaview" deposit) with the right to acquire a further 65% interest, and acquired a 10% interest in Collingwood and Middlemount projects, with the right to earn a further 60% in each of these two projects.

Under the terms of the agreements, DJB will acquire these interests in return for payment of all present and future rental costs due on the Ownaview deposit and on the Collingwood and Middlemount projects, and will conduct all the required engineering work for the completion of bankable feasibility studies at their cost on each deposit within 5 years. In the event that an agreement is reached over the sale of the Middlemount coal property to a third party prior to the completion of a feasibility study, the Company and DJB will each have a 50% interest in the proceeds from the sale.

The agreement is subject to a \$0.50 per tonne coal royalty on the Ownaview deposit and a \$0.25 per tonne coal royalty on the Collingwood and Middlemeount projects payable to the Company.

During the year ended January 31, 2007, the Company announced that it has entered into an agreement to sell its interest in the Middlemount project through the sale of the issued shares of Ribfield, the owner of a 95% interest in Middlemount, for approximately \$13,700,000 (A\$15,000,000) subject to the following terms and conditions:

1. Receipt of a non-refundable deposit of \$438,580 (A\$500,000) upon execution of the agreement (received).
2. The approval and completion ("Completion") of:
 - a) regulatory approval in Australia for the transfer of the Ownaview and Collingwood projects to another entity owned by the Company;
 - b) DJB Coal obtaining regulatory approval for the transfer of their 5% interest in Middlemount to the

3. MINERAL PROPERTIES (cont'd...)

purchaser;

- c) regulatory approval of the TSX Venture Exchange; but in any event not later than June 30, 2007;
- d) a drilling and analysis program within eight weeks of the finalization of the agreement (the "DA Period") by the purchaser;
- e) receipt of approximately \$3,200,000 (A\$3,500,000) into escrow within 16 weeks of the expiration of the DA Period (received subsequently);
- f) receipt of approximately \$1,825,000 (A\$2,000,000) and release of escrow funds referred to above upon Completion (received subsequently);
- g) receipt of approximately \$4,110,000 (A\$4,500,000) within 12 months of Completion; and
- h) receipt of approximately \$4,110,000 (A\$4,500,000) within 24 months of Completion.

Upon Completion, the purchaser is required to provide bank guarantees for the two outstanding payments of approximately \$4,110,000 (A\$4,500,000) each.

Additionally, during the three months ended April 30, 2007, the Company entered into a sale agreement with Anglo Coal Australia ('Anglo') and Mitsui Coal Holdings ('Mitsui') for the sale of its interests in the Collingswood and Ownaview Coal projects for consideration of AUS\$10 million.

The purchase by Anglo and Mitsui is subject to the approval of the Foreign Investment Review Board and the Department of Natural Resources and Mines ('DNR&M'), together with the registration of transfers by the DNR&M and the Environmental Protection Authority into the names of the nominated subsidiaries of Anglo and Mitsui. Sennen is obligated to obtain the approval and registration of transfers from the DNR&M and the withdrawal of an MDLA over the Collingwood Coal project prior to settlement.

In the event Sennen has completed all of its obligations in a timely manner and Anglo and Mitsui do not complete the purchase of the Collingwood and Ownaview coal tenants by June 30th, 2007, they will be liable to pay a 'break fee' of AUSS\$200,000.

As at April 30, 2007 the Company has incurred costs of \$129,826 relating to the proposed sale of its mineral properties.

4. RELATED PARTY TRANSACTIONS

During the three months ended April 30, 2007, the Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$36,000 (2006 - \$36,000) to a company controlled by a director and to a director.
- b) Paid or accrued management fees of \$18,000 (2006 - \$18,000) to a company controlled by an officer of the Company.

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c) Paid or accrued rent of \$13,000 (2006 - \$12,000) to a company controlled by a director.

d) Paid or accrued directors' fees of \$5,000 (2006 - \$5,000) to a director of the Company.

As at April 30, 2007, accounts payable included \$4,269 (January 31, 2007 - \$7,609) owed to a director and a company with a common director.

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.

5. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Capital Stock		Contributed Surplus
	Number of Shares	Amount	
Authorized			
Unlimited common shares without par value			
Issued			
Balance as at January 31, 2006	44,501,165	\$ 14,628,577	\$ 974,700
Stock-based compensation	-	-	240,706
Balance as at January 31, 2007	44,501,165	14,628,577	1,215,406
Stock-based compensation	-	-	49,261
Balance as at April 30, 2007	44,501,165	\$ 14,628,577	\$ 1,264,667

6. STOCK OPTIONS AND WARRANTS

Stock options

At April 30, 2007, the Company had incentive stock options enabling the holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
4,980,000	\$ 0.20	April 28, 2008
145,000	0.20	November 20, 2011

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

6. STOCK OPTIONS AND WARRANTS (cont'd...)

Stock options (cont'd...)

Stock option transactions are summarized as follows:

	Number of Options		Weighted Average Exercise Price
Outstanding as at January 31, 2005	4,550,000	\$	0.40
Expired/cancelled	<u>(4,550,000)</u>		0.40
Outstanding as at January 31, 2006	-		-
Granted	5,205,000		0.20
Expired	<u>(80,000)</u>		0.20
Outstanding as at January 31 and April 30, 2007	5,125,000	\$	0.20
Exercisable as at April 30, 2007	3,771,250	\$	0.20

Stock-based compensation

During the year ended January 31, 2007, the Company granted 5,205,000 (2006 – Nil) stock options with a fair value of \$394,084 (2006 - \$Nil) or \$0.08 (2006 - \$Nil) per option using the Black-Scholes option pricing model. Of this amount, \$289,967 has been recorded as stock-based compensation. Pursuant to the Company's stock option plan, an 18 month vesting schedule is applied to each granting with 25% of the options vesting immediately on the date of grant, and the balance of the options vesting equally every three months after the grant date.

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

	April 30, 2007
Risk-free interest rate	3.95%
Expected life of options	2.1 years
Annualized volatility	96%
Dividend rate	0.00%

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
APRIL 30, 2007
(Unaudited - prepared by management)

6. STOCK OPTIONS AND WARRANTS (cont'd...)

Warrants

There were no warrants outstanding as at April 30, 2007.

7. COMMITMENTS

- a) The Company leases office premises under an operating lease with a company controlled by a director. The lease provides for annual basic lease payments as follows:

2008	\$	45,000
2009		60,000
2010		<u>10,000</u>
	\$	<u>115,000</u>

- b) The Company entered into management contracts with companies having common directors. The Company has agreed to pay the companies a total of \$18,000 per month until May 31, 2007. The contracts can be terminated by the Company by providing 30 days written notice.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2007	2006
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ -	\$ 1,102

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)

There were no significant non-cash transactions during the three months ended April 30, 2006 and 2007.

10. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of mineral properties.

The Company's capital assets are located in the following countries:

	April 30, 2007	January 31, 2007
Canada	\$ -	\$ -
Australia	<u>1</u>	<u>1</u>
	<u>\$ 1</u>	<u>\$ 1</u>

11. SUBSEQUENT EVENT

Subsequent to April 30, 2007, the Company announced the receipt of the 'Completion Payment' (AUS\$2,000,000) and the First Tranche Payment (AUS\$3,500,000) for the sale agreement over its interest in the Middlemount coal deposit in Queensland Australia (Note 3).

SENNEN RESOURCES LTD.

Management Discussion and Analysis

For the Three Months ended April 30, 2007

This discussion and analysis of financial position and results of operations is prepared as at June 28, 2007 and should be read in conjunction with the unaudited consolidated financial statements for the three months ended April 30, 2007 and the related notes thereto. Those unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and, as a result, do not contain all disclosure required under generally accepted accounting principles for annual financial statements. Accordingly, readers are referred to the January 31, 2007 annual audited consolidated financial statements of Sennen Resources Ltd. (the "Company" or "Sennen") and the accompanying notes. These documents are available for viewing at www.sedar.com. All dollar amounts included therein and in the following management discussion and analysis ("MD&A") are in Canadian dollars except where noted.

This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

Description of Business

The Company is a natural resource company engaged in the acquisition, exploration, and development of coal properties. It currently holds title to coal deposits in Queensland, Australia. The Company trades on the TSX Venture Exchange under the symbol SN.

Overall Performance

The Company holds title to three coal deposits in Queensland, Australia: being the Ownaview, Middlemount and Collingwood projects.

Subsequent to the first quarter of fiscal 2008 the Company held a special general meeting on May 31, 2007 and the Company received shareholder approval for the sale of its coal projects. This was in accordance with the provisions of the British Columbia *Business Corporations Act*. (the "BCA"), whereby a company incorporated in British Columbia cannot sell, lease or otherwise dispose of all or substantially all of its undertaking unless it does so in the ordinary course of its business or it has been authorized to do so by a special resolution of its shareholders.

On June 28, 2007 the Company announced that it had received the "Completion Payment" of AUS\$2,000,000 together with the First Tranche Payment of AUS\$3,500,000, as per the Sale Agreement, over its interest in the Middlemount coal deposit.

Terms of the Agreement provide for Custom Mining (Middlemount) Pty Ltd to acquire all the issued shares of Ribfield Pty Ltd., and Australian company beneficially owned by Sennen. The total purchase price for the shares of Ribfield is AUS\$15,000,000. Sennen has received AUS\$6,000,000 for the purchase price with two further tranches of AUS\$4,500,000 each still to be paid and bank guarantees to secure these two additional payments have been provided.

Sennen currently has Cdn\$6,350,000 in the Treasury with further AUS\$9,000,000 guaranteed for the sale of Ribfield and an additional AUS\$10,000,000 will be potentially realized from the sale

of the Collingwood and Ownaview coal projects to Anglo Coal Australia and Mitsui Coal Holdings.

Results of Operations

During the three months ended April 30, 2007, the Company incurred a loss of \$143,932 compared to a loss of \$194,633 for the three month period ended April 30, 2006. The significant changes during the three months ended April 30, 2007 compared to the three month period ended April 30, 2006 are as follows:

- During the three months ended April 30, 2007 the Company recorded amortization expense of \$Nil as compared to \$4,611 during the three months ended April 30, 2006. The Company disposed of its equipment during fiscal 2007.
- During the three months ended April 30, 2007 the Company incurred office and miscellaneous expenses of \$9,967 as compared to the \$4,729 incurred during the three month period ended April 30, 2006. This increase was due to administrative expenses incurred by the Company in setting up a new subsidiary in the current period.
- During the three months ended April 30, 2007 exploration costs increased to \$19,152 from \$Nil incurred during the three month period ended April 30, 2006 as a result of geological consulting fees paid for identifying potential properties of merit for the Company.
- Stock-based compensation expense of \$49,261 was recorded during the three months ended April 30, 2007 with respect to 5,060,000 options granted during fiscal 2007. Pursuant to the Company's stock option plan, this amount represented the fair value of 12.5% of the vested options. During the three months ended April 30, 2006, 25% of the 5,060,000 stock options granted vested immediately resulting in a stock based compensation expense of \$94,790.
- Travel and related costs increased to \$5,103 during the three months ended April 30, 2007 from the \$345 incurred during the three month period ended April 30, 2006 due to the change in accounting for the automotive lease from a capital to an operating lease.
- Gain on foreign exchange of \$32,880 was recorded during the three months ended April 30, 2007 compared to \$Nil at April 30, 2006. This was a result of the AUS\$500,000 non-refundable deposit received on the pending sale of the Middlemount project.
- Interest income of \$10,735 was earned during the three months ended April 30, 2007 on cash held in short-term investments. This compares to interest income of \$12,248 earned during the three month period ended April 30, 2006.

Quarterly Information

The following table sets forth selected interim consolidated financial information prepared by management of the Company.

Summary of Quarterly Results

	Three Months Ended April 30, 2007	Three Months Ended January 31, 2007	Three Months Ended October 31, 2006	Three Months Ended July 31, 2006
Total assets	\$1,666,365	\$1,811,216	\$1,427,701	\$ 1,524,166
Working capital	1,486,324	1,606,270	1,258,820	1,370,362
Interest income	10,735	11,981	16,892	9,113
Gain on pending sale of mineral property	-	435,800	-	-
Net income (loss)	(143,932)	334,823	(115,589)	(211,740)
Earnings (loss) per share	(0.01)	0.01	(0.01)	(0.01)

	Three Months Ended April 30, 2006	Three Months Ended January 31, 2006	Three Months Ended October 31, 2005	Three Months Ended July 31, 2005
Total assets	\$1,654,932	\$1,760,763	\$1,881,073	\$2,040,285
Working capital	1,482,700	1,577,932	1,755,144	1,896,479
Interest income	12,248	11,168	10,716	10,384
Net income (loss)	(194,633)	(133,233)	(144,842)	(136,498)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)

The interim consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able 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.

Fiscal 2006

In the second quarter of 2006, Sennen's operating expenditures increased again marginally over the first quarter. The main increase in costs was due to professional fees. During the third quarter, operating expenditures increased from the prior quarter as a result of a \$42,000 increase in consulting fees. This was related to hiring of additional consultants on the sale process of the coal projects in Australia. The fourth quarter operating expenses were approximately \$11,000 lower than those in the third quarter. Consulting fees were lower by \$18,000. Professional fees were \$13,000 higher than for the third quarter because they included an accrual for the year-end audit.

Fiscal 2007

In the four quarters of fiscal 2007, the Company's overall administrative expenses in each quarter continued to be consistent with the expenses of the fourth quarter of 2006. However, in fiscal 2007 the company incurred stock-based compensation expense totaling \$240,706 as a result of the issuing incentive stock options. This expense is recorded pursuant to the vesting schedule under the Company's stock option plan. Additionally, in the fourth quarter the Company received \$435,800 (AUD\$500,000) in connection with the potential sale of the Middlemount coal project in Australia. Lastly, the Company capitalized certain legal and consulting costs totaling \$104,551 in connection with the proposed sale of the coal assets.

Fiscal 2008

During the first quarter of fiscal 2008, the Company recorded a gain on foreign exchange of \$32,880. This was in connection with the AUD\$500,000 non-refundable deposit received during the fourth quarter of fiscal 2007 on the pending sale of the Middlemount project. Additionally, the Company incurred \$25,275 deferred costs in connection with this sale during the three months ended April 30, 2007.

Liquidity and Capital Resources

The Company is in the development stage and therefore has no regular cash flow. At April 30, 2007, the Company had working capital of \$1,486,324, inclusive of cash on hand and short-term investments of \$1,475,449. This compares to working capital of \$1,606,270 at January 31, 2007, inclusive of cash on hand and short term investments of \$1,637,829.

The decrease in cash during the three months ended April 30, 2007, was primarily due to ongoing administration costs and operations in Australia.

As at April 30, 2007, the Company had current assets of \$1,536,538, total assets of \$1,666,365 and total liabilities of \$50,214. There is no long-term debt. There are no known trends in the Company's liquidity or capital resources.

The principal assets of the Company are its mineral properties. During the year ended January 31, 2003, the Company had written down mineral property and deferred exploration costs to a nominal value of \$1. As at April 30, 2007 the Company has incurred deferred expenses totaling \$129,826 towards the sale of coal assets.

The Company has sufficient funds on hand to fund its operating expenses for the balance of fiscal 2008.

Cash flow to date has not satisfied the Company's operational requirements. The development of the Company may in the future depend on the Company's ability to obtain additional financings. In the past, the Company has relied on the sale of equity securities to meet its cash requirements. Future developments, in excess of funds on hand, will depend on the Company's ability to obtain financing through joint venturing of projects, debt financing, equity financing or other means. There can be no assurances that the Company will be successful in obtaining any such financing or in joint venturing its properties.

Related Party Transactions

The Company entered into the following transactions with related parties during the period:

- a) Paid or accrued consulting fees of \$36,000 (2006 - \$36,000) to Buccaneer Management Inc. a company controlled by Ian Rozier ("Rozier") a director of the Company.
- b) Paid or accrued rent of \$13,000 (2006 - \$12,000) to 641485 B.C. Ltd. a Company controlled by Rozier.
- c) Paid or accrued management fees of \$18,000 (2006 - \$18,000) to Prospect Point Consulting Ltd., a company controlled by Barbara Dunfield, the Chief Financial Officer of the Company.
- d) Paid or accrued director's fees of \$5,000 (2006 - \$5,000) to James Robertson ("Robertson"), a director of the Company.

As of April 30, 2007, accounts payable included \$4,269 (January 31, 2007 - \$7,609) owed to Robertson and to a company with a common director.

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

Disclosure Controls and Procedures

The Company's system of disclosure controls and procedures includes our Disclosure Policy, our Code of Conduct and Business Ethics and the effectiveness of our Audit Committee. The Company has established procedures that allow the identification of matters warranting consideration of disclosure by the Audit Committee, as well as procedures for the verification of individual transactions and information that would be incorporated in annual and interim filings, including Financial Statements, Management's Discussion and Analysis and other related documents.

As required by CSA Multilateral Instrument 52-109, Certification of Disclosure in an Issuer's Annual and Interim Filings, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures was conducted as of April 30, 2007 under the supervision of management, including the President and the Chief Financial Officer. The evaluation included review of documentation, enquiries of Company staff and other procedures considered by Management to be appropriate under the circumstances.

As a result of their evaluation, the President and Chief Financial Officer are of the opinion that the design and operation of the system of disclosure controls was effective as at April 30, 2007.

The President and Chief Financial Officer are also required to file certifications of our annual and interim filings under Multilateral Instrument 52-109. These certifications may be accessed at www.sedar.com.

Risk, Uncertainties and Outlook

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. Operations, the status of mineral property rights and the recoverability of amounts shown for mineral properties can be affected by changing economic, regulatory and political situations. Other risks facing the Company include competition for mineral properties, environmental and insurance risks, fluctuations in metal prices, fluctuations in exchange rates, share price volatility and uncertainty of additional financing.

Contingencies

The Company is aware of no contingencies or pending legal proceedings as of June 28, 2007.

Subsequent Event

Subsequent to April 30, 2007, the Company announced the receipt of the 'Completion Payment' (AUS\$2,000,000) and the First Tranche Payment (AUS\$3,500,000) for the sale agreement over its interest in the Middlemount coal deposit in Queensland Australia.

Additional Information

As at June 28, 2007, the Company had:

- a) 44,501,165 common shares outstanding;
- b) 5,125,000 stock options outstanding with an exercise price of \$0.20 per share expiring from April 28, 2008 to November 20, 2011;
- c) Nil share purchase warrants outstanding.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Cautionary Statement on Forward Looking Information

Certain statements contained in this document constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: mineral exploration and development costs and results, fluctuation in the prices of commodities for which the Company is exploring, foreign operations and foreign government regulations, competition, uninsured risks, recoverability of resources discovered, capitalization requirements, commercial viability, environmental risks and obligations, and the requirement for obtaining permits and licenses for the Company’s operations in the jurisdictions in which it operates.