

SENNEN RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2007

AUDITORS' REPORT

To the Shareholders of
Sennen Resources Ltd.

We have audited the consolidated balance sheets of Sennen Resources Ltd. as at January 31, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Accountants

May 9, 2007

A Member of **SC INTERNATIONAL**

SENNEN RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
AS AT JANUARY 31

	2007	2006
ASSETS		
Current		
Cash and equivalents	\$ 1,637,829	\$ 1,623,949
Receivables	54,534	47,734
Prepaid expenses	<u>14,301</u>	<u>9,757</u>
	1,706,664	1,681,440
Equipment (Note 4)	-	53,513
Deferred costs (Note 6)	104,551	-
Deposits (Note 5)	-	25,809
Mineral properties (Note 6)	<u>1</u>	<u>1</u>
	<u>\$ 1,811,216</u>	<u>\$ 1,760,763</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 100,394	\$ 46,924
Current portion of obligation under capital lease (Note 8)	<u>-</u>	<u>56,584</u>
	<u>100,394</u>	<u>103,508</u>
Shareholders' equity		
Capital stock (Note 9)	14,628,577	14,628,577
Contributed surplus (Note 9)	1,215,406	974,700
Deficit	<u>(14,133,161)</u>	<u>(13,946,022)</u>
	<u>1,710,822</u>	<u>1,657,255</u>
	<u>\$ 1,811,216</u>	<u>\$ 1,760,763</u>

Nature of operations (Note 1)

Commitments (Note 11)

Subsequent event (Note 15)

On behalf of the Board:

"Ian Rozier"

Director

"Douglas B. Hyndman"

Director

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

SENNEN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED JANUARY 31

	2007	2006
EXPENSES		
Administration fees	\$ 13,872	\$ 30,000
Amortization	17,054	26,467
Consulting	179,750	277,615
Directors' fees	20,000	8,333
Interest on obligation under capital lease	3,573	4,655
Management fees	72,000	72,000
Office and miscellaneous	17,530	27,078
Professional fees	52,795	49,849
Rent	48,000	48,000
Stock-based compensation (Note 10)	240,706	-
Transfer agent and filing fees	15,505	15,168
Travel and automotive	<u>9,389</u>	<u>17,509</u>
Loss before other items	<u>(690,174)</u>	<u>(576,674)</u>
OTHER ITEMS		
Interest income	50,234	39,164
Gain on disposition of mineral property (Note 6)	435,800	-
Gain on termination of lease (Note 8)	15,698	-
Gain on foreign exchange	<u>1,303</u>	<u>-</u>
	<u>503,035</u>	<u>39,164</u>
Loss for the year	(187,139)	(537,510)
Deficit, beginning of year	<u>(13,946,022)</u>	<u>(13,408,512)</u>
Deficit, end of year	<u>\$ (14,133,161)</u>	<u>\$ (13,946,022)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Weighted average number of common shares outstanding	<u>44,501,165</u>	<u>44,317,049</u>

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

SENNEN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JANUARY 31

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (187,139)	\$ (537,510)
Items not affecting cash:		
Amortization	17,054	26,467
Stock-based compensation	240,706	-
Gain on termination of lease	(15,698)	-
Gain on disposition of mineral property	(435,800)	-
Change in non-cash working capital items:		
Increase in receivables	(6,800)	(18,129)
(Increase) decrease in prepaid expenses and deposit	21,265	(1,150)
Increase (decrease) in accounts payable and accrued liabilities	<u>33,129</u>	<u>(11,890)</u>
Net cash used in operating activities	<u>(333,283)</u>	<u>(542,212)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in deferred costs	(84,210)	-
Proceeds on sale of mineral properties	<u>435,800</u>	<u>-</u>
Net cash provided by investing activities	<u>351,590</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	-	1,025,000
Repayment of obligation under capital lease	<u>(4,427)</u>	<u>(4,946)</u>
Net cash provided by (used in) financing activities	<u>(4,427)</u>	<u>1,020,054</u>
Increase in cash and equivalents during the year	13,880	477,842
Cash and equivalents, beginning of year	<u>1,623,949</u>	<u>1,146,107</u>
Cash and equivalents, end of year	<u>\$ 1,637,829</u>	<u>\$ 1,623,949</u>
Cash and equivalents consists of:		
Cash	\$ 20,849	\$ 6,210
Term deposits	<u>1,616,980</u>	<u>1,617,739</u>
	<u>\$ 1,637,829</u>	<u>\$ 1,623,949</u>

Supplemental disclosure with respect to cash flows (Note 12)

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

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2007

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.

	2007	2006
Deficit	\$ (14,133,161)	\$ (13,946,022)
Working capital	1,606,270	1,577,932

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”) and Sennen Resources (Barbados) Ltd. All significant inter-company balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Cash and equivalents

Cash and equivalents consist of cash and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Equipment

Equipment is recorded at cost. Amortization is calculated using the following rates and methods:

Vehicle	30% declining balance
Computer equipment	30% declining balance
Leasehold improvements	3 years straight-line

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties and deferred exploration costs

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

Asset retirement obligations require recognition of a legal liability for obligations relating to retirement of property, plant and equipment, and arising from the acquisition, construction, development or normal operation of those assets. Such asset retirement cost must be recognized at fair value in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

Deferred costs

Deferred costs consist of legal and consulting costs relating to the sale of mineral properties and a subsidiary. These costs will be recorded as a reduction of income at the time the sale is completed or be expensed if the transaction does not complete.

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in the results of operations for the year.

Stock-based compensation

The Company uses the fair value method of accounting for all stock-based compensation. The Company estimates the fair value at the date of grant using the Black-Scholes option pricing model and expenses the fair value over the period of vesting. Any consideration paid by the option holders to purchase shares is credited to capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Future income taxes

Future income taxes are recorded for using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Diluted loss per common share has not been presented separately as this calculation proved to be anti-dilutive.

Basic and diluted loss per common share is calculated using the weighted average number of common shares outstanding during the year.

Comparative figures

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

3. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, receivables, accounts payable and accrued liabilities and obligation under capital lease. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Financial risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2007

4. EQUIPMENT

	Cost	Dispositions	Accumulated Amortization	Net Book Value
2007				
Vehicle under capital lease	\$ 96,020	\$ 36,459	\$ 59,561	\$ -
Leasehold improvements	<u>10,145</u>	<u>-</u>	<u>10,145</u>	<u>-</u>
	\$ 106,165	\$ 36,459	\$ 69,706	\$ -

	Cost	Accumulated Amortization	Net Book Value
2006			
Vehicle under capital lease	\$ 96,020	\$ 45,889	\$ 50,131
Leasehold improvements	10,145	6,763	3,382
Computer equipment	<u>3,885</u>	<u>3,885</u>	<u>-</u>
	\$ 110,050	\$ 56,537	\$ 53,513

5. DEPOSITS

Deposits was comprised of amounts paid to the Department of Mines and Energy of Australia as security for the coal deposits in Queensland, Australia.

6. MINERAL PROPERTIES

	Ownaview/ Middlemount/ Collingwood, Australia	Total
Balance at January 31, 2006 and 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.

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

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 Middlemount 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 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;
 - f) receipt of approximately \$1,825,000 (A\$2,000,000) and release of escrow funds referred to above upon Completion;

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2007

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

Ownaview/Middlemount/Collingwood Projects, Queensland, Australia

2. 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.

The Company has incurred costs of \$104,551 relating to the proposed sale of its mineral properties.

7. RELATED PARTY TRANSACTIONS

During the year ended January 31, 2007, the Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$144,000 (2006 - \$179,778) to a company controlled by a director and to a director.
 b) Paid or accrued management fees of \$72,000 (2006 - \$72,000) to a company controlled by an officer of the Company.
 c) Paid or accrued rent of \$48,000 (2006 - \$48,000) to a company controlled by a director.
 d) Paid or accrued directors' fees of \$20,000 (2006 - \$8,333) to a director of the Company.

As at January 31, 2007, accounts payable included \$7,609 (2006 - \$8,084) 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.

8. OBLIGATION UNDER CAPITAL LEASE

	2007	2006
Obligation under capital lease with imputed interest at 7.85 % per annum over a term expiring December 15, 2006, secured by a leased vehicle.	\$ -	\$ 56,584
Less: current portion	-	(56,584)
Balance of obligation	\$ -	\$ -

During the year ended January 31, 2007, the capital lease was terminated resulting in a gain of \$15,698. The leased vehicle is for use by directors of the Company.

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2007

9. 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, 2005	42,451,165	\$ 13,603,577	\$ 974,700
Exercise of warrants	<u>2,050,000</u>	<u>1,025,000</u>	<u>-</u>
Balance as at January 31, 2006	44,501,165	14,628,577	974,700
Stock-based compensation	<u>-</u>	<u>-</u>	<u>240,706</u>
Balance as at January 31, 2007	<u>44,501,165</u>	<u>\$ 14,628,577</u>	<u>\$ 1,215,406</u>

10. STOCK OPTIONS AND WARRANTS

Stock options

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. Under the plan, options vest on an 18 month vesting schedule and have a maximum term of five years.

At January 31, 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

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2007

10. 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, 2007	5,125,000	\$ 0.20
Exercisable as at January 31, 2007	3,239,375	\$ 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, \$240,706 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:

	January 31, 2007
Risk-free interest rate	3.95%
Expected life of options	2.1 years
Annualized volatility	96%
Dividend rate	0.00%

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2007

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

Stock-based compensation (cont'd...)

Warrants

Warrant transactions are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance as at January 31, 2005	10,123,234	\$	0.50
Expired	(8,073,234)		0.50
Exercised	<u>(2,050,000)</u>		0.50
Balance as at January 31, 2006 and 2007	-	\$	-

11. 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	\$	58,000
2009		60,000
2010		<u>10,000</u>
	\$	<u>128,000</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.

12. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2007		2006	
Cash paid for income taxes	\$	-	\$	-
Cash paid for interest	\$	3,573	\$	4,655

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2006

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

The significant non-cash transactions for the year ended January 31, 2007 consisted of:

- a) the accrual of \$20,341 for deferred costs; and
- b) the termination of a capital lease resulting in a reduction to each of equipment and obligation under capital lease of \$52,157.

There were no significant non-cash transactions during the year ended January 31, 2006.

13. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2007	2006
Loss before income taxes	\$ (187,139)	\$ (537,510)
Expected income tax (recovery)	\$ (66,621)	\$ (186,758)
Non-deductible and deductible expenses	(665)	8,208
Unrecognized benefits of non-capital losses	<u>67,286</u>	<u>178,550</u>
Actual income taxes	\$ -	\$ -

Details of the Company's future income tax assets are as follows:

	2007	2006
Future income tax assets:		
Mineral properties and deferred exploration costs	\$ 2,086,000	\$ 2,294,000
Other items	10,000	33,000
Non-capital loss carryforwards	<u>529,000</u>	<u>565,000</u>
	2,625,000	2,892,000
Valuation allowance	<u>(2,625,000)</u>	<u>(2,892,000)</u>
Net future income tax assets	\$ -	\$ -

The Company has non-capital losses carried forward of approximately \$1,700,000 which expire through to 2027. They may be utilized to offset future taxable income. Subject to certain restrictions, the Company also has resource expenditures of approximately \$6,730,000 available to reduce taxable income in future years. Future tax benefits, which may arise as a result of these losses and resource expenditures have not been recognized in these financial statements and have been offset by a valuation allowance.

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2007

14. 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:

	2007	2006
Canada	\$ -	\$ 53,513
Australia	<u>1</u>	<u>1</u>
	<u>\$ 1</u>	<u>\$ 53,514</u>

15. SUBSEQUENT EVENT

Subsequent to January 31, 2007, the Company entered into an agreement for the sale of its interest in the Collingwood and Ownaview Coal projects (Note 6) for a consideration of approximately \$9,135,000 (A\$10,000,000) subject to certain terms and conditions, as well as regulatory and shareholder approval.

SENNEN RESOURCES LTD.

Management Discussion and Analysis

For the Year ended January 31, 2007

This discussion and analysis of financial position and results of operations is prepared as at May 25, 2007 and should be read in conjunction with the audited consolidated financial statements for the year ended January 31, 2007 and the related notes thereto. Those audited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. 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 and exploration of mineral 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 January 31, 2007, the Company announced its intention to seek shareholder approval for the sale of the coal projects at a special general meeting to be held on May 31, 2007 (the "meeting").

Sale of Middlemount Deposit

Background

At the Meeting the Shareholders of the Company will be asked to approve the sale of all of the issued and outstanding shares of Ribfield Pty Ltd. ("Ribfield") (the "Shares") at a purchase price of A\$15,000,000 pursuant to an agreement dated November 13, 2006, ("Agreement") between the Company, its wholly owned subsidiary Huisan Inc. ("Huisan") (as Vendor), Ribfield, beneficially owned by Huisan, and Custom Mining (as purchaser).

As Ribfield is the owner of a 95% interest in Mineral Development Licence No. 282 ("**Middlemount Deposit**"), the sale of the Shares will result in the Company's disposition of its interest in the Middlemount Deposit.

The sale of the Shares and therefore the Middlemount Deposit is a sale of substantially all of the undertaking of the Company. Under the provisions of the British Columbia *Business Corporations Act* (the "BCA"), 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 the its shareholders. Hence the Company's request to hold a extraordinary general meeting.

Agreement

The following is a summary of certain material provisions of the Agreement. Such summary is not comprehensive and is qualified in its entirety by reference to the Agreement, a copy of which is available from the Company upon request.

Purchase Price

Pursuant to the Agreement, Huisan, has agreed to sell the to Custom Mining for the purchase price of A\$15,000,000 which is payable as follows:

- A\$500,000 was paid as a non-refundable deposit to Huisan by Custom Mining upon execution of the Agreement;
- A\$5,500,000 will be payable by Custom Mining to Huisan at Completion (defined below);
- A\$4,500,000 will be payable by Custom Mining to Huisan on the earlier of the first anniversary of Completion and "First Production", being the removal of 10,000 tonnes from its *in situ* location from the Middlemount Deposit for the purposes of sale; and
- A\$4,500,000 will be payable by Custom Mining to Huisan on the second anniversary of Completion.

To ensure payment of the outstanding purchase price following Completion, it is a condition of the Agreement that at Completion Custom Mining shall, at its sole cost, provide Huisan with the following bank guarantees which shall be issued by an Australian bank on terms that are satisfactory to Huisan:

- a bank guarantee for an amount of A\$4,500,000 for the period from the Completion Date until 10 Business Days after the first anniversary of Completion; and
- a bank guarantee for an amount of A\$4,500,000 for the period from the Completion Date until 10 Business Days after the second anniversary of Completion.

The Shares will be sold to Custom Mining free and clear of any encumbrances and on and from the Completion Date (defined below) Custom Mining will concurrently assume all of the obligations and liabilities of Huisan and the Company with respect to both Ribfield and the Middlemount Deposit.

With the exception of stamp duty, which is payable by Custom Mining, each party to the Agreement shall be responsible for the payment of any and all of its own expenses including, without limitation, the fees and expenses of counsel, accountants and other advisors arising out of the negotiation of the sale of Ribfield and the Middlemount Deposit.

Completion

The Agreement provides that completion of the sale and purchase of the Shares ("**Completion**") is contingent upon the satisfaction or waiver (on or before June 30, 2006 or such other date as the parties may agree in writing) of all the conditions to Completion provided for in the Agreement including those set out below ("**Completion Conditions**").

Completion is to occur on the fifth business day following the waiver or satisfaction of the Completion Conditions ("**Completion Date**").

Completion Conditions

Huisan's obligation to sell the Shares is, as at the date of preparation of this Information Circular, subject to the satisfaction or waiver in writing by Huisan and Custom Mining, of the following Completion Conditions:

- the Company obtaining all shareholder and other regulatory approvals which are necessary to permit Huisan to undertake all of the transactions contemplated by the Agreement, including but not limited to, any approvals required by the rules of the TSX Venture Exchange and the British Columbia Securities Commission;

- completion of the transfer from Ribfield to Racehorse Investments Inc. (another wholly owned subsidiary of Huisan) of Ribfield's interests in Mineral Development Licence No. 283 and Exploration Permit for Coal No. 640 (both located in Queensland, Australia) and the transfer of all of the liabilities of Ribfield other than those associated with the Middlemount Deposit;
- Ribfield and DJB executing a Deed of Termination of the Farmin and Joint Venture Heads of Agreement – Middlemount Deposit; and
- Ribfield preparing the relevant accounts and lodging all tax returns with the Australian Tax Office which are due to be lodged and promptly delivering copies of those tax returns and accounts to Custom Mining.

The Company and Huisan must use all reasonable efforts to ensure the Completion Conditions are satisfied by June 30, 2007.

Termination of the Agreement

The Agreement may be terminated in the following circumstances:

- in the event that the Completion Conditions are not satisfied or waived on or before June 30, 2007 or such later date as the parties agree in writing;
- in the event that completion under the DJB Middlemount Sale Agreement does not occur contemporaneously with Completion;
- at any time prior to Completion on notice in writing by the non-defaulting party to the defaulting party where the defaulting party has failed to comply with its material obligations under the Agreement, and that defaulting party has failed to remedy the breach (if the breach is capable of remedy) or comply with its obligations within 5 business days of receiving the non-defaulting party's notice; and
- if either Huisan or Custom Mining fail to fully comply with their material obligations on the Completion Date and Completion does not occur within 5 business days of that original Completion Date.

Sale of Collingwood and Ownaview Deposits

Background

On February 15, 2007, the Company announced that it had entered into a sale agreement dated February 14, 2007 with Anglo and Mitsui for the sale of its interests in Exploration Permit for Coal No. 640 ("**Collingwood Deposit**") and Mineral Development Licence No. 283 ("**Ownaview Deposit**"), both of which are located in Queensland, Australia ("**Prior Sale Agreement**"). Due to the internal reorganization required as a result of the sale of Ribfield to Custom Mining, the Company has decided to terminate and replace the Prior Sale Agreement with the following:

- (a) an agreement dated May 2, 2007 between the Company, Mitsui and Anglo (together as Purchasers) and Racehorse (as Vendor) in respect of the Company's interest (via Racehorse) in the Collingwood Sale Agreement ("**Collingwood Sale Agreement**"); and
- (b) a sale agreement dated May 2, 2007 between the Company, Mitsui and Anglo (together as Purchasers) and Racehorse (as Vendor) in respect of the Company's interest (via Racehorse) in the Ownaview Deposit ("**Ownaview Sale Agreement**").

The Prior Sale Agreement has been superseded by the Collingwood Sale Agreement and the Ownaview Sale Agreement which have been entered into on substantially the same terms and conditions as the Prior Sale Agreement.

The Shareholders are being asked at the Meeting to approve the sale of the:

- (a) Collingwood Deposit pursuant to the terms and conditions of Collingwood Sale Agreement; and

(b) Ownaview Deposit pursuant to the terms and conditions of Ownaview Sale Agreement.

As Racehorse is or is entitled to become the owner of a 90% interest in each of the Collingwood Deposit and the Ownaview Deposit, such sales will result in the Company's disposal of its entire interest in each of the Collingwood Deposit and the Ownaview Deposit.

Following Completion of the Agreement and as a result the Middlemount Deposit, the sale of the Collingwood Deposit and the Ownaview Deposit will constitute a sale of substantially all of the undertaking of the Company. A special resolution has to be passed by a majority of not less than two-thirds of the votes cast at the Meeting on the resolution by the holders of Common Shares who attend in person or by proxy.

Collingwood Sale Agreement

The following is a summary of certain material provisions of the Collingwood Sale Agreement. Such summary is not comprehensive and is qualified in its entirety by reference to the Collingwood Sale agreement, a copy of which is available from the Company upon request.

Purchase Price

Pursuant to the Collingwood Sale Agreement, Racehorse has agreed to sell the Collingwood Deposit to Mitsui/Anglo for the purchase price of A\$9,880,000 which will be payable to Racehorse by Mitsui/Anglo at Collingwood Completion (defined below).

The Collingwood Deposit will be sold to Mitsui/Anglo free and clear of any encumbrances and on and from the Collingwood Completion Date (defined below) Mitsui/Anglo will concurrently assume all of the obligations and liabilities of Racehorse and the Company with respect to the Collingwood Deposit.

With the exception of stamp duty, which is payable by Mitsui/Anglo, each party to the Collingwood Sale Agreement shall be responsible for the payment of any and all of its own expenses, including without limitation, the fees and expenses of counsel, accountants and other advisors arising out of the negotiation of the sale of the Collingwood Deposit.

Collingwood Completion

The Collingwood Sale Agreement provides that completion of the sale and purchase of the Collingwood Deposit is contingent upon the satisfaction or waiver (on or before June 30, 2006 or such other date as the parties may agree in writing) of all the conditions precedent to Collingwood Completion provided for in the Collingwood Sale Agreement including those set out below.

Collingwood Completion is to occur on the fifth business day following the waiver or satisfaction of the Collingwood Conditions Precedent.

Collingwood Conditions Precedent

Racehorse's obligation to sell the Collingwood Deposit is, as at the date of preparation of this Management Discussion and Analysis, subject to the satisfaction or waiver in writing by Racehorse, of the following Collingwood Conditions Precedent:

- the Company obtaining all shareholder and other regulatory approvals which are necessary to permit Racehorse to undertake all of the transactions contemplated by the Agreement, including but not limited to, any approvals required by the rules of the TSX Venture Exchange and the British Columbia Securities Commission;
- registration of the transfer to Racehorse of Ribfield's 90% interest in the Collingwood Deposit;
- Racehorse and DJB executing a Deed of Termination of the Farmin and Joint Venture Heads of Agreement Collingwood Deposit;
- Mitsui/Anglo obtaining FIRB Approval in respect of the acquisition of the Collingwood Deposit;

- Mitsui/Anglo obtaining any necessary approvals required in respect of Mitsui/Anglo's acquisition of the Collingwood Deposit under the *Mineral Resources Act 1989 (Qld)* and the *Environmental Protection Act 1994 (Qld)*; and
- lodgement with the Queensland Department of Minerals and Energy of a form of withdrawal of MDLA 346 in registrable form.

Contemporaneous Completion

Collingwood Completion is also conditional upon and subject to completion under the DJB Collingwood Sale Agreement occurring contemporaneously with Collingwood Completion and the parties must use all reasonable efforts to ensure that this occurs.

Termination of the Collingwood Sale Agreement

The Collingwood Sale Agreement may be terminated in the following circumstances:

- in the event that the Collingwood Conditions Precedent are not satisfied or waived on or before June 30, 2007 or such later date as the parties agree in writing;
- in the event that completion under the DJB Collingwood Sale Agreement does not occur contemporaneously with Collingwood Completion;
- by Mitsui/Anglo if at any time prior to Collingwood Completion, Mitsui/Anglo receives a notice in writing from Racehorse stating that Racehorse is in material breach of one of its warranties and such breach has not been remedied (if the breach is capable of remedy); and
- by Racehorse if Mitsui/Anglo defaults in the payment of the Purchase Price for more than 10 business days.

In the event that the Collingwood Sale Agreement is terminated due to the non-satisfaction or waiver of one of the Collingwood Conditions Precedent Mitsui/Anglo shall pay to Racehorse a break fee in the amount of A\$200,000.

The A\$200,000 break fee shall also be payable by Mitsui/Anglo to Racehorse where the Collingwood Sale Agreement is terminated due to the non-contemporaneous completion of the DJB Collingwood Sale Agreement.

Such payment shall only be made by Mitsui/Anglo where the termination has not occurred through any act, omission or fault of Racehorse or the Company or because the applicable transaction resolution has not been passed by the Company's shareholders.

Ownview Sale Agreement

The following is a summary of certain material provisions of the Ownview Sale Agreement. Such summary is not comprehensive and is qualified in its entirety by reference to the Ownview Sale agreement, a copy of which is available from the Company upon request.

Purchase Price

Pursuant to the Ownview Sale Agreement, Racehorse has agreed to sell the Ownview Deposit to Mitsui/Anglo for the purchase price of A\$100,000 which will be payable to Racehorse by Mitsui/Anglo at Ownview Completion (defined below).

The Ownview Deposit will be sold to Mitsui/Anglo free and clear of any encumbrances and on and from the Ownview Completion Date (defined below), Mitsui/Anglo will concurrently assume all of the obligations and liabilities of Racehorse and the Company with respect to the Ownview Deposit.

With the exception of stamp duty, which is payable by Mitsui/Anglo, each party to the Ownview Sale Agreement shall be responsible for the payment of any and all of its own expenses, including without limitation, the fees and expenses of counsel, accountants and other advisors arising out of the negotiation of the sale of the Ownview Deposit.

Ownaview Completion

The Ownaview Sale Agreement provides that completion of the sale and purchase of the Ownaview Deposit is contingent upon the satisfaction or waiver (on or before June 30, 2006 or such other date as the parties may agree in writing) of all the conditions precedent to Ownaview Completion provided for in the Ownaview Sale Agreement including those set out below.

Ownaview Completion is to occur on the fifth business day following the waiver or satisfaction of the Ownaview Conditions Precedent.

Ownaview Conditions Precedent

Racehorse's obligation to sell the Ownaview Deposit is, as at the date of preparation of this Management Discussion and Analysis, subject to the satisfaction or waiver in writing by Racehorse, of the following Ownaview Conditions Precedent:

- the Company obtaining all shareholder and other regulatory approvals which are necessary to permit Racehorse to undertake all of the transactions contemplated by the Agreement, including but not limited to, any approvals required by the rules of the TSX Venture Exchange and the British Columbia Securities Commission;
- registration of the transfer to Racehorse of Ribfield's 90% interest in the Ownaview Deposit;
- Racehorse and DJB executing a Deed of Termination of the Farmin and Joint Venture Heads of Agreement Ownaview Deposit;
- Mitsui/Anglo obtaining FIRB Approval in respect of the acquisition of the Ownaview Deposit;
- Mitsui/Anglo obtaining any necessary approvals required in respect of Mitsui/Anglo's acquisition of the Ownaview Deposit under the *Mineral Resources Act 1989 (Qld)* and the *Environmental Protection Act 1994 (Qld)*; and
- lodgement with the Queensland Department of Minerals and Energy of a form of withdrawal of MDLA 346 in registrable form.

Contemporaneous Completion

Ownaview Completion is also conditional upon and subject to completion under the both the DJB Ownaview Sale Agreement and the Collingwood Sale Agreement occurring contemporaneously with Ownaview Completion and the parties must use all reasonable efforts to ensure that this occurs.

Termination of the Ownaview Sale Agreement

The Ownaview Sale Agreement may be terminated in the following circumstances:

- in the event that the Ownaview Conditions Precedent are not satisfied or waived on or before June 30, 2007 or such later date as the parties agree in writing;
- in the event that completion under the DJB Ownaview Sale Agreement does not occur contemporaneously with Ownaview Completion;
- by Mitsui/Anglo if at any time prior to Ownaview Completion, Mitsui/Anglo receives a notice in writing from Racehorse stating that Racehorse is in material breach of one of its warranties and such breach has not been remedied (if the breach is capable of remedy); and
- by Racehorse if Mitsui/Anglo defaults in the payment of the Purchase Price for more than 10 business days.

The Company will announce the resolutions of the special general meeting once completed.

The Company has over Cdn\$1,300,000 in the Treasury and the joint venture partner is meeting financial commitments on the Queensland coal projects.

Selected Annual Financial Information

	Year Ended January 31, 2007	Year Ended January 31, 2006	Year Ended January 31, 2005
Interest income	\$ 50,234	\$ 39,164	\$ 27,632
Gain on pending sale of property	435,800	-	-
Net loss	187,139	537,510	3,949,364
Basic and diluted loss per share	0.01	0.01	0.10
Total assets	1,811,216	1,760,763	1,290,109
Total long-term liabilities	-	-	56,897
Cash dividends	-	-	-
Cash Flows from (Used In):			
Operating	\$ (316,096)	\$ (54,212)	\$ (474,532)
Investing	334,403	-	-
Financing	(4,427)	1,020,054	528,564
Net Increase	\$ 13,880	\$ 477,842	\$ 1,420,954

In fiscal 2005, the Company had a higher level of activity as a result of incurring property development expenditures of over \$1,600,000 on the Makapa property. During 2005, the Company elected not to proceed with the acquisition of this project and consequently all acquisition and deferred exploration costs were written-off to operations. During the year 1,066,272 share purchase warrants were exercised for total proceeds of \$535,324.

In fiscal 2006, the Company continued to focus on its coal projects in Australia and also new projects of merit. During the year, the Company's working capital position improved through the exercise of 2,050,000 share purchase warrants for total proceeds of \$1,025,000.

In fiscal 2007, the Company entered into a sale agreement on the Company's interest in the Middlemount coal deposit with Custom Mining (Middlemount) Pty Ltd. the Company received a non-refundable AUD\$500,000 (cdn\$435,800) in connection with the transaction. Also during fiscal 2007 the Company recorded stock-based compensation expense of \$240,706 in connection with the granting of 5,205,000 stock options during the year.

Results of Operations

During the year ended January 31, 2007, the Company incurred a loss of \$187,139 compared to a loss of \$537,510 for the year ended January 31, 2006. The significant changes during the year ended January 31, 2007 compared to the year ended January 31, 2006 are as follows:

- During the year ended January 31, 2007 the Company incurred administration fees of \$13,872 as compared to \$30,000 during the year ended January 31, 2006. The decrease was mainly due the termination of a month to month administration contract in February 2006.
- Consulting fees decreased to \$179,750 during the year ended January 31, 2007 from the \$277,615 incurred during the year ended January 31, 2006 due to additional consultants hired in the previous period in connection with the sale of the Middlemount coal project.

- During the year ended January 31, 2007 professional fees increased to \$20,000 from the \$8,333 incurred during the year ended January 31, 2006 as a result of a \$5,000 per quarter contract with one of the Company's directors. This contract commenced in September 2006.
- During the year ended January 31, 2007 the Company incurred office and miscellaneous expenses of \$17,530 as compared to the \$27,078 incurred during the year ended January 31, 2006. This decrease was due to decreased administrative expenses resulting from the Company's being less active in the current period than the prior period.
- Stock-based compensation expense of \$240,706 was recorded during the year ended January 31, 2007 with respect to 5,205,000 options granted during the current period. Pursuant to the Company's stock option plan, this amount represented the fair value of the vested options. There were no stock options granted and consequently there was no stock-based compensation expense recorded during the year ended January 31, 2006.
- Travel and related costs decreased to \$9,389 during the year ended January 31, 2007 from the \$17,509 incurred during the year ended January 31, 2006 due to the decrease in activity during the current year.
- Interest income of \$50,234 was earned during the year ended January 31, 2007 on cash held in short-term investments. This compares to interest income of \$39,164 earned during the year ended January 31, 2006.
- During the year ended January 31, 2007 the Company recorded a gain on the sale of mineral properties totaling \$435,800 (AUD\$500,000). This was a non-refundable deposit in connection with the sale of the Middlemount coal project. There was not a similar transaction in the year ended January 31, 2006.

Fourth Quarter Results

The Company recorded net income of \$334,823 for the three month period ended January 31, 2007 or \$0.01 per common share earnings compared to a loss of \$133,233 or \$0.01 per common share during the comparative period ended January 31, 2006. The net income in the current period was primarily a result of the \$435,800 (AUD\$500,000) from the gain on sale of mineral property. This was primarily in connection with non-refundable deposit received by the Company on the proposed sale of the Middlemount coal deposit. Otherwise, total administrative expenses between the two comparative periods were similar.

Quarterly Information

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

Summary of Quarterly Results

	Three Months Ended January 31, 2007	Three Months Ended October 31, 2006	Three Months Ended July 31, 2006	Three Months Ended April 30, 2006
Total assets	\$ 1,811,216	\$ 1,427,701	\$ 1,524,166	\$ 1,654,932
Working capital	1,606,270	1,258,820	1,370,362	1,482,700
Interest income	11,981	16,892	9,113	12,248
Gain on pending sale of mineral property	435,800	-	-	-
Net income (loss)	334,823	(115,589)	(211,740)	(194,633)
Earnings (loss) per share	0.01	(0.01)	(0.01)	(0.01)

	Three Months Ended January 31, 2006	Three Months Ended October 31, 2005	Three Months Ended July 31, 2005	Three Months Ended April 30, 2005
Total assets	\$ 1,760,763	\$ 1,881,073	\$ 2,040,285	\$ 2,199,518
Working capital	1,577,932	1,755,144	1,896,479	2,028,568
Interest income	11,168	10,716	10,384	6,896
Net income (loss)	(133,233)	(144,842)	(136,498)	(122,937)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)

The audited 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

The first quarter of 2006 operating costs increased slightly from the fourth quarter of 2005 as the result of some higher costs in filing and transfer agent fees. 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.

Liquidity and Capital Resources

The Company is in the development stage and therefore has no regular cash flow. At January 31, 2007, the Company had working capital of \$1,606,270, inclusive of cash on hand and short-term investments of \$1,637,829. This compares to working capital of \$1,577,932 at January 31, 2006, inclusive of cash on hand and equivalents of \$1,623,949.

The increase in cash during the year ended January 31, 2007, was primarily due to the \$435,800 (AUD\$500,000) non-refundable deposit received on the proposed sale of the Middlemount project.

As at January 31, 2007, the Company had current assets of \$1,706,664, total assets of \$1,811,216 and total liabilities of \$100,394. 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. During the current year incurred certain deferred expenses totaling \$104,551 towards the sale of its 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 \$144,000 (2006 - \$144,000) to Buccaneer Management Inc. a company controlled by Ian Rozier ("Rozier") a director of the Company.
- b) Paid or accrued consulting fees of \$Nil (2006-\$35,778) to Paul Ray, a director of the Company.
- c) Paid or accrued rent of \$48,000 (2006 - \$48,000) to 641485 B.C. Ltd. a Company controlled by Rozier.
- d) Paid or accrued management fees of \$72,000 (2006 - \$72,000) to Tabo Investments Ltd., a company controlled by Barbara Dunfield, the Chief Financial Officer of the Company.
- e) Paid or accrued director's fees of \$20,000 (2006 - \$8,333) to James Robertson ("Robertson"), a director of the Company.

As of January 31, 2007, accounts payable included \$7,609 (January 31, 2006 - \$8,084) owed to Robertson and to Eastern Platinum Limited, a company with a common director, Rozier.

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 Internal Controls over Financial Reporting

The CEO and CFO have evaluated the effectiveness of the Company's disclosure controls and procedures and have assessed the design of the Company's internal controls over financial reporting for the year ended January 31, 2007, pursuant to the certification requirements of Multilateral Instrument 52-109. They concluded that as of January 31, 2007, weaknesses existed in the design of internal control over financial reporting with respect to process controls and segregation of duties as a result of having a limited number of accounting staff both at head office and at the foreign subsidiaries.

The CEO and CFO have concluded that considering the size and stage of development of the Company and the best interests of its shareholders, the issue does not warrant the hiring of additional accounting staff to correct the lack of segregation of duties and its effect on process controls at this time.

The CEO and CFO acknowledge responsibility for the design of internal control over financial reporting (ICFR), and confirm that there were no changes in these controls that occurred during the three months ended December 31, 2006 which materially affected, or are reasonably likely to materially affect, the Company's internal control for financial reporting.

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 May 25, 2007.

Subsequent Events

The following event occurred subsequent to January 31, 2007:

The Company entered into an agreement for the sale of its interest in the Collingwood and Ownaview Coal projects for a consideration of approximately \$9,135,000 (A\$10,000,000) subject to certain terms and conditions, and regulatory and shareholder approval.

Additional Information

As at May 25, 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 and expiry dates ranging from April 2008 to November 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.