

SUPREME RESOURCES LTD.
(formerly Universal Energy Corp.)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the fiscal year ended June 30, 2007

Vellmer & Chang

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AUDITORS' REPORT

To the Shareholders of

Supreme Resources Ltd.

We have audited the consolidated balance sheet of Supreme Resources Ltd. (formerly Universal Energy Corp.) as at June 30, 2007 and the consolidated statements of operations and deficit and cash flows for the year 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 audit.

We conducted our audit 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 June 30, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The audited financial statements at June 30, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their issued report dated October 21, 2006.

Vancouver, Canada
October 22, 2007

"Vellmer & Chang"
Chartered Accountants

SUPREME RESOURCES LTD.

(formerly Universal Energy Corp.)

Consolidated Statements of Operations and Deficit
For the years ended June 30

	2007	2006
Expenses		
Bad debt	\$ 13,412	\$ -
Filing, transfer agent and reporting fees	26,937	28,773
Interest and bank charges	23,066	-
Management and administration	34,287	114,378
Occupancy cost	3,886	6,800
Office and miscellaneous	20,869	4,944
Professional fees	71,347	111,682
Stock-based compensation (Note 7)	-	172,329
Travel and promotion	11,414	8,796
Loss before other item	(205,218)	(447,702)
Other Items		
Currency exchange loss	(7,091)	-
Write-off of oil and gas properties and deferred costs (Note 3)	(495,363)	-
Write-off of mineral properties and deferred costs (Note 3)	-	(179,328)
Loss for the years	(707,672)	(627,030)
Deficit, beginning of years	(5,670,745)	(5,043,715)
Deficit, end of years	\$ (6,378,417)	\$ (5,670,745)
Basic and diluted loss per common share	\$ (0.03)	\$ (0.03)
Weighted average number of common shares outstanding		
- basic and diluted	23,015,710	18,273,376

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

SUPREME RESOURCES LTD.

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Consolidated Statements of Cash Flows
For the year ended June 30

	2007	2006
Cash flows from operating activities:		
Loss for the years	\$ (707,672)	\$ (627,030)
Items not affecting cash:		
Stock-based compensation	-	172,329
Write-off of oil and gas properties and deferred costs	495,363	-
Write-off of mineral properties and deferred costs	-	179,328
Unrealized foreign exchange loss (gain)	118	(1,995)
Bad debt	13,412	-
Changes in non-cash working capital items:		
Decrease (increase) - receivables	6,508	(2,853)
Decrease (increase) - prepaid expenses	8,806	(8,684)
Increase - accounts payable and accrued liabilities	55,780	127,081
Net cash used in operating activities	(127,685)	(161,824)
Cash flows from financing activities:		
Repayments from (to) related parties	-	(17,275)
Proceeds from loan payable	-	170,010
Shares issued for cash	163,621	558,590
Share issue costs	(2,047)	(18,118)
Deferred share issue costs	-	(10,665)
Net cash provided by financing activities	161,574	682,542
Cash flows from investing activities:		
Acquisition of mineral property	(20,000)	-
Acquisition of oil properties	-	(483,982)
Acquisition mineral properties and deferred costs	-	-
Net cash used in investing activities	(20,000)	(483,982)
Change in cash for the years	13,889	36,736
Cash (bank indebtedness), beginning of years	5,425	(31,311)
Cash, end of years	\$ 19,314	\$ 5,425
Cash paid during the years for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 9)

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

SUPREME RESOURCES LTD.

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Notes to the Consolidated Financial Statements

June 30, 2007

1. Nature of and continuance of operations:

Supreme Resources Ltd. (the "Company") was incorporated under the British Columbia Company Act on June 12, 1979 and is listed on the TSX Venture Exchange ("TSX-V"). On February 9, 2007 the Company changed its name from Universal Energy Corp. Previously, on January 9, 2006, the Company had changed its name from U.S. Platinum Inc. The Company's principal business activities changed from acquiring and developing oil and gas properties in central United States and Canada to acquiring and developing mining properties in Canada. To date the Company has not generated significant revenues from its operations and is considered to be in the exploration stage.

The attached consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and/or generate continued financial support in the form of share issuances. These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada.

The consolidated financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

	2007	2006
Working capital (deficiency)	\$ (331,866)	\$ (313,121)
Deficit	\$ (6,378,417)	\$ (5,670,745)

2. Significant accounting policies:

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Supreme Resources USA Ltd. ("Supreme USA"), formerly Universal Energy USA Ltd. ("Universal USA"), a company incorporated under the laws of Nevada, USA. Significant inter-company balances and transactions have been eliminated upon consolidation.

Foreign currency translation

Financial statements of the Company's foreign subsidiary are translated into Canadian dollar equivalents using the temporal method whereby all monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated at rates approximating those at the transaction dates. Gains and losses arising from translation of foreign currency monetary assets and liabilities at each year end are recognized in the statement of operations.

SUPREME RESOURCES LTD.

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Notes to the Consolidated Financial Statements

June 30, 2007

2. Significant accounting policies (cont'd...)

Oil and gas exploration

The Company follows the full cost method of accounting for its oil and gas exploration whereby all costs related to the acquisition of, exploring for and developing oil and natural gas reserves are capitalized. These costs, together with the estimated future costs to be incurred in developing proved reserves, are depleted or depreciated using the unit-of-production method based on the proved reserves before royalties as estimated by independent petroleum engineers. The costs of undeveloped properties are excluded from the costs subject to depletion, depreciation and amortization until it is determined whether proved reserves are attributable to the properties or impairment occurs.

Reserve estimates can have a significant impact on earnings, as they are a key component in the calculation of depletion, depreciation and amortization. A downward revision to the reserve estimate could result in higher depletion, depreciation and amortization and thus lower net earnings. In addition, estimated reserves are also used in the ceiling test. If the net capitalized costs exceed the calculated ceiling, the excess must be written off as an expense charged against earnings. The ceiling is equal to the estimated undiscounted future net revenue from proved reserves, based on year-end prices, plus the cost (net of impairments) of unproved properties less estimated future capital costs, future site restoration, general and administrative, financing and income tax costs.

Proceeds from the sale of oil and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would result in a change in the depletion rate of 20% or more.

The Company's oil and gas reserves will be evaluated and reported on by an independent petroleum engineer. The estimates of reserves is a subjective process as forecasts are based on engineering data, projected future rates of production, estimated future commodity prices and the timing of future expenditures, which are all subject to uncertainty and interpretation.

Management relies on professional industry consultants to determine whether losses from environmental, legal, and other contingencies are probable, and if so, how much to accrue for each contingency. On an ongoing basis, management evaluates its estimates and assumptions; however, actual amounts could differ from those based on such estimates and assumptions.

Mineral properties and deferred costs

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

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Notes to the Consolidated Financial Statements

June 30, 2007

2. Significant accounting policies (cont'd...)

Mineral properties (cont'd...)

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

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

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations, impairment of minerals claims and deferred exploration expenditures, rates for depletion and amortization and stock-based compensation. Actual results could differ from those estimates.

Future income taxes

The Company follows the asset and liability method of accounting for income taxes whereby 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 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 operations in the period in which the change is enacted or substantially assured. The amount of future income tax assets recognized is limited to the amount of the benefit that is likely to be realized.

Deferred share issue costs

Professional, consulting and regulatory fees as well as other costs that are directly attributable to financing transactions are deferred until such time as the transactions are completed. Share issue costs are charged to capital stock when the related shares are issued. Costs relating to financing transactions that are not completed are charged to operations.

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Notes to the Consolidated Financial Statements

June 30, 2007

2. Significant accounting policies (cont'd...)

Loss per share

The Company uses the treasury stock method to calculate diluted loss per share. Diluted loss per share considers the dilutive impact of the exercise of outstanding stock options, warrants and similar instruments as if the events had occurred at the beginning of the period or at time of issuance, if later. For the fiscal years ended June 30, 2007 and 2006, this calculation proved to be anti-dilutive. Basic loss per share is calculated using the weighted average number of common shares outstanding during the year.

Stock-based compensation

The Company accounts for stock options using the fair value method. Under the fair value method, options granted to employees and non-employees are charged against income over the period of vesting. The fair value of each option granted is estimated on the date of the grant using the Black-Scholes options pricing model. Any consideration paid upon exercise of stock options is credited to share capital.

Comparative figures

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

3. Mineral properties and deferred costs:

Expenditures and write-offs incurred on mineral properties were as follows:

	June 30, 2005	Expenditures (Write off)	June 30, 2006	Expenditures	June 30, 2007
G-10, McCrea Lake Area NWT					
Acquisition	\$159,600	\$ (159,600)	\$ -	\$ -	\$ -
Exploration	19,728	(19,728)	-	-	-
Ample-Goldmax, Lillooet, BC	-	-	-	20,000	20,000
	\$179,328	\$ (179,328)	\$ -	\$ 20,000	\$ 20,000

G-10, McCrea Lake Area, Southern Mining Division, Northwest Territories

In November 2001, the Company entered into an agreement with a company with common directors, to acquire an undivided 50% interest in the G-10 mineral claims in the McCrea Lake area for consideration of 1,596,000 common shares valued at \$159,600. During fiscal 2006, the Company decided not to pursue this interest, the agreement was permitted to lapse in February 2006 and related costs were written off to operations.

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Notes to the Consolidated Financial Statements

June 30, 2007

3. Mineral properties and deferred costs: (cont'd...)

Ample-Goldmax, Lillooet, BC

On May 7, 2007 the Company signed an Option Agreement securing an option on a block of mining claims located southwest of Lillooet, British Columbia. The option is being acquired for an initial payment of \$10,000 and the issuance of 500,000 common shares of the Company, of which 300,000 are issuable upon acceptance of the Agreement by the TSX Venture Exchange and the remaining 200,000 to be issued in the subsequent two years. As at June 30, 2007 no money had been paid nor had the shares been issued. However, the Company has expended \$20,000 in consulting fees which have been deferred. On July 30, 2007, the Company announced that the agreement had been accepted for filing by the TSX Venture Exchange.

4. Oil and gas properties and deferred costs:

Expenditures incurred on oil and gas properties were as follows:

	June 30, 2005	Expenditures	June 30, 2006	Expenditures (Write-offs)	June 30, 2007
Saturn I Property, Montana USA					
Acquisition	\$ -	\$ -	\$151,367	\$(151,366)	\$ 1
Saturn II Property, Montana USA					
Acquisition	-	-	344,115	(344,115)	-
	\$ -	\$ -	\$495,482	\$(495,481)	\$ 1

Saturn I Property, Daniels County Montana, USA:

In September 2005, the Company purchased a block of oil and gas leases, directly from the Montana state auction, referred to as the Saturn I Property for \$133,292 plus a finder's fee of \$6,575 and 100,000 shares of common stock valued at \$11,500 for a total acquisition cost of \$151,367. The agent retained a 3 1/3% overriding royalty. During the year, the Company wrote down the property to a nominal value of \$1.

Saturn II Property, Daniels County Montana, USA:

In January, 2006, the Company entered into a letter of intent agreement, subsequently amended, to purchase a 75% net working interest in certain oil and gas leases located in the State of Montana, referred to as the Saturn II Property.

In order to purchase the Saturn II Property, the Company paid \$344,115 (US\$300,000) and is required to pay US\$4,200,000 and issue 4,000,000 common shares as follows:

1. pay US\$2,850,000 and issue 2,000,000 common shares on or before May 31, 2006; and
2. pay US\$337,500 and issue 500,000 common shares on or before each of August 30, 2006, February 28, 2007, August 30, 2007 and February 28, 2008.

The Saturn II Property agreements expired on December 31, 2006. The Company has decided to abandon the property.

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June 30, 2007

5. Related party transactions:

During the year ended June 30, 2007 the Company entered into the following transactions with related parties:

- a) Paid or accrued \$Nil (2006- \$5,000) for occupancy cost to a former director.
- b) Paid or accrued \$25,050 (2006 - \$85,250) for management and administration costs to directors and former directors.
- c) Paid or accrued \$Nil (2006 - \$9,299) for consulting fees, included in professional fees, to a company controlled by a former director.
- d) Paid or accrued \$Nil (2006 - \$3,808) for consulting fees, included in management and administration costs, to a company controlled by a former director.
- e) Paid or accrued \$6,000 (2006 - \$Nil) for accounting services provided by a former officer of the Company
- f) Paid or accrued \$21,176 (2006 - \$Nil) for legal services provided by a director of the Company.
- g) Issued 460,000 common shares valued at \$34,000 for accounts payable of \$34,000 owed to directors.

Included in accounts payable and accrued liabilities is \$34,501 (2006 - \$43,532) owed to companies owned by directors and former directors for services provided.

Amounts due to and from related parties are non-interest bearing and with no fixed terms of repayment. Due from related party were written off during the year as the collectibility is uncertain.

These transactions were in the normal course of operations and have been recorded at the exchange amount, which is the amount agreed to by the related parties.

6. Loan payable:

In May 2006, the Company borrowed \$168,015 (US\$150,000) bearing interest at 12%, and secured by a promissory note and general security agreement on all of the current assets of the Company. The loan is due and payable on the earlier of receipt of private placement proceeds or May 1, 2008, and may be repaid at any time at the option of the Company.

The Company is contingently obligated, under certain terms and conditions, to grant the lender bonus warrants to acquire common shares of the Company up to an amount equivalent to 40% of the loan proceeds (US\$60,000).

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June 30, 2007

7. Share capital and contributed surplus:

(a) Authorized:

Unlimited common shares without par value

10,000,000 Class "A" preference shares with a par value of \$10 each

10,000,000 Class "B" preference shares with a par value of \$50 each

(b) Common shares issued:

	Number of shares	Share Capital	Contributed Surplus
Balance, June 30, 2005	14,086,393	\$ 5,165,437	\$ -
Issued during year:			
Issued for finder's fee (Note 4)	100,000	11,500	-
Private placement	6,755,000	540,400	-
Share issue costs	-	(18,118)	-
Exercise of options	181,900	18,190	-
Exercise of options for settlement of accounts payable	217,210	21,721	-
Fair value of stock-based compensation on exercise of options	-	45,852	(45,852)
Stock-based compensation	-	-	172,329
Balance, June 30, 2006	21,340,503	5,784,982	126,477
Issued during year:			
Private placements	2,517,246	163,621	-
Share issue costs	-	(42,528)	-
Issued for settlement of accounts payable	460,000	34,000	-
Balance, June 30, 2007	24,317,749	\$ 5,940,075	\$ 126,477

In September 2005, the Company issued 100,000 shares valued at \$11,500 as a finder's fee for the purchase of the Saturn I oil and gas property.

In December 2005 the Company completed a private placement consisting of 6,755,000 units at \$0.08 per unit for proceeds of \$540,400. Each unit consisted of one common share and one half of a common share purchase warrant. One whole warrant entitles the holder to acquire one common share at a price of \$0.15 for one year from the issue date. Finder's fees in the amount of \$18,118 were paid in cash.

In December 2006 the Company completed a private placement consisting of 1,517,246 units at \$0.065 per unit for proceeds of \$98,621. Each unit consisted of one common share and one half of a common share purchase warrant. One whole warrant entitles the holder to acquire one common share at a price of \$0.10 for one year to November 8, 2007. Finder's fees in the amount of \$18,118 were paid in cash.

In May 2007 the Company issued 460,000 common shares to settle \$34,000 in accounts payable.

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June 30, 2007

In April 2007 the Company completed a private placement consisting of 1,000,000 units at \$0.065 per unit for proceeds of \$65,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$0.12 for a period of one year.

(c) Share purchase warrants:

As at June 30, 2007, the Company had outstanding warrants enabling the holders to acquire common shares as follows:

Number Of Warrants	Exercise Price	Expiry Date
758,623	\$0.10	November 8, 2007
<u>1,000,000</u>	<u>\$0.12</u>	<u>April 18,2008</u>
1,758,623		

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at June 30, 2005	-	\$ -
Issued	3,377,500	0.15
Expired/cancelled	-	-
Exercised	-	-
Outstanding as at June 30, 2006	<u>3,377,500</u>	<u>0.15</u>
Issued	1,758,623	0.11
Expired/cancelled	(3,375,000)	(0.15)
Exercised	-	-
Outstanding as at June 30, 2007	<u>1,758,623</u>	<u>\$ 0.11</u>

SUPREME RESOURCES LTD.

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Notes to the Consolidated Financial Statements

June 30, 2007

7. Share capital and contributed surplus (cont'd...)

d) Stock options:

Option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding as at June 30, 2005	619,500	\$ 0.10
Granted	1,500,000	0.10
Expired/cancelled	(619,500)	-
Exercised	<u>(399,110)</u>	0.10
Outstanding as at June 30, 2006	1,100,890	0.10
Granted	450,000	0.10
Expired/cancelled	(1,550,890)	0.10
Exercised	<u>-</u>	<u>-</u>
Outstanding as at June 30, 2007	-	\$ -
Exercisable as at June 30, 2007	-	\$ -

During the year, the Company realized that the Company has mistakenly granted options when it has not obtained TSX Venture approval to do so. As a result, subsequent to the year end, the Company has cancelled all outstanding stock options.

(e) Stock-based compensation:

During fiscal 2007, the Company granted 450,000 stock options to directors and consultants of which all of these options have been cancelled subsequent to the year-end. As a result, no fair value was recorded.

During fiscal 2006, the Company granted 1,500,000 stock options to directors and consultants resulting in a total fair value of \$172,329 or \$0.11 per option. These options have a life of four years from the grant date and vest immediately upon grant.

The following assumptions were used for the Black-Scholes valuation of stock options and bonus warrants granted during fiscal 2006:

	2006
Risk-free interest rate	3.87%
Expected dividend yield	0.00%
Expected stock volatility	146%
Expected option life in years	4 years

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Notes to the Consolidated Financial Statements

June 30, 2007

8. Income taxes

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

	2007	2006
Loss before income taxes	\$ (707,672)	\$ (627,030)
Expected income tax recovery	\$ (220,757)	\$ (232,640)
Items not deductible for income tax purposes	-	142,952
Items deducted for income tax purposes	(4,138)	(4,350)
Unrecognized benefit of non-capital losses	224,895	94,038
Total income tax recovery	\$ -	\$ -

The significant components of the Company's future income tax assets are as follows:

	2007	2006
Future income tax assets:		
Non-capital loss carryforwards	\$ 345,000	\$ 251,000
Resource properties	363,000	176,000
Financing costs	13,000	15,000
	721,000	442,000
Valuation allowance	(721,000)	(442,000)
Net future income tax assets	\$ -	\$ -

The Company has approximately \$1,012,000 of non-capital losses which may be applied to reduce taxable income in future years. If not utilized, the losses expire through to 2027. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

9. Supplemental disclosure with respect to cash flows

During fiscal 2007, the significant non-cash transactions included:

The issuance of 460,000 common shares valued at \$34,000 for the settlement of accounts payable of \$34,000.

SUPREME RESOURCES LTD.

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Notes to the Consolidated Financial Statements

June 30, 2007

10. Financial instruments

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, loan payable, and amounts due from related parties. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

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

11. Segmented information:

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of oil and gas properties in Canada and the United States. During fiscal 2005, the Company operated primarily in the acquisition and exploration of mineral properties. Segmented information on a geographic basis is as follows:

	2007	2006
Capital assets		
Canada	\$ 20,000	\$ -
United States	1	495,482
	<u>\$ 20,001</u>	<u>\$ 495,482</u>

12. Subsequent events:

Subsequent to June 30, 2007, the Company:

- a) announced that on July 30, 2007, the option agreement on the Ample-Goldmax Property near Lillooet, B.C, has been accepted for filing by the TSX Venture Exchange and 300,000 common shares has been issued to the prospectors per the option agreement at a deemed value of \$0.08 per share.
- b) passed directors' resolutions to cancel all outstanding stock options and to write down Saturn I properties down to a nominal value.