

Supreme Resources Ltd.

(Formerly Universal Energy Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

For the quarter ended March 31st, 2007

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4 subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of the interim financial statements by an entity's auditor.

"Allan Levien"

Allan Levien, President

SUPREME RESOURCES LTD.

(formerly Universal Energy Corporation)

Consolidated Balance Sheets

(prepared by management without audit)

As at March 31, 2007 and June 30, 2006

	March 31, 2007	June 30, 2006
Assets		
Current assets		
Cash	\$ 47,154	\$ 5,425
Receivables	4,827	6,995
Prepaid expenses	1,043	9,684
	53,024	22,104
Oil and gas properties and deferred costs (Note 3)	493,388	495,482
Receivable from related parties (Note 4)	-	17,872
Deferred share issue costs	40,481	40,481
	\$ 586,893	\$ 575,939
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 132,050	\$ 167,210
Due to Related Party (Note 4)	54	-
Loan payable (Note 5)	168,015	168,015
	300,119	335,225
Shareholders' equity		
Share capital (Note 6)	5,915,556	5,784,982
Share capital subscribed	58,500	-
Contributed surplus (Note 6)	171,365	126,477
Deficit	(5,858,647)	(5,670,745)
	286,774	240,714
	\$ 586,893	\$ 575,939

Nature and continuance of operations (Note 1)

Subsequent events (Note 11)

Approved on behalf of the Board:

"Allan Levien"

Allan Levien, President

"John D. Davies"

John D. Davies, Director

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

SUPREME RESOURCES LTD.

(formerly Universal Energy Corporation)

Consolidated Statements of Operations and Deficit

(prepared by management without audit)

Nine-month period ended March 31

	3 months ended Mar 31, 2007	3 months ended Mar 31, 2006	9 months ended Mar 31, 2007	9 months ended Mar 31, 2006
Expenses				
Filing, transfer agent and reporting fees	\$ 10,382	\$ 12,467	\$ 19,734	\$ 26,669
Interest expense and bank charges	4,225	-	14,896	-
Management and administration	-	28,830	34,287	81,175
Occupancy cost	-	-	3,011	5,000
Office and miscellaneous	7,819	979	12,566	3,366
Professional fees	6,025	2,292	38,040	49,234
Stock based compensation	-	-	44,888	101,214
Travel and promotion	-	3,646	11,414	10,167
Loss for period before other item	(28,451)	(48,214)	(178,836)	(276,825)
Other Item:				
Currency exchange gain (loss)	(9,066)	-	(9,066)	-
Write-off of mineral property		(179,328)	-	(179,328)
Deficit, beginning of period	(5,821,130)	(5,272,326)	(5,670,745)	(5,043,715)
Deficit, end of period	<u>\$ (5,858,647)</u>	<u>\$ (5,499,868)</u>	<u>\$ (5,858,647)</u>	<u>\$ (5,499,868)</u>
Basic and diluted loss per common share	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>
Weighted avg. common shares outstanding	<u>22,935,527</u>	<u>21,087,737</u>	<u>21,925,327</u>	<u>17,335,637</u>

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

SUPREME RESOURCES LTD.

(formerly Universal Energy Corporation)
 Consolidated Statements of Cash Flows
 (prepared by management without audit)
 Nine-month period ended March 31

	3 months ended Mar 31, 2007	3 months ended Mar 31, 2006	9 months ended Mar 31, 2007	9 months ended Mar 31, 2006
Cash flows from operating activities:				
Loss for the period	\$ (37,517)	\$ (227,542)	\$ (187,902)	\$ (456,153)
Items not affecting cash				
Stock based compensation	-	-	44,888	101,214
Write-off of mineral property	-	179,328	-	179,328
Changes in non-cash working capital items:				
Decrease (increase) - receivables	844	5,283	2,168	990
Increase (decrease) - prepaid expenses	5,017	(2,675)	8,641	(11,843)
Increase (decrease) – accounts payable	(8,647)	4,336	(1,160)	13,364
Net cash used in operating activities	(40,303)	(41,270)	(133,365)	(173,100)
Cash flows from financing activities				
Advances from (to) related parties	17,926	21,721	17,926	13,406
Shares issued for cash	-	(6,500)	96,574	539,972
Share capital subscribed	58,500	-	58,500	-
Net cash provided by financing activities	76,426	15,221	173,000	553,378
Cash flows from investing activities				
Acquisition of oil properties and deferred costs	8,891	-	2,094	(319,972)
Net cash used in investing activities	8,891	-	2,094	(319,972)
Change in cash for the quarter	45,014	(26,049)	41,729	60,306
Cash (bank indebtedness), beginning of period	2,140	55,044	5,425	(31,311)
Cash (bank indebtedness), end of period	\$ 47,154	\$ 28,995	\$ 47,154	\$ 28,995
Cash paid during the period for:				
Interest	\$ -	\$ -	\$ -	\$ -
Income taxes	\$ -	\$ -	\$ -	\$ -

Supplemental disclosure with respect to cash flows (Note 8)

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

SUPREME RESOURCES LTD.

(formerly Universal Energy Corporation)
Notes to the Consolidated Financial Statements
(prepared by management without audit)
March 31, 2007

1. Nature of and continuance of operations

Universal Energy Corporation (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 November 21, 2005 the Company changed its name from U.S. Platinum Inc. On February 9, 2007, subsequent to the period ended October 31, 2006, the Company changed its name to Supreme Resources Ltd. and changed its trading symbol to (TSX-V:SPR). The Company's principal business activities include acquiring and developing oil and gas properties in central United States and 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 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.

	March 31, 2007	June 30, 2006
Working capital (deficiency)	\$ (247,095)	\$ (313,121)
Deficit	(5,858,647)	(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, 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.

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 and depreciation until it is determined whether proved reserves are attributable to the properties or impairment occurs.

SUPREME RESOURCES LTD.

(formerly Universal Energy Corporation)
Notes to the Consolidated Financial Statements
(prepared by management without audit)
March 31, 2007

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.

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.

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 three-month periods ended March 31, 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.

SUPREME RESOURCES LTD.

(formerly Universal Energy Corporation)
Notes to the Consolidated Financial Statements
(prepared by management without audit)
March 31, 2007

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. Oil and gas properties and deferred costs

Expenditures incurred on oil and gas properties were as follows:

	June 30, 2005	Expenditures (Write-offs)	June 30, 2006	Expenditures (Write-offs)	March 31, 2007
Saturn I Property, Montana USA					
Acquisition	\$ -	\$ 151,367	\$151,367	\$ (3,849)	\$ 147,518
Saturn II Property, Montana USA					
Acquisition	-	344,115	344,115	1,755	345,870
	\$ -	\$ 495,482	\$495,482	\$ (2,094)	\$ 493,388

Saturn I Property, Daniels County Montana, USA:

The Saturn I property, which is owned by the Company, is 4,098 acres of oil and gas leases in the Williston Basin in Daniels County, Montana, U.S.A. No work was done on the property in the period covered by this discussion.

Saturn II Property, Daniels County Montana, USA:

Pursuant to an agreement dated January 12th, 2006, as amended by agreements dated March 31st, 2006 and May 1st, 2006 (collectively, the "Saturn II LOI") between North American Technical Trading Company, Inc. ("NATT") and the Corporation, the Corporation agreed to purchase a 75% net working interest in 1,040 acres of oil and gas leases located in the State of Montana.

The Saturn II agreements expired on December 31, 2006. The Company's management has made a decision to negotiate the abandonment of its agreements to acquire the Saturn II property. The Company is attempting to use the title to the properties, and the Saturn I property, to negotiate its release from other agreements or to negotiate an ongoing royalty.

Goldmax Property, Lillooet, British Columbia, Canada

On May 7, 2007 the Company announced it had signed an Option Agreement securing an option on a block of mining claims located southwest of Lillooet, British Columbia.

The Ample Goldmax Property is located 8kms west of Lillooet along Highway 99 South, better known as the Duffy Lake Road. Numerous logging roads branching off Highway 99 South make this ground quite accessible except in the areas of the rock bluffs. This property comprises 294 units, or 5,828 hectares, straddles both sides of the Cayoosh Creek to the height of land, and extends along Cayoosh Creek for about 9kms. The claims are of interest due to the gold and silver showings that have been reported.

SUPREME RESOURCES LTD.

(formerly Universal Energy Corporation)
Notes to the Consolidated Financial Statements
(prepared by management without audit)
March 31, 2007

The Company understands that, over the past 20 years, there has been in excess of \$1,200,000 worth of work done on the claims. The Company will engage a consultant to analyze the results of the earlier work, and to recommend an initial program of exploration to be carried out on the claims by the Company.

The option is being acquired for an original payment of \$10,000 and requires the issuance, to maintain and exercise it, of 500,000 shares of the Company. Three hundred thousand (300,000) shares will be issuable upon acceptance of the Agreement by the TSX Venture Exchange and the remaining shares will be issued in tranches of one hundred thousand (100,000) each at 1-year intervals starting April 15, 2008. The Agreement reserves, to the Optionors, a Net Smelter Return royalty of 2.0% and provides that the Company can repurchase 1.0% of the royalty for \$1,000,000.

The Option Agreement is subject to acceptance for filing by the TSX Venture Exchange.

On May 15, 2007 the TSX Venture Exchange conditionally accepted for filing the Company's option agreement on the block of mining claims located southwest of Lillooet, British Columbia. Final acceptance is subject to the Company filing a geological report and other documentation with the Exchange.

On May 12, 2007 Allan Levien, President; Bill Percy, Consultant; and David Javorsky & Gary Polischuk, the Optionors, visited the property to make a determination as to the exploration work the Company should initiate and conduct on the property. It has been decided to do a geo-chem survey to extend the known mineralized zone on the property.

Mr. Bill Percy, formerly a Director of Supreme, has joined the Company as a consultant. Mr. John (Ziggy) Ziegler has resigned as a Director.

The Company is seeking to engage a Qualified Geologist to prepare a 43-101 Report on the Property.

Results of Exploration Activities – Operations

The results of operations reflect the overhead costs incurred for oil and gas acquisitions and exploration expenses incurred by the Corporation to maintain good standing with the various regulatory authorities and to provide an administrative infrastructure to manage the acquisition, exploration, and financing activities of the Corporation. General and administrative costs can be expected to increase or decrease in relation to the changes in activity required as property acquisitions and exploration continues. As at March 31, 2007, the Corporation has not yet recorded any revenues from its exploration projects.

Revenues

Due to the Corporation's status as an exploration and development stage resource issuer, the Corporation does not have revenues to report from its current operations at this time.

4. Related party transactions

During the nine-month period ended March 31, 2007, the Company entered into the following transactions with related parties:

1. Paid or accrued Nil (2006 - \$Nil) for occupancy cost to former directors;
2. Paid or accrued Nil (2006 - \$21,721) for management and administration costs to former directors; and
3. Paid or accrued Nil (2006 - \$Nil) for travel and promotion to former directors.

Included in accounts payable and accrued liabilities is \$54 (2006 - \$30,681) owed to directors, companies owned by directors and former directors for services provided.

SUPREME RESOURCES LTD.

(formerly Universal Energy Corporation)
Notes to the Consolidated Financial Statements
(prepared by management without audit)
March 31, 2007

Amounts due to and from related parties are non-interest bearing and with no fixed terms of repayment. 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.

5. Loan payable:

In May, 2006, the Company borrowed \$170,010 (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 (\$60,000).

6. 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
Shares issued for cash	1,517,246	98,621	-
Share issue costs	-	(2,047)	-
Shares issued for debts	500,000	34,000	-
Stock based compensation	-	-	44,888
Balance, March 31, 2007	23,357,749	\$ 5,915,556	\$ 171,365

SUPREME RESOURCES LTD.

(formerly Universal Energy Corporation)
Notes to the Consolidated Financial Statements
(prepared by management without audit)
March 31, 2007

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.

On July 5, 2006 the Company announced a non-brokered private placement of up to 4,615,385 units at \$0.065 per unit for proceeds of \$300,000.00. Each unit consists of one common share and one half of one purchase warrant, with each whole warrant exercisable into one common share at \$0.10 for a period of one year.

On September 6, 2006 the Company announced an increase of the non-brokered private placement announced July 5, 2006 to 11,538,462 units at \$.065 per unit for proceeds of \$750,000. Each unit consists of one common share and one half of one purchase warrant, with each whole warrant exercisable into one common share at \$0.10 for a period of one year.

On December 20, 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 from the issue date. Finder's fees in the amount of \$2,047 were paid in cash.

On March 17, 2007 the Company issued 500,000 common shares to settle debts of \$34,000.

On March 26, 2007 the Company signed private placement agreements to issue 1,000,000 units at \$0.065 per unit for net proceeds of \$65,000.00. Each unit will consist of one common share and one one-year share purchase warrant entitling the purchaser to purchase an additional share of the Company at \$0.12 per share.

(c) Share purchase warrants:

As at March 31, 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	December 20, 2007

SUPREME RESOURCES LTD.

(formerly Universal Energy Corporation)
 Notes to the Consolidated Financial Statements
 (prepared by management without audit)
 March 31, 2007

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding as at June 30, 2005	-	-
Granted	3,377,500	0.15
Expired/cancelled	-	-
Exercised	-	-
Outstanding as at June 30, 2006	<u>3,377,500</u>	0.15
Granted	758,623	0.10
Expired/cancelled	<u>3,377,500</u>	0.15
Outstanding as at March 31, 2007	758,623	\$ 0.10
Exercisable as at March 31, 2007	758,623	\$ 0.10

(d) Stock options:

The Company has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of options. The term of the stock options granted are fixed by the board of directors and are not to exceed 5 years. The exercise prices of the stock options granted may not be less than the minimum then specified by the rules of the TSX-V. Vesting periods are determined by the board of directors.

As at March 31, 2007, the Company had outstanding options enabling the holders to acquire common shares as follows:

Number of Options	Weight. Avg. Exercise Price	Expiry Date
630,000	\$ 0.10	December 16, 2009
100,000	\$ 0.10	September 12, 2011
1,000,000	\$ 0.10	April 18, 2008
<u>1,730,000</u>	<u>\$ 0.10</u>	

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)	0.10
Exercised	<u>(399,110)</u>	0.10
Outstanding as at June 30, 2006	1,100,890	0.10
Granted	800,000	0.10
Cancelled		
Outstanding as at March 31, 2007	<u>1,730,000</u>	\$ 0.10
Exercisable as at March 31, 2007	1,730,000	\$ 0.10

SUPREME RESOURCES LTD.

(formerly Universal Energy Corporation)
Notes to the Consolidated Financial Statements
(prepared by management without audit)
March 31, 2007

(e) Stock-based compensation:

On September 12, 2006, the Corporation granted 100,000 options to an Investor Relations consultant resulting in a total value of \$5,989. These options have a life of 5 years from the grant date and vested immediately upon granting.

On November 6, 2006, the Corporation granted 700,000 options to a director and a consultant resulting in a total value of \$38,898. These options have a life of 5 years from the grant date and vested immediately upon granting.

7. Income taxes

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

	Fiscal 2005-2006	Fiscal 2004-2005
Loss before income taxes	\$ (627,030)	\$ (120,711)
Expected income tax recovery	\$ (232,640)	\$ (48,429)
Items not deductible for income tax purposes	142,952	-
Items deducted for income tax purposes	(4,350)	-
Unrecognized benefit of non-capital losses	94,038	48,429
Total income tax recovery	\$ -	\$ -

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

	Fiscal 2005-2006	Fiscal 2004-2005
Future income tax assets:		
Non-capital loss carryforwards	\$ 251,000	\$ 198,000
Resource properties	176,000	139,000
Financing costs	15,000	-
	442,000	337,000
Valuation allowance	(442,000)	(337,000)
Net future income tax assets	\$ -	\$ -

The Company has approximately \$812,000 of non-capital losses which may be applied to reduce taxable income in future years. If not utilized, the losses expire through to 2026. 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.

8. Supplemental disclosure with respect to cash flows

On March 17, 2007 500,000 common shares were issued to settle debts of \$34,000.

SUPREME RESOURCES LTD.

(formerly Universal Energy Corporation)
Notes to the Consolidated Financial Statements
(prepared by management without audit)
March 31, 2007

9. Financial instruments

The Company's financial instruments consist of cash, receivables, bank indebtedness, accounts payable and accrued liabilities, loan payable, and amounts due to or 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.

10. 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. Segmented information on a geographic basis is as follows:

	Q3 ended Mar. 31, 2007	Fiscal 2005-2006
Capital assets		
Canada	\$ -	\$ 179,328
United States	493,388	495,482
	<u>\$ 493,388</u>	<u>\$ 674,810</u>

11. Subsequent events:

Subsequent to March 31, 2007, the Company had the following events:

The Company closed a private placement of 1,000,000 units for \$0.065 per unit. The Company received proceeds of \$65,000.00. Each unit consists of one common share of the Company and one one-year share purchase warrant exercisable for \$0.12 per share. The warrants will expire August 18, 2008.