

PITCHSTONE EXPLORATION LTD.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2007 and 2006

DE VISSER GRAY LLP

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of Pitchstone Exploration Ltd. ("the Company")

We have audited the consolidated balance sheets of Pitchstone Exploration Ltd. as at December 31, 2007 and 2006 and the consolidated statements of operations and retained earnings, 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 consolidated financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"De Visser Gray LLP"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
April 1, 2008

Consolidated Balance Sheets
 As at December 31

ASSETS	2007		2006	
Current				
Cash and cash equivalents	\$	11,681,184	\$	10,844,837
Accounts receivable		265,170		144,978
Income taxes receivable		-		190,179
Prepaid expenses		27,284		62,062
Due from Uranium One		15,376		17,542
Due from JCU		11,860		-
		12,000,874		11,259,598
Expenditures on Resource Properties (Note 4)		12,173,230		2,844,558
Equipment (Note 5)		48,595		53,385
	\$	24,222,699	\$	14,157,541

LIABILITIES

Current				
Accounts payable and accrued liabilities	\$	129,500	\$	71,717
Due to related parties (Note 7)		11,137		24,328
Due to Triex joint venture (Note 4b)		456,737		566,343
		597,374		662,388
Future Income Tax Liability (Note 9)		1,736,608		898,270
Deferred Gain on Uranium One Joint Venture (Note 6)		1,950,000		-
		4,283,982		1,560,658

SHAREHOLDERS' EQUITY

Share Capital (Note 8)		15,959,868		10,531,591
Contributed Surplus (Note 8)		1,871,657		562,963
Retained Earnings - Statement 2		2,107,192		1,502,329
		19,938,717		12,596,883
	\$	24,222,699	\$	14,157,541

Continuance of Operations (Note 1)

ON BEHALF OF THE BOARD:

"Edward A. G. Trueman"
 _____, Director

"Paul Geyer"
 _____, Director

- See Accompanying Notes -

Consolidated Statements of Operations and Retained Earnings
For the Years Ended December 31

	2007	2006
Revenues		
Option proceeds received in excess of resource properties costs	\$ 87,500	\$ 87,500
Overhead recoveries	182,501	200,651
Interest income	396,821	155,822
Equipment rental revenue	10,325	1,820
Gain on sale of marketable securities <i>(Note 3)</i>	-	2,129,763
Gain on contributed JV assets <i>(Note 6)</i>	2,050,000	-
Gain on sale of equipment	24,132	-
	<u>2,751,279</u>	<u>2,575,556</u>
Administrative Expenses		
Accounting and audit <i>(Note 7b)</i>	108,250	104,250
Amortization	58,231	27,182
Community relations	-	8,554
Directors' fees <i>(Note 7c)</i>	14,476	13,000
Filing fees	18,557	13,859
Insurance	39,958	26,493
Interest and bank charges	49,845	4,908
Investor relations	56,970	64,560
Legal fees	28,177	28,227
Management fees <i>(Note 7a)</i>	-	20,000
Meals and entertainment	13,157	5,898
Property investigation	4,589	2,000
Office expenses	64,906	54,094
Stock-based compensation <i>(Note 8)</i>	1,561,047	91,343
Transfer agent fees	12,259	19,413
Travel	40,357	25,807
Salaries and wages	477,392	211,644
	<u>2,548,171</u>	<u>721,232</u>
Income before Taxes	203,108	1,854,324
Income tax recovery (expense)	2,813	190,179
Future income tax recovery (expenses)	398,942	(666,144)
	<u>604,863</u>	<u>1,378,359</u>
Net Income for the Year	604,863	1,378,359
Retained earnings – Beginning of year	1,502,329	123,970
Retained Earnings – End of the Year	\$ 2,107,192	\$ 1,502,329
Income per Share – Basic	\$ 0.02	\$ 0.05
Income per Share - Diluted	\$ 0.02	\$ 0.05
Weighted Average Number of Shares Outstanding – Basic	29,277,599	25,161,637
Weighted Average Number of Shares Outstanding – Diluted	30,268,475	28,231,488

- See Accompanying Notes -

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Consolidated Statements of Cash Flows

For the Years Ended December 31

	2007	2006
Cash Flows from Operating Activities		
Net income for the year	\$ 604,863	\$ 1,610,485
Items not affected by cash		
Amortization	58,231	27,182
Future income tax expenses	(398,942)	434,018
Gain on sale of marketable securities	-	(2,129,763)
Gain on sale of exploration equipment	(24,132)	-
Option proceeds received	(87,500)	(87,500)
Stock-based compensation	1,561,047	91,343
Gain on contributed JV Assets	(2,050,000)	-
	<u>(336,433)</u>	<u>(54,235)</u>
Changes in non-cash working capital items		
Accounts receivable	(120,192)	(101,517)
Prepaid expenses	34,778	(42,054)
Accounts payable and accrued liabilities	57,781	18,361
Income taxes payable / receivable	190,179	(259,921)
Due to/from related parties	(13,190)	(8,458)
Due to/from joint venture partners	(119,300)	468,624
Net Cash (Used In) Operating Activities	<u>(306,377)</u>	<u>20,800</u>
Cash Flows from Investing Activities		
Resource property costs	(5,270,172)	(2,193,203)
Purchase of equipment	(29,308)	(73,278)
Net Cash (Used In) Investing Activities	<u>(5,299,480)</u>	<u>(2,266,481)</u>
Cash Flows from Financing Activities		
Options proceeds received	87,500	87,500
Proceeds received from sale of marketable securities	-	2,397,603
Cash received for shares issued	6,674,270	6,297,705
Financing costs	(319,566)	(347,536)
Net Cash Provided by Financing Activities	<u>6,442,204</u>	<u>8,435,272</u>
Net Increase in Cash and Cash Equivalents	836,347	6,189,591
Cash and Cash Equivalents – Beginning of year	10,844,837	4,655,246
Cash and Cash Equivalents – End of the Year	\$ <u>11,681,184</u>	\$ <u>10,844,837</u>
Cash and Cash Equivalents Comprised of:		
Cash	\$ 706,346	\$ 1,545,304
GIC	\$ 10,974,838	\$ 9,299,533
Supplementary Information		
Shares issued for property acquisition	\$ <u>58,500</u>	\$ -
Interest income received	\$ <u>364,813</u>	\$ 7,526

- See Accompanying Notes -

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

1. Nature and Continuance of Operations

The Company was incorporated under the British Columbia Company Act on April 24, 2003. The Company is an exploration stage company and engaged principally in the acquisition and exploration of resource properties. The recovery of the Company's investment in its resource properties is dependent upon the discovery, development and sale of mineral products and the ability to raise sufficient capital to finance this activity. The ultimate outcome of this activity cannot presently be determined because they are contingent on future matters.

2. Significant Accounting Policies

a) Basis of Consolidation

These annual consolidated financial statements include the accounts of the Company, the 50% interest in the joint venture with Uranium One Inc. ("Uranium One"), the 50% interest in the joint venture with Triex Minerals Corporation ("Triex), and the 37.5% interest in the joint venture with JCU (Canada) Exploration Company, Limited ("JCU").

b) Use of Estimates

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

c) Resource Properties and Deferred Exploration Expenditures

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration costs are capitalized on an individual project basis until such time as an economic ore body is defined or the project is abandoned. Costs for a producing deposit are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the projects abandoned are written-off.

The recoverability of the amount capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to mineral properties may involve inherent risks due to the difficulties of determining the validity of claims. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, titles to all of its properties are in good standing.

The Company conducts certain of its mineral exploration activity through joint ventures and accounts for these activities by the proportionate consolidation method under which the company's proportionate share of the joint ventures assets and liabilities are included in the Company's account.

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(An Exploration Stage Company)

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

2. Significant Accounting Policies - *Continued*

d) Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments, such as term deposits with major financial institutions, having a maturity of 12 months or less at acquisition, that are readily convertible to contracted amounts of cash.

e) Environmental Expenditures and Assets Retirement Obligations

The operations of the Company have been, and may in the future, be affected from time to time in varying degree by changes in environmental regulations, including those for future reclamation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future reclamation and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

f) Amortization

The Company provides for amortization on its fixed assets on a declining balance basis (one-half of the rate is taken in the year of acquisition).

Following are the amortization rates:

Computer equipment	30%
Office furniture	20%
Exploration equipment	30%
Computer software	100%

g) Income Taxes

The Company accounts for the future tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net assets are recognized. The Company has taken a valuation allowance against all potential tax assets.

h) Share Capital

- i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

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Notes to Consolidated Financial Statements

December 31, 2007 and 2006

2. Significant Accounting Policies - *Continued*

i) Flow-through Shares

The Company may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from the expenditure of the proceeds. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and share capital is reduced. Previously unrecognized tax assets may then offset this liability, which amount would then be included in income. During 2007, the Company recognized \$1,237,280 as a reduction of share capital and corresponding future income tax liability pursuant to the renunciations made in 2007.

j) Stock-based Compensation

The Company has a stock option plan as disclosed in Note 8. The Company has adopted the fair value method for stock-based compensation granted to employees, non-employees and for all direct awards of stock. The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and expected life of the options. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock.

k) Earnings per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method.

l) New Accounting Policies

Effective January 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments - Recognition and Measurement; and Section 3865, Hedges, retroactively without restatement. These new Handbook Sections, which apply to fiscal years beginning on or after October 1, 2006, provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting. Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with generally accepted accounting principles. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated. The adoption of these Handbook Sections had no impact on opening deficit.

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Notes to Consolidated Financial Statements

December 31, 2007 and 2006

2. Significant Accounting Policies - *Continued*

l) New Accounting Policies - *Continued*

Under Section 3855, financial instruments must be classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

Upon adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading, which are measured at fair value. Accounts receivable and income taxes receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities, due to/from related parties and joint venture partners are classified as other financial liabilities. The Company had neither available-for-sale, nor held-to-maturity instruments during the year ended December 31, 2007.

The Company had no "other comprehensive income or loss" transactions during the year ended December 31, 2007 and no opening or closing balances for accumulated other comprehensive income or loss.

3. Marketable Securities

The Company received an aggregate of 1,000,000 common shares and 1,500,000 share purchase warrants of Uranium One Inc. (formerly Southern Cross Resources Inc., "SXRU1") (500,000 common shares and 750,000 share purchase warrants were received on September 16, 2004 and the remaining 500,000 common shares and 750,000 share purchase warrants were received on January 4, 2005) as a part of the option payment for the Athabasca Properties (Note 4a).

The balances of 288,000 Uranium One shares and 1,500,000 share purchase warrants were converted into 57,600 shares and 300,000 share purchases warrants outstanding as of December 31, 2005, due to a five-to-one roll back performed by Uranium One in December 2005.

During the year ended December 31, 2006, 57,600 common shares of SXRU1 and 300,000 share purchase warrants were sold and a gain of \$2,129,763 was recorded by the Company. As at December 31, 2006, there were no marketable securities remaining in the Company.

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Notes to Consolidated Financial Statements

December 31, 2007 and 2006

4. Expenditures on Resource Properties

	Athabasca Basin JV Properties, Saskatchewan (Note 4a)	Hornby Bay Basin JV Properties, Nunavut/ Northwest Territories (Note 4b)	100% Owned Properties, Saskatchewan (Note 4c)	Gabon Optioned Properties, Africa (Note 4d)	Namibia Optioned Properties, Africa (Note 4e)	Total
Balance at December 31, 2005	\$ (31,484)	\$ 585,660	\$ 97,179	\$ -	\$ -	\$ 651,355
Aircraft charter	73,900	-	4,329	-	-	78,229
Camp and general	48,817	163	3,770	-	-	52,750
Drilling	107,129	768,279	-	-	-	875,408
Geological	117,189	196,574	625	-	-	314,388
Geophysical	11,558	181,851	418,952	-	-	612,361
Linecutting and chaining	-	-	85,711	-	-	85,711
Mineral claims expenses	369	37,099	226	-	-	37,694
Overhead	-	118,451	-	-	-	118,451
Sampling and analysis	1,175	132,484	-	-	-	133,659
Travel	2,804	5,135	767	13,031	-	21,737
Recovery from optionee	(91,667)	-	-	-	-	(91,667)
Government assistance	-	-	(45,518)	-	-	(45,518)
Total expenditures for the year	271,274	1,440,036	468,862	13,031	-	2,193,203
Balance at December 31, 2006	\$ 239,790	\$ 2,025,696	\$ 566,041	\$ 13,031	\$ -	\$ 2,844,558
Aircraft charter	272,110	-	293,451	-	-	565,561
Camp and general	482,265	27,905	212,306	4,250	358	727,084
Drilling	961,767	824,686	617,243	-	-	2,403,696
Geological	84,630	(111,352)	30,262	72,595	157,304	233,439
Geochemical	-	-	-	-	16,343	16,343
Geophysical	103,763	23,400	29,483	151,877	126,671	435,194
Linecutting and chaining	79,449	-	31,524	-	-	110,973
Mineral claims expenses	526	195,446	59,353	3,254	88,833	347,412
Overhead	-	100,977	-	-	-	100,977
Sampling and analysis	35,212	312,830	20,743	-	-	368,785
Travel	26,808	3,351	12,475	21,332	37,804	101,770
Recovery from JV partner	(79,110)	-	-	-	-	(79,110)
Government assistance	-	-	(3,452)	-	-	(3,452)
50% interest in joint venture	4,000,000	-	-	-	-	4,000,000
Total expenditures for the year	5,967,420	1,377,243	1,303,388	253,308	427,313	9,328,672
Balance at December 31, 2007	\$ 6,207,210	\$ 3,402,939	\$ 1,869,429	\$ 266,339	\$ 427,313	\$ 12,173,230

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

4. Expenditures on Resource Properties - Continued

Cumulative totals as of December 31, 2007:	Athabasca Basin Properties, Saskatchewan (Note 4a)	Hornby Bay Basin Properties, Nunavut/ Northwest Territories (Note 4b)	100% Owned Properties, Saskatchewan (Note 4c)	Gabon Optioned Properties, Africa (Note 4d)	Namibia Optioned Properties, Africa (Note 4e)	Total
Aircraft charter	\$ 346,009	\$ -	\$ 297,781	\$ -	\$ -	\$ 643,790
Camp and general	531,083	33,479	216,504	4,250	358	785,674
Drilling	1,068,896	1,592,965	617,243	-	-	3,279,104
Geological	201,819	350,844	35,668	72,595	157,304	818,230
Geophysical	115,321	442,959	479,581	151,877	126,671	1,316,409
Geochemical	-	-	-	-	16,343	16,343
Linecutting and chaining	79,449	-	117,235	-	-	196,684
Mineral claims expenses	895	260,596	120,402	3,254	88,833	473,980
Overhead	-	267,025	-	-	-	267,025
Sampling and analysis	36,387	446,347	20,743	-	-	503,477
Travel and accommodation	29,612	8,724	13,242	34,363	37,804	123,745
Recovery from optionee	(170,777)	-	-	-	-	(170,777)
Government assistance	(31,484)	-	(48,970)	-	-	(80,454)
50% interest in joint venture	4,000,000	-	-	-	-	4,000,000
Balance at December 31, 2007	\$ 6,207,210	\$ 3,402,939	\$ 1,869,429	\$ 266,339	\$ 427,313	\$ 12,173,230

a. Athabasca Basin Properties, Saskatchewan - Uranium One Joint Venture

In January 2007, the Company and Uranium One, a TSX listed company, entered into a 50:50 joint venture to explore and develop the Athabasca Basin properties. Uranium One now holds the remaining 50% interest in the Darby, Waterfound, Moon Lake and Lynx Lake properties and 37.5%, or 50% of the Company's 75% interest, in the Candle property. The Company is the operator of the five joint venture properties.

In order to exercise its 50% option and to earn a 50% interest, Uranium One made total cash payments of \$350,000 (the last payment of \$87,500 was made on January 11, 2007), issued an aggregate of 200,000 common shares and 300,000 share purchase warrants, and funded \$4,000,000 of aggregate exploration expenditures on the five Athabasca Basin properties. In accordance with CICA 3055, Investments in Joint Ventures, the Company recognized its 50% interest in the joint venture at \$4,000,000, equivalent to the \$4,000,000 spent by Uranium One. Refer to note 6.

As of December 31, 2007, the Company's 50% portion of exploration expenditures on these five properties totalled \$6,207,210 (2006: \$239,790). This total includes deemed value of the properties.

	2007	2006
50% interest in joint venture	\$ 4,000,000	\$ -
Darby Property	1,600,568	260,203
Waterfound Property	277,365	1,168
Lynx Lake Property	35,565	5,963
Moon Lake Property	151	20
Candle Property	325,045	3,920
Unallocated assistance received	(31,484)	(31,484)
	\$ 6,207,210	\$ 239,790

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

4. Expenditures on Resource Properties – *Continued*

a. Athabasca Basin Properties, Saskatchewan - Uranium One Joint Venture – *Continued*

Darby Property

In 2003, the Company acquired from the President of the Company mineral claims totalling approximately 11,015 hectares in the Close Lake area of the Athabasca Basin, Saskatchewan by issuing 1,166,657 (4,666,628 after stock split) common shares at a deemed pre-split price of \$0.04 per share. In 2004 and 2005, the Company acquired additional 2,383 and 3,323 hectare claims in the same area by way of staking.

Candle Property

The Candle property mineral claim totals approximately 2,595 hectares in the Close Lake area of the Athabasca Basin, Saskatchewan and is contiguous with the Company's Darby property.

On April 3, 2004 the Company signed an option agreement with JCU in respect of the Candle property whereby the Company could acquire a 75% undivided interest in the property.

In March 2007, the Company and Uranium One jointly earned a 75% interest in the property by spending \$1 million in exploration expenditures. The remaining 25% interest is held by JCU and the parties are proceeding on a 75:25 joint venture basis for all future exploration on the property.

Waterfound Property

In 2003, the Company acquired a mineral claim totalling approximately 1,694 hectares in the Athabasca Basin, Saskatchewan by way of staking. In April 2005, the Company staked an additional 2,430 hectares contiguous with the original claim. The property is located 55km north of the Company's Darby and Candle properties.

Lynx Lake Property

In 2004, the Company acquired a mineral claim totalling approximately 1,274 hectares in the Athabasca Basin, Saskatchewan by way of staking. The property is located 35km southwest of the Company's Darby and Candle properties.

Moon Lake Property

In 2003, the Company acquired a mineral claim totalling approximately 1,637 hectares in the Athabasca Basin, Saskatchewan by way of staking. In March 2004, the Company staked an additional 2,953 hectares contiguous with the original claim. The property is located 55km southwest of the Company's Darby and Candle properties.

b. Hornby Bay Basin Properties, Nunavut and Northwest Territories – Triex Joint Venture

On May 9, 2005, the Company entered into a 50:50 joint venture to explore and develop the Mountain Lake, Dismal Lake, and Leith properties, located in the Hornby Bay Basin of Nunavut and Northwest Territories, with Triex, a TSX Venture Exchange listed company, which holds the remaining 50% interest in the properties.

In April 2006, two claim blocks totalling 59,760 hectares were optioned by the Company and Triex – the Dismal Lake property and part of the Mountain Lake property. The Company and Triex have paid a total of \$35,000 in cash to the property vendors, Ur-Energy Inc. ("URE") and Patrician Diamonds Inc. ("Patrician"), and in addition expenditures of \$1,225,000 were required on the two properties by September 30, 2007. As at December 31, 2007, the earn-in requirements were met and the Company and Triex have completed the purchase of these properties subject to a 5% net smelter return royalty retained by the property vendors. The Company and Triex have the right to purchase one half of the retained royalty for \$5,000,000 for each property.

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Notes to Consolidated Financial Statements

December 31, 2007 and 2006

4. Expenditures on Resource Properties – *Continued*

b. Hornby Bay Basin Properties, Nunavut and Northwest Territories – Triex Joint Venture – *Continued*

In July 2006, the Company and Triex acquired 100% of the Kendall River property from Aramis Ventures Inc. (“Aramis”). The purchase terms included a cash payment of \$25,000 (paid) and completion of \$50,000 (requirement met) of assessment work on the property. The vendor will retain a 5% net smelter return royalty of which the Company and Triex have the right to purchase half of the retained royalty for \$2.5 million.

Triex is the operator of these properties. As of December 31, 2007 and 2006, Triex and the Company incurred a total of \$6,538,853 and \$4,063,430 respectively, on exploration expenditures on the Hornby Bay Basin properties.

As of December 31, 2007 and 2006, the Company spent a total of \$3,402,939 and \$2,025,696, respectively, on the joint venture properties.

	2007		2006	
Mountain Lake Property	\$	1,547,029	\$	1,278,500
Mountain Lake – URE		410,511		187,871
West Dismal Property		305,874		115,620
Leith Property		70,487		62,558
Patrician Property		346,596		-
Dismal Lake - URE		582,207		269,793
Kendall River Property		140,235		111,354
	\$	3,402,939	\$	2,025,696

Mountain Lake Property

In 2004, the Company acquired a 50% interest in the Mountain Lake uranium property located in the Hornby Bay Basin, Nunavut. The property is situated approximately 550 kilometres north of Yellowknife, 100 kilometres south of Kugluktuk (formerly Coppermine), Nunavut, and comprises 8 mineral claims totalling 6,647 hectares.

In 2006, the Company and Triex acquired from URE an additional 41 claims (38,544 hectares) contiguous with the original Mountain Lake property.

West Dismal Property

In 2005, Triex was granted seven prospecting permits comprising 105,097 hectares in the Northwest Territories and Nunavut for uranium exploration where Triex holds these permits in a 50-50 joint venture with the Company. These permits are situated approximately 70 kilometres west of the Mountain Lake property, 570 kilometres north of Yellowknife, Northwest Territories and 150 kilometres southwest of Kugluktuk, Nunavut. Five of the seven permits are located partly or totally in the Northwest Territories.

In May 2005, Triex staked two strategic areas contiguous to the West Dismal permits, designated as the Sandy Creek claims (10,451 hectares) and Dease River claims (2,090 hectares). These claims are also jointly owned by Triex and the Company and comprise part of the West Dismal property.

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4. Expenditures on Resource Properties – Continued

b. Hornby Bay Basin Properties, Nunavut and Northwest Territories – Triex Joint Venture – Continued

Leith Property

In 2005, Triex was granted two prospecting permits comprising 32,722 hectares in the Northwest Territories for uranium exploration where the Company has a 50-50 joint venture with Triex in these permits. These permits are situated approximately 400 kilometres northwest of Yellowknife.

Dismal Lake Property

In 2006, the Company and Triex acquired 17 claims (13,921 hectares) from URE and 10 claims (7,295 hectares) from Patrician. These contiguous claims are prospective for uranium and are situated 40 kilometers northwest of the Mountain Lake property in the Hornby Bay Basin, Nunavut.

Kendall River Property

In 2006, the Company and Triex acquired 4 claims (4,180 hectares) from Aramis. The Kendall River Property is prospective for uranium and is situated 15 kilometres southeast of the Mountain Lake property in the Hornby Bay Basin, Nunavut.

c. 100% Owned Properties, Saskatchewan

As of December 31, 2007 and 2006, the Company spent a total of \$1,869,429 and \$566,041, respectively, on its 100% owned properties.

	2007	2006
Fireweed	\$ 808,838	\$ 361,982
Gumboot	885,953	148,059
Fisher	114,560	56,000
Marten	26,040	-
Wolverine	34,038	-
	<u>\$ 1,869,429</u>	<u>\$ 566,041</u>

Fireweed Property

The Fireweed property (10,921 hectares) is centered 15 kilometers northwest of the Company's Darby-Candle properties and was acquired in October 2004 by way of staking.

Gumboot Property

The Gumboot property (4,196 hectares) is centered 20 kilometers north of the Company's Darby-Candle properties and was acquired in November 2004 by way of staking.

Fisher Property

In November 2005, the Company acquired the 3,349-hectare Fisher property by way of staking. Fisher is located 40 kilometers north of the Company's Darby-Candle properties.

Marten and Wolverine Properties

In June 2007, the Company acquired the Marten and Wolverine properties in the Athabasca Basin, Saskatchewan by way of staking. Marten (2,768 hectares) is located 40 kilometers east-southeast of the Company's Darby-Candle properties. Wolverine (3,632 hectares) is located 30 kilometers southeast of the Company's Darby-Candle properties.

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4. Expenditures on Resource Properties – *Continued*

d. Gabon Optioned Properties, Africa

On February 26, 2006, the Company together with Cameco Corporation (“Cameco”) signed a Letter Agreement, subject to the satisfactory completion of a due diligence review, with Motapa Diamonds Inc. (“Motapa”) to jointly explore Motapa’s uranium-gold-manganese exploration licenses in Gabon, Africa. Motapa holds the exclusive rights to explore for uranium, gold and manganese on approximately 600,000 hectares of the Franceville Basin in central Gabon. The Company, Cameco and Motapa removed all subjects and finalized the Letter Agreement on June 12, 2006.

Terms of the Letter Agreement provide Cameco and the Company with the option to earn a 56% (28% each) interest in the licences by incurring exploration expenditures of \$3,500,000 (\$1,750,000 each) over a four year period. In addition the parties will have a second option to acquire an additional 24% interest (12% each) by expending a further \$8,500,000 (\$4,250,000 each) within three years following the completion of initial vesting. The Company’s commitment is \$200,000 during the first year of exploration, which began January 1, 2007.

As at December 31, 2007 and 2006, the Company had spent \$266,339 and \$13,031 on the Gabon optioned properties.

e. Namibia Optioned Properties, Africa

The Company entered into a Letter Agreement on January 18, 2007, amended on March 21, 2007, with Manica Minerals Ltd. (“Manica”) to acquire a 51% interest in three uranium exploration properties in Namibia, Africa. The initial option may be exercised by spending \$900,000 in exploration work on the properties by November 9, 2008 and making the following cash payments to Manica:

- \$15,000 on signing the Letter Agreement (paid),
- \$25,000 by the first anniversary of the date of the Letter Agreement (paid)
- \$35,000 by the second anniversary of the date of the Letter Agreement.

Once the initial option has been exercised, the Company will have a second and a third option to earn a further 20% and 9% interest in the properties, respectively, for a total interest of up to 80%, by expending an additional \$1,400,000 in exploration on the properties by January 18, 2011 and then completing a positive feasibility study by an independent mutually acceptable qualified party.

In addition, on April 20, 2007, the Company issued 15,000 common shares to Manica, for a right of first refusal on new uranium exploration properties located by Manica in Namibia (Note 8e).

As at December 31, 2007 and 2006, the Company had spent \$427,313 and \$Nil, respectively, on the Namibia optioned properties.

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5. Equipment

Details are as follows:

	Cost as of January 1, 2007	Additions	Accumulated Amortization	Net Book Value as at December 31, 2007	Net Book Value as at December 31, 2006
Computer equipment	\$ 12,252	\$ 3,566	\$ 6,252	\$ 9,566	\$ 9,336
Office furniture	5,677	1,810	1,771	5,716	5,109
Exploration equipment	23,101	23,933	13,721	33,313	18,528
Computer software	40,823	-	40,823	-	20,412
	<u>\$ 81,853</u>	<u>\$ 29,309</u>	<u>\$ 62,567</u>	<u>\$ 48,595</u>	<u>\$ 53,385</u>

6. Deferred Gain on Uranium One Joint Venture

In January 2007, the Company and Uranium One formed a 50:50 joint venture (Note 4a). With Uranium One having funded \$4,000,000 towards the Athabasca Properties, the Company's 50% interest in the joint venture is deemed to have a value of \$4,000,000 and the Company has recorded a net gain of \$4,000,000. The Company recognized as income \$2,000,000 of the amount of the gain (50% of Uranium One's \$4,000,000 contribution to exploration expenses) and the remaining 50% gain will be deferred and amortized over the life of the joint venture, or the life of the assets being contributed, which is deemed to have a life of 40 years and amortized on a straight line basis.

As of December 31, 2007, \$50,000 of the remaining gain was amortized.

7. Related Party Transactions

Except as noted elsewhere in these consolidated financial statements, related party transactions are as follows:

- During the year ended December 31, 2007, the President was paid \$Nil management fees (2006: \$20,000). As at December 31, 2007, \$Nil was owed to the President (2006: \$Nil).
- During the year ended December 31, 2007, the Company incurred \$90,000 for accounting and administrative fees (2006: \$83,500) from Pacific Opportunity Capital Ltd., a company of which the Chief Financial Officer is the President and a Director. As at December 31, 2007, \$Nil (2006: \$17,490) was owed to Pacific Opportunity Capital Ltd.
- During the year ended December 31, 2007, the Company incurred directors' fees of \$14,476 (2006: \$13,000) to non-executive directors. As at December 31, 2007, the Company owed \$11,137 (2006: \$6,838) of director's fees to a non-executive director.

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December 31, 2007 and 2006

8. Share Capital

Authorized: Unlimited number of common shares without par value

	Number	Amount	Contributed Surplus
Issued and fully paid:			
Balance as at December 31, 2005	23,115,060	\$ 4,616,271	\$ 436,771
Private Placement (Note 8a)	2,200,000	4,180,000	-
Share Issue Costs (Note 8a)		(455,061)	107,524
Exercise of Warrants (Note 8b)	2,711,117	1,897,781	-
Exercise of Brokers' Warrants (Note 8c)	374,908	206,200	-
Exercise of Options (Note 8d)	12,500	13,725	-
Fair value of Brokers' Warrants and Options Exercised (Notes 8c and d)	-	72,675	(72,675)
Stock based compensation	-	-	91,343
Balance as at December 31, 2006	28,413,585	\$ 10,531,591	\$ 562,963
Property acquisition (Note 8e)	15,000	58,500	-
Exercise of Options (Note 8f)	375,000	298,050	-
Exercise of Brokers' Warrants (Note 8a)	132,000	250,800	-
Private Placement (Note 8g)	1,000,000	3,000,000	-
Private Placement – Flow-through Shares (Note 8h)	1,008,200	3,125,420	-
Flow-through Share Tax Recovery	-	(1,237,280)	-
Share Issue Costs (Notes 8g and 8h)	-	(319,566)	-
Stock-based Compensation	-	-	1,561,047
Fair value of Brokers' Warrants and Options Exercised (Note 8a and f)	-	252,353	(252,353)
Balance as at December 31, 2007	30,943,785	\$ 15,959,868	\$ 1,871,657

- a) On November 22, 2006, the Company completed a private placement for total proceeds of \$4,180,000. The offering comprised of 2,200,000 flow-through common shares issued at a price of \$1.90 per share. With respect to this transaction the Company paid a commission of \$301,336 in cash and issued brokers' warrants to acquire 132,000 common shares at an exercise price of \$1.90 expiring on November 22, 2007. These brokers' warrants were exercised in fiscal 2007 for gross proceeds of \$250,800. A fair value of \$107,524 was recognized on the brokers' warrants. \$24,800 for legal expenses and \$21,401 for filing fees were also included in share issue costs.
- b) During the year ended December 31, 2006, 2,711,117 warrants of the initial public offering were exercised for total proceeds of \$1,897,781.
- c) During the year ended December 31, 2006, 374,908 brokers' warrants issued in connection with the initial public offering were exercised for total proceeds of \$206,200. A fair value of \$65,689 was recognized on these exercised brokers' warrants.
- d) During the year ended December 31, 2006, a total of 12,500 stock options were exercised for gross proceeds of \$13,725. A fair value expense of \$6,986 was recognized on the exercise of these options.

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Notes to Consolidated Financial Statements

December 31, 2007 and 2006

8. Share Capital, *Continued*

- e) During the year ended December 31, 2007, the Company issued 15,000 common shares on the acquisition of Namibia Optioned properties (Note 4e) at a price of \$3.90 per share.
- f) During the year ended December 31, 2007, a total of 375,000 stock options were exercised for gross proceeds of \$298,050. A fair value expense of \$144,828 was recognized on the exercise of these options and transferred from contributed surplus into share capital during the period.
- g) On August 2, 2007, the Company closed a non-brokered private placement for gross proceeds of \$3,000,000. 1,000,000 units were issued at \$3.00 per unit, with each unit consisting of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to acquire a common share for eighteen months at a price of \$3.75. The Company paid a cash finder's fee in the amount of \$150,000 in connection with the private placement. \$15,000 for filing fees were included in share issue costs.
- h) On December 6, 2007, the Company closed a non-brokered private placement of 1,008,200 "flow-through" common shares at \$3.10 per share to raise gross proceeds of \$3,125,420. The Company paid cash finder's fees in the amount of \$131,440 in connection with the private placement. \$23,126 for filing fees were included in share issue costs.

Stock Options

On September 1, 2005, the Company adopted a new stock option plan. Under this plan, the Company may grant up to a rolling 10% of its outstanding common shares at the time options are granted to directors, employees and consultants of the Company.

During the year ended December 31, 2007, a total of 1,675,000 options were granted at prices ranging from \$1.98 to \$2.90. During the year ended December 31, 2006, a total of 275,000 options at prices ranging from \$1.06 to \$2.43 were granted.

	2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	1,472,500	\$ 0.71	1,210,000	\$ 0.58
Exercised	(375,000)	0.79	(12,500)	1.10
Granted	1,675,000	2.73	275,000	1.30
Outstanding, end of period	2,772,500	\$ 1.92	1,472,500	\$ 0.71

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Notes to Consolidated Financial Statements

December 31, 2007 and 2006

8. Share Capital, *Continued*

Stock Options, *Continued*

The following options were outstanding as of December 31, 2007:

Expiry Date	Exercise Price	Number of Options
October 14, 2010	\$0.55	800,000
November 8, 2010	\$0.68	150,000
January 11, 2011	\$1.06	90,000
April 18, 2011	\$1.77	20,000
August 28, 2011	\$1.25	17,500
December 15, 2011	\$2.43	20,000
January 2, 2012	\$2.90	790,000
October 5, 2012	\$2.60	860,000
December 20, 2012	\$1.98	25,000
		2,772,500

Stock-based Compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. Total fair value of stock options vested during the year ended December 31, 2007 was \$1,561,047 (2006: \$91,343).

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

	2007	2006
Risk-free interest	3.83 - 4.50%	3.83 - 4.50%
Expected dividend yield	-	-
Expected stock price volatility	78 - 94%	78 - 94%
Expected option life in years	1- 4	1- 4

Option pricing models require the input of highly subjective assumptions including expected stock price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

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December 31, 2007 and 2006

Warrants

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2005	3,091,308	\$ 0.68
Granted	132,000	1.90
Exercised	(3,086,025)	0.68
Expired	(5,283)	0.70
Outstanding, December 31, 2006	132,000	1.90
Exercised	(132,000)	1.90
Granted	500,000	3.75
Outstanding, December 31, 2007	500,000	\$ 3.75

At December 31, 2007, the following warrants were outstanding:

Expiry Date	Exercise Price	Number of Warrants
February 2, 2009	\$3.75	500,000
		500,000

Escrow Shares

During the year ended December 31, 2007, the remaining 3,230,116 common shares were released.

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Notes to Consolidated Financial Statements

December 31, 2007 and 2006

9. Income Taxes

A reconciliation of expected and actual income tax expense at statutory rates is as follows:

	2007	2006
Net income for accounting purposes	\$ 604,863	\$ 1,378,359
Expected income tax expense	206,258	470,296
Net adjustment for additions and non-deductible amounts	(284,887)	(660,475)
Tax losses not recognized in period	78,629	-
Income Tax expense (recovery)	\$ -	\$ (190,179)

The Company's aggregated income tax liability is as follows:

	2007	2006
Operating loss carryforwards	\$ 632,339	\$ -
Deferred development costs in excess of tax pool	(6,532,040)	(2,631,363)
Property and equipment carrying value in excess of tax pool	32,783	(1,315)
Total	(5,866,918)	(2,632,678)
Expected statutory rates	29.60%	34.12%
Potential future income tax liability	\$ (1,736,608)	\$ (898,270)

10. Commitments

The Company has a commitment under a lease for its office premise in Vancouver, British Columbia, for rent of approximately \$2,400 per month from May 1, 2006 until April 30, 2010.

11. Segmented Financial Information

The Company operates in one industry segment, being the acquisition and exploration of mineral properties. Geographic information is as follows:

	2007	2006
Capital assets		
Canada	\$ 11,528,173	\$ 2,884,912
Africa	693,652	13,031
	\$ 12,221,825	\$ 2,897,943

12. Subsequent Events

- The joint venture partners have agreed to allow the Leith prospecting permits to expire.
- 30,000 options have been granted at \$1.35 to a consultant on February 21, 2008.