

PITCHSTONE EXPLORATION LTD.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the Three Months Ended March 31, 2007

**NOTICE OF NO AUDITOR REVIEW OF
INTERIM CONSOLIDATED 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 consolidated financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim consolidated 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 consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Pitchstone Exploration Ltd.*(An Exploration Stage Company)*Statement 1**Consolidated Balance Sheets**

ASSETS	March 31, 2007	December 31, 2006
	(unaudited)	(audited)
Current		
Cash and cash equivalents	\$ 9,913,861	\$ 10,844,837
Accounts receivable	271,405	144,978
Income taxes receivable	190,179	190,179
Prepaid expenses	264,851	62,062
Due from sxr Uranium One	129,975	17,542
	10,770,271	11,259,598
Expenditures on resource properties (Note 4)	7,496,726	2,844,558
Equipment (Note 5)	126,168	53,385
	\$ 18,393,165	\$ 14,157,541

LIABILITIES

Current		
Accounts payable and accrued liabilities	\$ 706,432	\$ 71,717
Due to related parties (Note 7)	15,229	24,328
Due to Triex joint venture	10,200	566,343
	731,861	662,388
Future income tax liability	898,270	898,270
Deferred gain on SXRU1 joint venture (Note 6)	1,987,500	-
	3,617,631	1,560,658

SHAREHOLDERS' EQUITY

Share capital (Note 8)	10,746,251	10,531,591
Contributed surplus (Note 8)	1,291,583	562,963
Retained earnings - Statement 2	2,737,700	1,502,329
	14,775,534	12,596,883
	\$ 18,393,165	\$ 14,157,541

Continuance of operations (Note 1)

ON BEHALF OF THE BOARD:

"Edward A. G. Trueman"
_____, Director

"Paul Geyer"
_____, Director

Pitchstone Exploration Ltd.*(An Exploration Stage Company)*Statement 2**Statements of Consolidated Income (Loss) and Retained Earnings****For the Three Months Ended March 31****(Unaudited)**

	March 31 2007	March 31 2006
Revenues		
Option proceeds received in excess of resource properties costs	\$ 87,500	\$ -
Overhead recoveries	51,312	45,581
Interest income	88,679	2,636
Equipment rental revenue	-	2,100
Gain on sale of marketable securities	-	47,854
Gain on contributed SXRU1 joint venture assets <i>(Note 6)</i>	2,012,500	-
	<u>2,239,991</u>	<u>98,171</u>
Administrative expenses		
Accounting and audit <i>(Note 7)</i>	22,500	15,000
Amortization	7,435	408
Community relations	475	-
Filing fees	12,087	5,845
Insurance	8,781	7,504
Interest and bank charges	563	-
Investor relations	20,670	8,332
Legal fees	4,921	11,139
Management fees <i>(Note 7)</i>	-	15,000
Property investigation	4,589	-
Office and sundry	22,743	22,529
Stock-based compensation	803,680	42,244
Transfer agent fees	4,050	3,360
Travel	10,551	7,514
Salaries and wages	81,575	17,077
	<u>1,004,620</u>	<u>155,952</u>
Income (Loss) before taxes	1,235,371	(57,781)
Income tax recovery (expense)	-	(16,369)
	<u>1,235,371</u>	<u>(41,412)</u>
Net income (Loss) for the period	1,235,371	(41,412)
Retained earnings – Beginning of period	1,502,329	123,970
Retained earnings – End of period	\$ 2,737,700	\$ 82,558
Income (Loss) per share – Basic	\$ 0.04	\$ (0.00)
Income per share - Diluted	\$ 0.04	\$ N/A
Weighted average number of shares outstanding – Basic	28,530,551	26,618,623
Weighted average number of shares outstanding – Diluted	30,730,051	26,747,583

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Statements of Consolidated Cash Flows

**For the Three Months Ended March 31
(Unaudited)**

	March 31 2007	March 31 2006
Cash Resources Provided By (Used In)		
Operating activities		
Net income (Loss) for the period	\$ 1,235,371	\$ (41,412)
Items not affected by cash		
Amortization	7,435	408
Future income tax expenses	-	(16,369)
Gain on sale of marketable securities	-	(47,854)
Option proceeds received	(87,500)	-
Stock-based compensation	803,680	42,244
Gain on contributed SXRU1 joint venture assets	(2,012,500)	-
	<u>(53,514)</u>	<u>(62,983)</u>
Changes in non-cash working capital items		
Accounts receivable	(126,427)	14,200
Prepaid expenses	(202,789)	(20,335)
Accounts payable and accrued liabilities	634,715	(50,627)
Due to related parties	(9,099)	(23,920)
Due to/from joint venture partners	(668,576)	(9,132)
	<u>(372,176)</u>	<u>(89,814)</u>
	<u>(425,690)</u>	<u>(152,797)</u>
Investing activities		
Resource property costs	(652,168)	(561,515)
Purchase of equipment	(80,218)	(5,323)
	<u>(732,386)</u>	<u>(566,838)</u>
Financing activities		
Options proceeds received	87,500	-
Proceeds received from sale of marketable securities	-	248,514
Shares issued for cash	139,600	907,606
	<u>227,100</u>	<u>1,156,120</u>
Net increase in cash and cash equivalents	(930,976)	436,485
Cash and cash equivalents – Beginning of period	<u>10,844,837</u>	<u>4,655,246</u>
Cash and cash equivalents – End of Period	\$ 9,913,861	\$ 5,091,731

- See Accompanying Notes -

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited)

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) Interim financial statements

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and follow the same accounting policies and methods of their application as the annual financial statements. These interim consolidated financial statements do not include in all respects the annual disclosure requirements of generally accepted accounting principles and should be read in conjunction with the most recent annual statements.

b) Basis of consolidation

These interim consolidated financial statements include the accounts of the Company, the 50% joint venture with sxr Uranium One ("SXRU1") and the 50% joint venture with Triex Minerals Corporation ("Triex").

c) 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.

d) 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 prospect 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 prospects 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, title to all of its properties are in good standing.

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited)

2. Significant Accounting Policies - Continued

e) 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.

f) 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.

g) 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%

h) 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.

i) 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.

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited)

2. Significant Accounting Policies - Continued

j) 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.

k) 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.

l) Earnings (Loss) 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.

m) 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.

Under Section 3855, financial instruments must be classified into one of these 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.

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited)

2. Significant Accounting Policies - *Continued*

m) **Financial instruments - *Continued***

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 three months ended March 31, 2007.

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

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, income taxes receivable, accounts payable and accrued liabilities, due to related parties, and due to/from joint venture partners. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

Pitchstone Exploration Ltd.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements**

March 31, 2007

*(Unaudited)***Pitchstone Exploration Ltd.***(An Exploration Stage Company)***Notes to Consolidated Financial Statements**

March 31, 2007

*(Unaudited)***4. Expenditures on Resource Properties**

	SXRU1 Joint Venture Properties, Saskatchewan (Note 4a)	Triex Joint Venture Properties, Nunavut/ Northwest Territories (Note 4b)	100% owned Properties, Saskatchewan (Note 4c)	Namibia Optioned Properties, Africa (Note 4d)	Gabon 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	10,124	-	1,796	-	-	11,920
Camp and general	180,187	-	420	-	-	180,607
Drilling	210,649	33	-	-	-	210,682
Geological	31,270	15,190	-	9,896	-	56,356
Geophysical	31,045	7,245	25,183	-	-	63,473
Linecutting and chaining	36,179	-	31,524	-	-	67,703
Mineral claims expenses	-	323	-	27,468	-	27,791
Overhead	-	940	-	-	-	940
Sampling and analysis	4,876	4,156	-	-	-	9,032
Travel	8,400	-	-	15,264	-	23,664
50% interest in joint venture	4,000,000	-	-	-	-	4,000,000
Total expenditures for the period	4,512,730	27,887	58,923	52,628	-	4,652,168
Balance at March 31, 2007	\$ 4,752,520	\$ 2,053,583	\$ 624,964	\$ 52,628	\$ 13,031	\$ 7,496,726

Cumulative totals as of March 31, 2007.

Pitchstone Exploration Ltd.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements**

March 31, 2007

(Unaudited)

	SXRU1 Joint Venture Properties, Saskatchewan (Note 4a)	Triex Joint Venture Properties, Nunavut/ Northwest Territories (Note 4b)	100% owned Properties, Saskatchewan (Note 4c)	Namibia Optioned Properties, Africa (Note 4d)	Gabon Optioned Properties, Africa (Note 4e)	Total
Aircraft charter	\$ 84,024	\$ -	\$ 6,125	\$ -	\$ -	\$ 90,149
Camp and general	229,005	5,575	4,618	-	-	239,198
Drilling	317,778	768,312	-	-	-	1,086,090
Geological	148,459	477,387	5,406	9,896	-	641,148
Geophysical	42,602	426,802	475,281	-	-	944,686
Linecutting and chaining	36,179	-	117,235	-	-	153,414
Mineral claims expenses	369	65,473	61,049	27,468	-	154,359
Overhead	-	166,988	-	-	-	166,988
Sampling and analysis	6,051	137,673	-	-	-	143,724
Travel and accommodation	11,204	5,373	767	15,264	13,031	45,639
Recovery from optionee	(91,667)	-	-	-	-	(91,667)
Government assistance	(31,484)	-	(45,518)	-	-	(77,002)
50% interest in joint venture	4,000,000	-	-	-	-	4,000,000
Balance at March 31, 2007	\$ 4,752,520	2,053,583	\$ 624,964	\$ 52,628	\$ 13,031	\$ 7,496,726

4. Expenditures on Resource Properties - Continued**a. SXRU1 Joint Venture Properties, Saskatchewan**

In January 2007, the Company and SXRU1, a TSX listed company, entered into a 50:50 joint venture to explore and develop the Athabasca properties. SXRU1 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.

In order to exercise its 50% option and to earn a 50% interest, SXRU1 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 Properties. As a result of SXRU1 funded \$4,000,000 in exploration of the Athabasca Properties, it was deemed that the Company's 50% portion of the Athabasca Properties was also valued at \$4,000,000.

The Company is the operator of the five optioned properties.

As of March 31, 2007, the Company's 50% portion of exploration expenditures on these five properties totalled \$4,752,520 (December 31, 2006: \$239,790).

	March 31, 2007	December 31, 2006
50% interest in joint venture	\$ 4,000,000	\$ -
Darby Property	373,617	228,719
Waterfound Property	1,830	1,168
Lynx Lake Property	34,907	5,963
Moon Lake Property	20	20
Candle Property	342,146	3,920
	\$ 4,752,520	\$ 239,790

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

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited)

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.

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.

4. Expenditures on Resource Properties – Continued

a. SXRU1 Joint Venture Properties, Saskatchewan – Continued

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 (Canada) Exploration Company, Limited ("JCU") in respect of the Candle property whereby the Company can acquire a 75% undivided interest in the property.

In March 2007, the Company and SXRU1 jointly earned a 75% interest in the property. The remaining 25% interest is held by JCU and the parties will be proceeding on a 75:25 joint venture basis for all future exploration on the property.

b. Triex Joint Venture Properties, Nunavut/Northwest Territories

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 a cumulative \$1,225,000 must be spent on the two properties by September 30, 2007. The property vendors will each retain a 5% net smelter return royalty on these claims, with the Company and Triex having the right to purchase one half of the retained royalty for \$5,000,000 for each property.

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

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited)

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 March 31, 2007, Triex and the Company incurred a total of \$4,083,830 exploration expenditures on the Hornby Bay Basin properties.

As of March 31, 2007 and December 31, 2006, the Company spent a total of \$2,053,583 and \$2,025,696, respectively, on the joint venture properties.

	March 31, 2007	December 31, 2006
Mountain Lake Property	\$ 1,285,368	\$ 1,278,500
Mountain Lake – URE	188,696	187,871
West Dismal Property	118,458	115,620
Leith Property	71,663	62,558
Dismal Lake Property	273,703	269,793
Kendall River Property	115,695	111,354
	<u>\$ 2,053,583</u>	<u>\$ 2,025,696</u>

4. Expenditures on Resource Properties – *Continued*

b. Triex Joint Venture Properties, Nunavut/Northwest Territories

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 Dismal Lake 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 Lake property.

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

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited)

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 March 31, 2007 and December 31, 2006, the Company spent a total of \$624,964 and \$566,041, respectively, on its 100% owned properties.

	March 31, 2007	December 31, 2006
Fireweed	\$ 362,194	\$ 361,982
Gumboot	148,059	148,059
Fisher	114,711	56,000
	<u>\$ 624,964</u>	<u>\$ 566,041</u>

Fireweed Property

In October 2004, the Company acquired mineral claims totalling approximately 10,921 hectares in the Athabasca Basin, Saskatchewan by way of staking. The property is located 10km northwest of the Company's Darby and Candle properties.

4. Expenditures on Resource Properties – Continued

c. 100% owned Properties, Saskatchewan – Continued

Gumboot Property

In November 2004, the Company acquired a mineral claim totalling approximately 4,196 hectares in the Athabasca Basin, Saskatchewan by way of staking. The property is located 6km north of the Company's Darby and Candle properties.

Fisher Property

In December 2005, the Company acquired mineral claims totalling approximately 3,349 hectares in the Athabasca Basin, Saskatchewan by way of staking. The property is located 34km north of the Company's Darby and Candle properties.

d. Namibia Optioned Properties, Africa

The Company entered into a Letter Agreement on January 18, 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,
- \$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.

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited)

As at March 31, 2007 and December 31, 2006, the Company had spent \$52,628 and \$Nil, respectively, on the Namibia Optioned Properties.

e. 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 March 31, 2007 and December 31, 2006, the Company had spent \$13,031 on the Gabon Optioned Properties.

5. Equipment

Details are as follows:

	Cost as of January 1, 2007	Additions	Accumulated Amortization	Net Book Value as at March 31, 2007	Net Book Value as at December 31, 2006
Computer equipment	\$ 9,336	\$ 1,753	\$ 700	\$ 10,389	\$ 9,336
Office furniture	5,109	-	243	4,866	5,109
Exploration equipment	18,528	78,465	1,390	95,603	18,528
Computer software	20,412	-	5,102	15,310	20,412
	<u>\$ 53,385</u>	<u>\$ 80,218</u>	<u>\$ 7,435</u>	<u>\$ 126,168</u>	<u>\$ 53,385</u>

6. Deferred gain on SXRU1 joint venture

In January 2007, the Company and SXRU1 formed a 50:50 joint venture (Note 4a). With SXRU1 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 can immediately recognize as income only the amount of the gain to the extent of SXRU1's contribution to the joint venture, which is 50%. The remaining 50% gain will be deferred and amortized over the life of the joint venture or the assets being contributed, which is deemed to have a life of 40 years and amortized over a straight line basis.

7. Related Party Transactions

Pitchstone Exploration Ltd.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements**

March 31, 2007

(Unaudited)

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

- a) During the period ended March 31, 2007, the President was paid \$Nil management fees (2006: \$15,000). As at March 31, 2007, \$Nil was owed to the President (December 31, 2006: \$Nil).
- b) During the period ended March 31, 2007, the Company incurred \$22,500 for accounting and administrative fees (2006: \$15,000) from Pacific Opportunity Capital Ltd., a company of which the Chief Financial Officer is the President and a Director. As at March 31, 2007, \$8,391 (December 31, 2006: \$17,490) was owed to Pacific Opportunity Capital Ltd.
- c) As at March 31, 2007, the Company owed \$6,838 (December 31, 2006: \$6,838) of director's fees to a non-executive director.

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 & d)	-	72,675	(72,675)
Stock based compensation	-	-	91,343
Balance as at December 31, 2006	28,413,585	\$ 10,531,591	\$ 562,963
Exercise of Options (Note 8e)	200,000	139,600	-
Fair value of Options Exercised (Note 8e)	-	75,060	(75,060)
Stock based compensation	-	-	803,680
Balance as at March 31, 2007	28,613,585	\$ 10,746,251	\$ 1,291,583

Pitchstone Exploration Ltd.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements**

March 31, 2007

(Unaudited)

- 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.

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. A fair value expense 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 \$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 in fiscal 2006. 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.
- e) During the three months ended March 31, 2007, a total of 200,000 stock options were exercised for gross proceeds of \$139,600. A fair value expense of \$75,060 was recognized on the exercise of these options and was transferred as from contributed surplus into share capital during the quarter.

8. Share Capital, Continued**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 three months ended March 31, 2007, a total of 790,000 options were granted at a price of \$2.90.

	March 31, 2007		December 31, 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	(200,000)	0.70	(12,500)	1.10
Granted	790,000	2.90	275,000	1.30
Outstanding, end of period	2,062,500	\$ 1.57	1,472,500	\$ 0.71

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

Pitchstone Exploration Ltd.*(An Exploration Stage Company)***Notes to Consolidated Financial Statements**

March 31, 2007

(Unaudited)

Expiry Date	Exercise Price	Number of Options
June 12, 2009	\$1.38	40,000*
October 14, 2010	\$0.55	880,000
November 8, 2010	\$0.68	150,000
January 11, 2011	\$1.06	140,000**
April 18, 2011	\$1.77	20,000
August 28, 2011	\$1.25	22,500***
December 15, 2011	\$2.43	20,000
January 2, 2012	\$2.90	790,000
		2,062,500

* Subsequently, 10,000 of these options were exercised.

** Subsequently, 50,000 of these options were exercised.

*** Subsequently, 5,000 of these options were exercised.

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 three months ended March 31, 2007 was \$803,680 (2006: \$42,244).

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	4.08%	3.73%
Expected dividend yield	-	-
Expected stock price volatility	89%	78%
Expected option life in years	4	3

8. Share Capital, Continued**Stock-based compensation, Continued**

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.

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 and March 31, 2007	132,000	\$ 1.90

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

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Consolidated Financial Statements

March 31, 2007

(Unaudited)

Number Of Warrants	Exercise Price	Expiry Date
132,000*	\$1.90	November 22, 2007

*Subsequently, 66,000 of these brokers' warrants were exercised.

Escrow Shares

On October 5, 2005, in accordance with escrow agreements with Pacific Corporate Trust Company, 12,920,464 common shares were placed in escrow, of which 9,690,348 common shares were released leaving a balance of 3,230,116 common shares held in escrow as at March 31, 2007.

On April 14, 2007, the balance of 3,230,116 common shares was released.

9. Commitments

On June 28, 2006, the Company retained Blueprint Investor Relations Consulting ("Blueprint") to develop and execute an investor relations campaign. Blueprint has been engaged for a two-year term. In consideration for the services to be provided, Blueprint was paid \$20,000 for the first six-month period and granted an option to purchase 60,000 shares of the Company at an exercise price of \$1.38 per share expiring June 12, 2009. Subsequent to the initial six months, the Company will pay Blueprint a monthly retainer of \$3,000 per month. The relationship may be terminated by either party with two months notice.

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

10. Subsequent Events

- A total of 65,000 stock options were exercised. 10,000 stock options were exercised at \$1.38 per share, 50,000 stock options were exercised at \$1.06 per share, and 5,000 stock options were exercised at \$1.25 per share.
- 132,000 brokers' warrants at a price \$1.90 per share were exercised.
- The Company issued 15,000 shares to Manica for a first refusal on new uranium exploration properties in Namibia (Note 4d).