dejour Enterprises Ltd.

Premium Assets. Value Realization.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

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DALE MATHESON
CARR-HILTON LABONTE LLP
DMCL CHARTERED ACCOUNTANTS

Partnership of:

Vancouver	Robert J. Burkart, Inc. Alvin F. Dale Ltd. Robert J. Matheson, Inc.	James F. Carr-Hilton Ltd. Barry S. Hartley, Inc. Rakesh I. Patel Inc.	Kenneth P. Chong Inc. Reginald J. LaBonte Ltd.
South Surrey	Michael K. Braun Inc.	Peter J. Donaldson, Inc.	
Port Coquitlam	Wilfred A. Jacobson Inc.	Fraser G. Ross, Ltd.	Brian A. Shaw Inc.

AUDITORS' REPORT

To the Shareholders of Dejour Enterprises Ltd.

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

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

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

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED ACCOUNTANTS

Vancouver, Canada
March 17, 2008

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DEJOUR ENTERPRISES LTD.
CONSOLIDATED BALANCE SHEETS

		December 31, 2007		December 31, 2006
ASSETS				
Current				
Cash and cash equivalents	**$**	**13,511,655**	$	17,660,163
Advances for oil and gas projects		**1,006,917**		-
Marketable securities (Note 6)		**36,250**		306,271
Prepaids and other receivables		**488,900**		185,862
		15,043,722		18,152,296
Equipment (Note 4)		**88,287**		106,953
Investment in Titan (Note 5)		**12,600,000**		36,538,953
Resource properties (Note 6)		**35,411,490**		25,879,526
	$	**63,143,499**	$	80,677,728
LIABILITIES				
Current				
Accounts payable and accrued liabilities	**$**	**2,664,135**	$	556,137
Convertible debentures (Note 7)		**1,043,605**		-
Promissory note (Note 7)		**-**		5,827,000
		3,707,740		6,383,137
Convertible debentures (Note 7)		**-**		1,343,978
Future income tax liabilities (Note 14)		**-**		1,508,234
		3,707,740		9,235,349
SHAREHOLDERS' EQUITY				
Share capital (Note 8)		**61,393,964**		48,671,383
Contributed surplus (Note 10)		**3,735,270**		1,648,398
Accumulated other comprehensive loss (Note 12)		**(5,400)**		-
Retained earnings (Deficit)		**(5,688,075)**		21,122,598
		59,435,759		71,442,379
	$	**63,143,499**	$	80,677,728

Approved on behalf of the Board:

"Robert Hodgkinson"

Robert Hodgkinson – Director

"Douglas Cannaday"

Douglas Cannaday – Director

DEJOUR ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)

		Year Ended December 31, 2007		Year Ended December 31, 2006
EXPENSES				
Amortization	**$**	**33,959**	$	29,726
Fees for management and consultants		**1,633,271**		826,712
Interest and finance fees		**293,536**		107,031
Investor relations		**1,062,403**		1,079,161
Office and general		**375,238**		224,475
Professional fees		**289,038**		44,023
Property investigation costs		**261,221**		117,192
Regulatory and filing fees		**230,285**		92,713
Rent		**203,126**		175,655
Stock based compensation (Note 9)		**2,461,400**		1,295,127
Travel and accommodation		**285,439**		141,724
		7,128,916		4,133,539
LOSS BEFORE THE FOLLOWING AND INCOME TAXES		**(7,128,916)**		(4,133,539)
Interest and other income		**806,147**		673,559
Gain on disposition of marketable securities (Note 6)		**44,023**		-
Gain on disposition of uranium properties (Note 6)		**-**		30,177,082
Equity loss from Titan (Note 5)		**(2,351,810)**		(19,031)
Finder's fee income (Note 6)		**-**		306,271
Foreign exchange loss		**(141,670)**		(66,616)
Impairment of investment in Titan (Note 5)		**(21,581,177)**		-
Impairment of oil and gas properties (Note 6)		**(678,044)**		(2,596,074)
INCOME (LOSS) BEFORE INCOME TAXES		**(31,031,447)**		24,341,652
FUTURE INCOME TAXES RECOVERY (EXPENSE) (Note 14)		**4,220,774**		(453,926)
NET INCOME (LOSS) FOR THE YEAR		**(26,810,673)**		23,887,726
RETAINED EARNINGS (DEFICIT), BEGINNING OF THE YEAR		**21,122,598**		(2,765,128)
RETAINED EARNINGS (DEFICIT), END OF THE YEAR	**$**	**(5,688,075)**	$	21,122,598
EARNINGS (LOSS) PER SHARE - BASIC	**$**	**(0.40)**	$	0.45
EARNINGS (LOSS) PER SHARE - DILUTED	**$**	**(0.40)**	$	0.42
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC		**66,588,825**		52,564,033
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - DILUTED		**66,588,825**		56,557,807

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

DEJOUR ENTERPRISES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year Ended December 31, 2007		Year Ended December 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income (loss) for the year	**$**	**(26,810,673)**	$	23,887,726
Adjustment for items not affecting cash:				
Amortization		**33,959**		29,726
Equity loss from Titan		**2,351,810**		19,031
Non-cash finder's fee income		**-**		(306,271)
Non-cash stock based compensation expenses		**2,461,400**		1,295,127
Non-cash consulting fees and other expenses		**54,889**		282,075
Impairment of investment in Titan		**21,581,177**		-
Impairment of oil and gas properties		**678,044**		2,596,074
Future income tax (recovery) expense		**(4,220,774)**		453,926
Gain on disposition of marketable securities		**(44,023)**		-
Gain on disposition of uranium properties		**-**		(30,177,082)
		(3,914,191)		(1,919,668)
Changes in non-cash working capital balances (Note 11)		**(1,274,271)**		150,295
		(5,188,462)		(1,769,373)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment		**(15,293)**		(25,036)
Proceeds from sales of marketable securities		**308,644**		-
Investment in Titan		**5,966**		(107,983)
Resource properties expenditures		**(8,137,694)**		(12,013,765)
		(7,838,377)		(12,146,784)
CASH FLOWS FROM FINANCING ACTIVITIES				
Promissory note		**(5,827,000)**		-
Shares issued for cash		**14,705,331**		19,189,006
		8,878,331		19,189,006
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(4,148,508)**		5,272,849
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		**17,660,163**		12,387,314
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**$**	**13,511,655**	$	17,660,163

Supplemental cash flow information (Note 11)

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Dejour Enterprises Ltd. (the "Company") is a public company trading on the American Stock Exchange ("AMEX") and the TSX Venture Exchange ("TSX-V"), under the symbol "DEJ." The Company is in the business of exploring and developing energy projects with a focus on oil and gas in North America.

These consolidated financial statements are prepared in accordance with the generally accepted accounting principles ("GAAP") in Canada. All dollar amounts are stated in Canadian dollars, the Company's reporting currency, unless otherwise indicated.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Dejour Energy (USA) Corp., incorporated in Nevada, and Dejour Energy (Alberta) Ltd. ("DEAL"), incorporated in Alberta. DEAL was incorporated in April 2006 with a joint venture partner who owned 10% of DEAL. In June 2007, the Company purchased that 10% ownership of DEAL through the acquisition of outstanding shares of Wild Horse Energy Ltd. which holds the 10% interest in DEAL, and DEAL became the Company's wholly-owned subsidiary.

NOTE 2 – ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement to prior period financial statements. Furthermore the adoption of this policy has no material effect on these financial statements.

(a) Financial Instruments – Recognition and Measurement (Section 3855) – Disclosure and Presentation (Section 3861)

These standards set out the criteria for the recognition, measurement and disclosure of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized to cost. Changes in fair value are to be recognized in the statement of operations and the statement of comprehensive income.

All financial assets and liabilities are recognized when the entity becomes a party to the contract creating the item. As such, any of the Company's outstanding financial assets and liabilities at the effective date of adoption are recognized and measured in accordance with the new requirements as if these requirements had always been in effect. Any changes to the fair values of assets and liabilities prior to January 1, 2007 are recognized by adjusting opening deficit or opening accumulated other comprehensive income.

All financial instruments are 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. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification:

i) Held-to-maturity investments, loans and receivables, and other financial liabilities are initially measured at fair value and subsequently measured at amortized cost. Amortization of premiums or discounts and losses due to impairment are included in current period net earnings.

ii) Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income until the asset is removed from the balance sheet.

iii) Held for trading financial instruments are measured at fair value. All gains and losses are included in net earnings in the period in which they arise.

iv) All derivative financial instruments are classified as held for trading financial instruments and are measured at fair value, even when they are part of a hedging relationship. All gains and losses are included in net earnings in the period they arise.

NOTE 2 – ADOPTION OF RECENT ACCOUNTING PRONOUNCEMENTS (continued)

(b) Hedging (Section 3865)

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. The Company currently does not have any hedges.

(c) Comprehensive Income (Section 1530)

Comprehensive income is the change in shareholders' equity during a period resulting from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income" until it is considered appropriate to recognize into net earnings. This standard requires the presentation of comprehensive income, and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

NOTE 3 – SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES

(a) Marketable Securities

Marketable securities are designated as available-for-sale and are measured and carried at fair market value. Market value is based on the closing price at the balance sheet date or the closing price on the last day the security traded if there were no trades at the balance sheet date. Changes in fair market value are recognized in the comprehensive income. As at December 31, 2007, the Company had 25,000 (2006 – 158,836) common shares of Brownstone Ventures Inc. with the cost of $41,650 (2006 – $306,271) and a market value of $36,250 (2006 – $404,439).

(b) Resource Properties

Mineral properties

The Company records its interests in mineral properties at the lower of cost or estimated recoverable value. Where specific exploration programs are planned and budgeted by management, the cost of mineral properties and related exploration expenditures are capitalized until the properties are placed into commercial production, sold, abandoned or determined by management to be impaired in value. These costs will be amortized over the estimated useful lives of the properties following the commencement of production or written off if the properties are sold or abandoned.

The costs include the cash or other consideration and the assigned value of shares issued, if any, on the acquisition of mineral properties. Costs related to properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. For properties held jointly with other parties the Company only records its proportionate share of acquisition and exploration costs. The proceeds from options granted are deducted from the cost of the related property and any excess is deducted from other remaining capitalized property costs. The Company does not accrue estimated future costs of maintaining its mineral properties in good standing. To date the Company has not recorded any asset retirement obligations for its mineral properties as no amounts are presently determinable.

Capitalized costs as reported on the balance sheet represent costs incurred to date and may not reflect recoverable value. Recovery of carrying value is dependent upon future commercial success or proceeds from disposition of the mineral interests.

Management evaluates each mineral interest on a reporting period basis or as events and changes in circumstances warrant, and makes a determination based on exploration activity and results, estimated future cash flows and availability of funding as to whether costs are capitalized or charged to operations. Mineral property interests, where future cash flows are not reasonably determinable, are evaluated for impairment based on management's intentions and determination of the extent to which future exploration programs are warranted and likely to be funded.

General exploration costs not related to specific properties and general administrative expenses are charged to operations in the year in which they are incurred.

The Company does not have any producing mineral properties and all of its efforts to date have been exploratory in nature.

NOTE 3 – SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Resource Properties (cont'd)

Oil and gas properties

The Company follows the full cost method of accounting for its oil and gas operations whereby all costs related to the acquisition of petroleum and natural gas interests are capitalized. Such costs include land and lease acquisition costs, annual carrying charges of non-producing properties, geological and geophysical costs, interest costs, costs of drilling and equipping productive and non-productive wells, and direct exploration consulting fees. Proceeds from the disposal of oil and gas interests are recorded as a reduction of the related expenditures without recognition of a gain or loss unless the disposal would result in a change of 20 percent or more in the depletion rate.

Depletion and depreciation of the capitalized costs will be computed using the unit-of-production method based on the estimated proven reserves of oil and gas determined by independent consultants.

Estimated future removal and site restoration costs are provided over the life of proven reserves on a unit-of-production basis. Costs, which include the cost of production, equipment removal and environmental clean-up, are estimated each period by management based on current regulations, costs, technologies and industry standards. The charge is included in the provision for depletion and depreciation and the actual restoration expenditures are charged to the accumulated provision accounts as incurred.

The Company applies a ceiling test to capitalized costs to ensure that such costs do not exceed estimated future net revenues from production of proven reserves at year end market prices less future production, administrative, financing, site restoration, and income tax costs plus the lower of cost or estimated net realizable value of unproved properties.

(c) Equipment

Equipment is recorded at cost with amortization being provided using the declining balance basis at the following rates:

Office furniture and equipment	20%
Computer equipment	45%
Software	100%

The carrying values of all categories of equipment are reviewed for impairment whenever events or changes in circumstances indicate the recoverable value may be less than the carrying amount. Recoverable value is based on estimates of undiscounted and discounted future net cash flows expected to be recovered from specific assets or groups through use or future disposition. One-half of the annual rates are used in the year of the acquisition.

(d) Investments

The Company accounts for its investments in other companies over which it has significant influence using the equity basis of accounting whereby the investments are initially recorded at cost and subsequently adjusted to recognize the Company's share of earnings or losses of the investee company and reduced by dividends received. Carrying values of equity investments are reduced to estimated market values if there is other than a temporary decline in the value of the investment.

(e) Earnings (Loss) per Share

The Company uses the treasury stock method for the computation and disclosure of earnings (loss) per share. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments which assume that proceeds received from in-the-money warrants and stock options are used to repurchase common shares at the prevailing market rate.

Basic earnings (loss) per share figures have been calculated using the weighted monthly average number of shares outstanding during the respective periods. Diluted loss per share figures is equal to those of basic loss per share for 2007 and 2005 since the effects of options and warrants have been excluded as they are anti-dilutive. Diluted earnings per share for 2006 has been presented based on weighted average fully diluted shares outstanding of 56,557,807.

NOTE 3 – SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Foreign Currency Translation

The financial statements are presented in Canadian dollars. Foreign denominated monetary assets and liabilities are translated to their Canadian dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Non-monetary items are translated at historical exchange rates, except for items carried at market value, which are translated at the rate of exchange in effect at the balance sheet date. Revenue and expenses are translated at average rates of exchange during the year. Exchange gains or losses arising on foreign currency translation are included in the determination of operating results for the year.

The Company's US subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates. Income and expense items are translated at the average exchange rate for the period. Translation gains and losses are reflected in income (loss) for the year.

(g) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 period. Actual results could differ from those estimates. The significant areas requiring management's estimates relate to the recoverability of the carrying value of the Company's resource properties, future income tax effects and the determination of fair value of stock-based compensation.

(h) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable and accrued liabilities, promissory notes and convertible debentures. Management has determined that the fair value of these financial instruments approximates their carrying values due to their immediate or short-term maturity, except for fair value of debt and equity components of convertible debentures and promissory notes which are as disclosed in Note 7. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Net smelter royalties and related rights to earn or relinquish interests in mineral properties constitute derivative instruments. No value or discounts have been assigned to such instruments as there is no reliable basis to determine fair value until properties are in development or production and reserves have been determined.

(i) Future Income Taxes

Future income taxes are recognized for the future income tax consequences attributable to differences between financial statement carrying values and their corresponding tax values (temporary differences). Future income tax assets and liabilities are measured using enacted income tax rates expected to apply to taxable income in years in which temporary differences are expected to be recovered or settled. The effect on futures income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that, in the opinion of management, is more likely than not to be realized.

NOTE 3 – SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Stock-Based Compensation

The Company follows the recommendations of the CICA Handbook in accounting for stock-based compensation. The Company adopted the fair value method for all stock-based compensation. Under the fair value based method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period. The fair value of options and other stock based awards issued or altered in the period, are determined using the Black-Scholes option pricing model.

The Company has granted stock options to directors and consultants as described in Note 9.

(k) Asset Retirement Obligations

The Company reviews and recognizes legal obligations associated with the retirement of tangible long-lived assets, including rights to explore or exploit natural resources. When such obligations are identified and measurable, the estimated fair values of the obligations are recognized on a systematic basis over the remaining period until the obligations are expected to be settled.

Mineral property related retirement obligations are capitalized as part of deferred exploration and development costs and are accounted for in the same manner as all other capitalized costs.

(l) Flow-Through Shares

The Company provides certain share subscribers with a flow-through component for tax incentives available on qualifying Canadian exploration expenditures. The Company renounces the qualifying expenditures upon the issuance of the respective flow-through common shares and accordingly is not entitled to the related taxable income deductions from such expenditures.

The Company has adopted the recommendation by the Emerging Issues Committee ("EIC") of the CICA relating to the recording of flow-through shares. EIC 146 stipulates that future income tax liabilities resulting from the renunciation of qualified resource expenditures by the Company from the issuance of flow-through shares are recorded as a reduction of share capital. Any corresponding realization of future income tax benefits resulting in the utilization of prior year losses available to the Company not previously recorded, whereby the Company did not previously meet the criteria for recognition, are reflected as part of the Company's operating results in the period the expenses are renounced to the share subscribers and applicable tax filing have been made with the Canada Revenue Agency.

(m) Risk Management

The Company is engaged primarily in mineral and oil and gas exploration and manages related industry risk issues directly. The Company may be at risk for environmental issues and fluctuations in commodity pricing. Management is not aware of and does not anticipate any significant environmental remediation costs or liabilities in respect of its current operations. The Company is not exposed to significant credit concentration or interest rate risk.

The Company's functional currency is the Canadian dollar. The Company operates in foreign jurisdictions, giving rise to significant exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

NOTE 3 – SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Impairment of Long-lived Assets

The CICA has issued CICA Handbook, section 3063, Impairment of Long-lived Assets which provides guidance on recognizing, measuring and disclosing the impairment of long-lived assets. The guidance replaces the write-down provisions in section 3061 of the CICA Handbook, Property, Plant and Equipment.

The determination of when to recognize an impairment loss for a long-lived asset to be held and used is made when its carrying value exceeds the total undiscounted cash flows expected from its use and eventual disposition. When impairment is indicated other than a temporary decline, the amount of the impairment loss is determined as the excess of the carrying value of the amount over its fair value based on estimated discounted cash flows from use or disposition.

(o) Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation, if necessary.

(p) Principles of Consolidation

The financial statements have been prepared on a consolidated basis and include the accounts of the Company and its wholly owned subsidiaries. All inter-company transactions and balances have been eliminated upon consolidation.

NOTE 4 – EQUIPMENT

Effective January 1, 2007, the Company has changed the amortization rate for computer equipment to 45% from 30% based on the estimated remaining useful life of the asset.

	December 31, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Furniture, fixtures and equipment	$ 103,682	$ 39,881	$ 63,801	$ 96,066	$ 24,872	$ 71,194
Computer equipment	58,932	35,488	23,444	53,338	18,596	34,742
Software	4,116	3,074	1,042	2,033	1,016	1,017
	$ 166,730	$ 78,443	$ 88,287	$ 151,437	$ 44,484	$ 106,953

NOTE 5 – INVESTMENT IN TITAN URANIUM INC.

In December 2006, the Company sold a 90% interest in its uranium properties, consisting of 68 claims and 4 permits totaling 966,969 acres located in the Athabasca Basin, Saskatchewan, Canada, and all related exploration data to Titan Uranium Inc. ("Titan"), a public company traded on the TSX-V, under the following terms:

(a) Titan issued the Company 17,500,000 fully paid and assessable common shares in the capital of Titan (representing a 36.47% of Titan's issued and outstanding shares at closing). The Company is restricted from transferring beneficial ownership of Titan shares until the first anniversary of the date of closing, at which time up to 20% of the original number may be traded in any twelve month period, and any trades in excess of this annual limit will be subject to prior approval of the Board of Directors of Titan;

NOTE 5 – INVESTMENT IN TITAN URANIUM INC. (continued)

(b) Titan issued the Company 3,000,000 transferable common share purchase warrants, entitling the holder to acquire up to 3,000,000 common shares in the capital of Titan at an exercise price of $2.00 per common share for a period of 24 months, subject to a forced exercise provision whereby Titan can call the automatic exercise of the warrants should Titan's common shares trade on the TSX-V at a price of $4.00 or more for 20 consecutive trading days. These warrants were fully vested as at December 31, 2007.

(c) The Company retained a 1% Net Smelter Return on all properties and a 10% working interest in each claim, carried by Titan to completed bankable feasibility study after which the Company may elect to participate as to its 10% interest or convert to an additional 1% Net Smelter Return.

The estimated fair market value of Titan's shares and warrants at the date of acquisition were $31,650,000 and $4,800,000 respectively. The investment in Titan has been accounted for using the equity method of accounting and includes related legal fees and other costs of acquisition of $107,983 and excluded from the applicable accounting of financial instruments.

The Company owned approximately 33.7% of Titan's shares as at December 31, 2007 and accounts for its investment in Titan using the equity method of accounting. The Company's share of losses in Titan for the year ended December 31, 2007 was $2,351,810 (2006: $19,031), which included non-cash stock-based compensation expense of $1,844,230 (2006: $Nil).

As at December 31, 2007, the stock price of Titan shares was $0.72 per share and the fair market value of the Company's owned Titan shares is $12,600,000. The Company recognized an impairment loss of $21,581,177 and wrote down its investment in Titan to $12,600,000, the fair market value as at December 31, 2007.

NOTE 6 – RESOURCE PROPERTIES

(a) Uranium Properties

In 2005 and 2006, the Company acquired interests in and staked uranium exploration properties in the Athabasca Basin region of Saskatchewan, Canada and commenced exploration on certain properties. In December 2006, the Company sold a 90% interest in these properties to Titan as disclosed in Note 5 and realized a gain on disposition of $30,177,082. The carrying values of the remaining 10% interest are:

	Balance Dec. 31, 2005	Exploration & Development	Disposal (Note 5)	Balance Dec. 31, 2006	Exploration & Development	Balance Dec. 31, 2007
Bozo	$ 3,298	$ 9,381	$ (11,411)	$ 1,268	$ -	$ 1,268
Fleming Island	263,605	105,219	(331,942)	36,882	-	36,882
Gartner Lake	208,141	23,362	(208,353)	23,150	-	23,150
Hoppy North	22,080	33,885	(50,369)	5,596	-	5,596
Hoppy South	15,374	23,405	(34,901)	3,878	-	3,878
Maybelle River	178,372	18,739	(177,400)	19,711	-	19,711
Meanwell Lake	153,683	539,460	(623,829)	69,314	-	69,314
R-Seven	351,883	1,730,127	(1,873,809)	208,201	-	208,201
Sand Hill Lake	505,568	1,099,548	(1,444,604)	160,512	-	160,512
Carlson Creek	9,948	18,981	(26,036)	2,893	-	2,893
Thornburn Lake	31,547	28,586	(54,120)	6,013	-	6,013
Umpherville Lake	13,447	17,632	(27,971)	3,108	-	3,108
Umpherville West	5,038	9,467	(13,054)	1,451	-	1,451
Virgin Trend North	342,978	1,109,288	(1,307,039)	145,227	-	145,227
Virgin Trend South	92,177	5,691	(88,081)	9,787	-	9,787
Total Uranium Properties	$ 2,197,139	$ 4,772,771	$ (6,272,919)	$ 696,991	$ -	$ 696,991

NOTE 6 – RESOURCE PROPERTIES (continued)

(b) Oil and Gas Properties

Colorado / Utah Oil & Gas Projects (US)

In July 2006, the Company concluded the purchase of interests in 267 oil and gas leases covering 254,068 net acres in the Piceance and Uinta Basins in the States of Colorado and Utah from Retamco Operating Co. ("Retamco"), a private Texas corporation. The cost to the Company was $25,182,532 and included cash of $5,511,000 (US $5,000,000), 5,500,000 common shares valued at $12,088,991 (US $10,726,700), a promissory note with face value of $5,643,000 (US $5,000,000) and the issuance of a $1,577,609 (US $1,397,846) two-year 8% convertible debenture. Additional costs of $361,932 relating to the acquisition have also been capitalized to the project. See Notes 7 and 8.

In February 2007, the Company acquired an interest in an additional 21,866 net acres (34 sections) such that the current total of leases is 295. These additional 28 leases are contained within an Area of Mutual Interest as defined in the 2006 purchase agreement. The project consists of two project types. The "Natural Gas Resource" project covers 207,934 net acres containing natural gas assets; the second project is the "Subthrust Oil" project covering 68,000 net acres in the northern Piceance/Uinta Basins.

The Company owns a 25% net working interest in the Natural Gas Resource project and a 12.5% net working interest in the Overthrust Oil project. Leasehold acreage net royalty interest ("NRI") is 80% except one lease that is 78%. The Company will pay an unpromoted proportionate share of all exploration expenses including seismic, drilling, completion or abandonment and equipping.

In July 2006, the Company received 183,836 common shares of Brownstone Ventures Inc. ("Brownstone", a working interest partner in the Colorado/Utah Projects) with a fair value of $306,271 recorded as a finder's fee for assisting Brownstone in its purchase of its 10% interest in the Natural Gas Resource and Overthrust Oil projects. During the year ended December 31, 2007, the Company received proceeds of $308,644 from the sale of 158,836 Brownstone shares. As at December 31, 2007, the Company's remaining 25,000 shares of Brownstone had a market value of $36,250.

Tinsley and Lavaca Projects (US)

In 2006, the Company was advised by the operator of the Tinsley and Lavaca Prospect that the wells were not economic. As a result, the Company recorded an impairment provision of $2,596,074. The Company currently holds interests in these oil and gas properties and carries two of these properties at $1 each, as it has not yet determined if these two properties contain any economical resources. In 2007, the Company re-activated the Tinsley Prospect and entered into a new contract to test and drill the area.

Canadian Oil and Gas Projects

DEAL was incorporated in April 2006 with a joint venture partner who owned 10% of DEAL. In June 2007, the Company purchased that 10% ownership of DEAL from the joint venture partner for $354,880, and DEAL became the Company's wholly-owned subsidiary.

Numerous oil and gas prospects are being pursued and developed by DEAL and management has elected to manage risk by taking varying working interest positions based upon reserve potential and perceived exploration risk. These interests range from 10% to 100%. DEAL has been acquiring permits, licenses or leases for oil and gas exploration (referred to as "lands") at public sales and by private purchase.

In October 2006, DEAL concluded a Participation Agreement allowing it to participate in the drilling of a natural gas well in an area known as the Noel Area, in N.E. British Columbia, Canada. DEAL paid 15% of the costs to earn a 9.375% working interest in 2,220 acres with an option to drill additional wells earning 2,220 acres to a maximum of 10,725 acres. Drilling commenced in the 1st quarter of 2007 and the well was dry. The Company recorded an impairment provision of $678,044 during the year ended December 31, 2007.

NOTE 6 – RESOURCE PROPERTIES (continued)

(b) Oil and Gas Properties (cont'd)

	Balance Dec. 31, 2005	Acquisition Costs	Exploration & Development	Write-down	Balance Dec. 31, 2006	Acquisition Costs	Exploration & Development	Write-down	Balance Dec. 31, 2007
US Oil and Gas Properties:									
Colorado / Utah Projects	$ -	$ 25,182,532	$ -	$ -	$ 25,182,532	$ 285,176	$ 1,940,653	$ -	$ 27,408,361
Lavaca Project	163,622	-	56,526	(220,148)	-	381	-	-	381
Tinsley Prospect	1,064,391	-	1,311,536	(2,375,926)	1	37,023	-	-	37,024
Turtle Bayou, Louisiana	1	-	-	-	1	-	-	-	1
	1,228,014	25,182,532	1,368,062	(2,596,074)	25,182,534	322,580	1,940,653	-	27,445,767
Canadian Oil and Gas Properties:									
Alderson 3D	-	-	-	-	-	-	182,753	-	182,753
Boundary Lake South	-	-	-	-	-	174,579	207,145	-	381,724
Carson Creek	-	-	-	-	-	-	535,504	-	535,504
Cecil	-	-	-	-	-	127,113	180,044	-	307,157
Chinchaga	-	-	-	-	-	159,018	324,162	-	483,180
Drake	-	-	-	-	-	731,265	1,753,901	-	2,485,166
Guatemala	-	-	-	-	-	7,250	-	(7,250)	-
Kaybob	-	-	-	-	-	227,032	269,531	-	496,563
LeGlace	-	-	-	-	-	30,225	490,054	-	520,279
Manning Area	-	-	-	-	-	-	113,640	-	113,640
Noel	-	-	-	-	-	-	670,794	(670,794)	-
Saddle Hills	-	-	-	-	-	9,724	501,528	-	511,252
Wembley	-	-	-	-	-	122,330	1,056,550	-	1,178,880
Others	1	-	-	-	1	57,521	15,112	-	72,634
	1	-	-	-	1	1,646,057	6,300,718	(678,044)	7,268,732
Total Oil and Gas Properties	$ 1,228,015	$ 25,182,532	$ 1,368,062	$ (2,596,074)	$ 25,182,535	$ 1,968,637	$ 8,241,371	$ (678,044)	$ 34,714,499

NOTE 7 – PROMISSORY NOTE AND CONVERTIBLE DEBENTURES

On July 14, 2006, a promissory note with a face value of $5,643,000 (US $5,000,000) and convertible debenture with a face value of $1,577,609 (US $1,397,846) were issued to Retamco for the acquisition of the Retamco project (refer to Note 6).

(a) Promissory Note

The US $5,000,000 promissory note is secured, bore no interest to January 1, 2007 and thereafter it bears interest at 4.4% per annum. The Company estimated that the fair value of the promissory note at the date of issue was $4,877,058 and has capitalized the accreted interest to December 31, 2006 as resource property costs. The promissory note was fully paid at the scheduled maturity dates as follows:

January 2, 2007	US$	2,000,000	(paid)
March 31, 2007		1,500,000	(paid)
June 30, 2007		1,500,000	(paid)
	US$	5,000,000	

NOTE 7 – PROMISSORY NOTE AND CONVERTIBLE DEBENTURES (continued)

(b) Convertible Debenture

The convertible debenture, denominated in US dollars, matures on July 15, 2008, is unsecured, bears an 8% coupon, payable quarterly and is convertible at $1.33 (US $1.35) per unit. Each unit consists of one common share and one warrant, exercisable at $1.47 (US $1.50) per share, expiring on July 15, 2008. During the year ended December 31, 2007, US $349,850 of convertible debentures plus US $12,493 of interest payables were converted to 273,399 common shares and US $99,226 of interest payable was capitalized as principal of the convertible debentures. The convertible debenture is made up of the following:

	In US Dollar		**Canadian Dollar Equivalent**	
	December 31 2007	December 31 2006	**December 31 2007**	December 31 2006
8% convertible debenture	**US$ 1,047,995**	US$ 1,397,845	**$ 1,029,131**	$ 1,629,049
Capitalization of interest	**99,226**	-	**97,440**	-
	1,147,221	1,397,845	**1,126,571**	1,629,049
Equity portion	**(247,730)**	(284,629)	**(243,270)**	(331,707)
Accumulated amortization of discount	**163,243**	40,017	**160,304**	46,636
Balance	**US$ 1,062,734**	US$ 1,153,233	**$ 1,043,605**	$ 1,343,978

NOTE 8 – SHARE CAPITAL

Authorized: Unlimited common shares
Unlimited first preferred shares, issuable in series
Unlimited second preferred shares, issuable in series

	Common Shares	Value
Balance at December 31, 2005	39,016,789	$ 18,190,174
Common shares issued in 2006		
- Acquisition of Retamco Project - Piceance/Uinta Basin	5,500,000	12,088,991
- for cash by private placements	8,071,333	11,329,002
- for cash on exercise of agent's options	499,909	349,937
- for cash on exercise of warrants	7,051,285	7,076,746
- for cash on exercise of stock options	760,407	433,321
- Contributed surplus reallocated on exercise of stock options	-	257,520
- renounced flow through share expenditures	-	(1,054,308)
Balance at December 31, 2006	60,899,723	48,671,383
- for conversion of convertible debenture	273,399	394,752
- for cash by private placements	4,773,980	11,287,668
- for cash on exercise of warrants	3,444,490	2,859,863
- for cash on exercise of stock options	736,737	557,800
- Contributed surplus reallocated on exercise of stock options	-	335,038
- renounced flow through share expenditures	-	(2,712,540)
Balance at December 31, 2007	70,128,329	$ 61,393,964

NOTE 8 – SHARE CAPITAL (continued)

During the year ended December 31, 2007, the Company completed the following:

In May 2007, the Company completed a private placement and issued 3,773,980 Units at $2.65 per Unit. Each Unit consists of one common share and half of one share purchase warrant, exercisable at $3.35 per share before May 25, 2009. Gross proceeds raised were $10,001,047. The Company paid finders' fees of $493,215 and other related costs of $30,564. The Company also issued 217,139 agent compensation warrants, exercisable at $3.35 per share before December 31, 2008. The grant date fair values of the agents' options, estimated to be $43,428, have been included in share capital on a net basis and accordingly have not been recorded as a separate component of shareholders' equity. Management has estimated the fair value of the Unit warrants to be immaterial.

In November 2007, the Company completed a private placement and issued 1,000,000 flow-through shares ("FTS") at $1.82 per share. Gross proceeds raised of $1,820,000 are committed to be spent on Canadian Exploration Expenditures ("CEE"), of which $263,222 had been spent to December 31, 2007. Accordingly, as at December 31, 2007, approximately $1,557,000 of cash was reserved for CEE purposes. In connection with this private placement, the Company paid $9,600 related costs. There are no finders' fees or commissions related to this private placement.

During the year ended December 31, 2006, the Company completed the following:

In March 2006, the Company completed a private placement and issued 5,300,000 flow-through shares at $1.50 per share. Gross proceeds raised of $7,950,000 are committed to be spent on CEE, of which $2,600,000 had been spent to December 31, 2006. Accordingly, as at December 31, 2006, approximately $5,350,000 was not available for general administrative purposes. In connection with this private placement, the Company paid finders' fees of $477,000 and issued 424,000 agents' warrants, exercisable at $1.65 per share before September 2, 2007. The grant date fair values of the agents' warrants, estimated to be $63,600 have been included in share capital on a net basis and accordingly have not been recorded as a separate component of shareholders' equity.

In March 2006, the Company completed a private placement and issued 683,333 Units at $1.50 per Unit. Each Unit consists of one common share and half of one share purchase warrant, exercisable at $1.65 per share before December 31, 2007. Gross proceeds raised were $1,025,000. The Company paid finders' fees of $45,000 and issued 41,000 agents' warrants, exercisable at $1.65 per share before December 31, 2007. The grant date fair values of the warrants and agents' warrants, estimated to be $51,250 and $6,150 respectively, have been included in share capital on a net basis and accordingly have not been recorded as a separate component of shareholders' equity. Management has estimated the fair value of the Unit warrants to be immaterial.

In April 2006, the Company completed a private placement and issued 2,088,000 Units at $1.50 per Unit. Each Unit consists of one common share and half of one share purchase warrant, exercisable at $1.65 per share before December 31, 2007. Gross proceed raised was $3,132,000. The Company paid finders' fees of $138,150 and issued 92,100 agents' warrants, exercisable at $1.65 per share before December 31, 2007. The grant date fair values of the agents' warrants, estimated to be $13,815, have been included in share capital on a net basis and accordingly have not been recorded as a separate component of shareholders' equity.

In July 2006, the Company issued 5,500,000 shares with a fair value of $12,088,991 for the acquisition of Retamco Project (see Note 6).

NOTE 9 – STOCK OPTIONS AND SHARE PURCHASE WARRANTS

During the year ended December 31, 2007, the Company granted a total of 3,095,000 (2006 – 2,010,000) options to its officers, directors, consultants and advisors, of which 1,135,000 options granted with an exercise price of $2.50 per share were cancelled during the year. 565,000 options granted during 2007 with exercisable prices ranging from $2.35 - $2.50 per share were re-priced to $2.00 per share. The re-priced options maintain their original expiry dates.

NOTE 9 – STOCK OPTIONS AND SHARE PURCHASE WARRANTS (Continued)

As at December 31, 2007, there are 5,627,481 options outstanding with a weighted average exercise price at $1.49, of which 3,311,824 options were vested. The vested options can be exercised for periods ending between February 8, 2008 to October 31, 2012 to purchase common shares of the Company at prices ranging from $0.275 to $2.10 per share.

The Company expenses the fair value of all stock options granted over their respective vesting periods. The fair value of the options granted during 2007 was determined to be $4,572,350 (2006 - $3,045,400), of which $2,319,950 was assigned to 1,135,000 options granted and cancelled during 2007. The Company determined the fair value of stock options granted using the Black-Scholes option pricing model using the following weighted average assumptions: Expected option life of 4.40 years (2006 – 2.86 years), risk-free interest rate of 3.92% (2006 – 3.5%) and expected volatility of 91.09% (2006 – 96%).

During the year ended December 31, 2007, the Company recognized a total of $2,461,400 (2006 - $1,295,127) of stock based compensation relating to the vesting of options. The fair value assigned to re-priced options is higher than re-calculated fair value at the date of re-pricing; therefore, the assigned fair value remained same after the price modification. The weighted average grant date fair value of stock options granted during the year was $0.79 per option.

As at December 31, 2007, there are 2,315,658 unvested options included in the balance of the outstanding options with a weighted average grant date fair value of $1.20 per option. The following table summarizes information about stock option transactions:

	Outstanding Options	Weighted Average Excercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2005	3,311,192	$ 0.53	2.71 years
Options granted	2,010,000	1.85	
Options exercised	(760,407)	0.57	
Options cancelled and expired	-	-	
Balance, December 31, 2006	4,560,785	1.14	1.93 years
Options granted	3,095,000	2.20	
Options exercised	(736,737)	0.76	
Options cancelled and expired	(1,291,567)	2.39	
Balance, December 31, 2007	5,627,481	$ 1.49	1.96 years

Details of stock options exercisable as at December 31, 2007 are as follows:

Number of Options Outstanding and vested	Exercise Price	Remaining Contractual Life (Years)
484,630	$ 0.275	1.84
489,567	0.55	0.14
33,625	0.66	0.29
816,667	0.60	0.69
4,585	0.90	0.84
133,333	1.40	1.25
711,083	2.10	1.33
10,417	1.75	1.84
125,000	1.95	0.92
83,333	2.35	2.09
411,250	2.00	3.07
8,333	2.05	2.72
3,311,823		

NOTE 9 – STOCK OPTIONS AND SHARE PURCHASE WARRANTS (continued)

During the year ended December 31, 2007, the Company issued 2,104,129 warrants in connection with a private placement financing as described in Note 8. These warrants are exercisable into common shares at a price of $3.35 per share until May 25, 2009. In addition, the Company also issued 268,402 warrants in connection with the conversion of convertible debentures as described in Note 7 (b). The weighted average grant date fair value of all warrants granted during the year was $0.20 per warrant.

The following table summarizes information about warrant transactions:

	Outstanding Warrants	Weighted Average Excercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2005	9,403,071	$ 0.89	1.42 years
Warrants issued	2,192,720	1.56	
Warrants exercised	(7,051,285)	1.00	
Warrants expired	-	-	
Balance, December 31, 2006	4,544,506	1.03	0.41 years
Warrants issued	2,372,531	3.15	
Warrants exercised	(3,444,490)	0.83	
Warrants expired	(1,100,016)	1.64	
Balance, December 31, 2007	2,372,531	$ 3.15	1.31 years

Details of warrants outstanding as at December 31, 2007 are as follows:

Number of Warrants Outstanding	Exercise Price	Remaining Contractual Life (Years)
2,104,129	$ 3.35	1.40
268,402 *	1.47 *	0.54
2,372,531		

*268,402 warrants were denominated in US dollar and are exercisable at US $1.50 per share (refer to Note 7).

NOTE 10 – CONTRIBUTED SURPLUS

Details of changes in the Company's contributed surplus balance are as follows:

Balance at December 31, 2005	$ 279,085
Stock compensation on vesting of options	1,295,127
Value of conversion feature on convertible debenture	331,706
Allocated to share capital on exercise of options	(257,520)
Balance at December 31, 2006	1,648,398
Stock compensation on vesting of options	2,461,400
Value of conversion feature on convertible debenture	(39,490)
Allocated to share capital on exercise of options	(335,038)
Balance at December 31, 2007	$ 3,735,270

NOTE 11 – SUPPLEMENT CASH FLOW INFORMATION

Supplemental Cash Flow Information (Note 11)

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
Changes in non-cash working capital balances:			
Prepaids and other	**$ (303,038)**	$ (93,620)	$ (54,242)
Advances for oil and gas projects	**(1,006,917)**	-	-
Accounts payable and accrued liabilities	**35,684**	243,915	261,123
	$ (1,274,271)	$ 150,295	$ 206,881
Changes in non-cash financing and investing activities:			
Common shares issued for properties	**$ -**	$ 12,088,991	$ -
Common shares issued for convertible debentures	**394,752**	-	-
Conversion feature on convertible debenture	**(39,490)**	331,706	-
Common shares issued for services	**-**	-	9,200
Promissory note issued for Retamco Project	**-**	5,643,000	-
Convertible debentures (converted) / issued	**1,043,605**	-	
Value of shares and warrants received as proceeds on disposition of resource properties	**-**	36,450,000	-
Other cash flow information:			
Interest paid	**$ 92,201**	$ 107,031	$ 1,589
Taxes paid or accrued	**263,953**	24,236	-

NOTE 12 – ACCUMULATED OTHER COMPREHENSIVE INCOME

Effective January 1, 2007, the Company adopted new accounting standards issued by CICA relating to financial instruments, see Note 2. The new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

As at December 31, 2007, the Company had 25,000 (2006 – 158,836) common shares of Brownstone Ventures Inc. designated as available-for-sale, which was measured and carried at fair market value. The detail of accumulated other comprehensive income is as follows:

	December 31, 2007	December 31, 2006
Accumulated other comprehensive income, beginning of the year	**$ -**	$ -
Adjustment for new accounting standards adoption	**98,168**	-
Unrealized gains and losses arising during the year	**(18,750)**	-
Realized gain during the year	**(84,818)**	-
Accumulated other comprehensive loss, end of the year	**$ (5,400)**	$ -

NOTE 13 – RELATED PARTY TRANSACTIONS

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

(a) During 2007, the Company incurred a total of $187,500 (2006 - $136,670) in consulting fees and accrued US $34,195 (2006 – US $14,830) of interest at 8% per annum related to US $400,000 of convertible debentures as discussed in Note 7, and $63,000 (2006 - $63,000) bonus payment to private companies controlled by the CEO of the Company.

(b) During 2007, the Company incurred a total of $157,500 (2006 - $129,000) in consulting fees and accrued US $21,320 (2006 – US $14,830) of interest at 8% per annum related to US $400,000 of convertible debentures as discussed in Note 7, and $63,000 (2006 - $63,000) bonus payment to the President or a private company controlled by the President of the Company. In April 2007, US $200,000 of convertible debentures was converted to 148,148 Units. Each Unit consists of one common share and one warrant, exercisable at US $1.50 per share, expiring on July 15, 2008. The Company also issued 9,254 Units to settle US $12,493 of accrued interest.

(c) During 2007, the Company incurred $146,965 (2006 - $107,640) in consulting fees to a private company controlled by the CFO. The Company also accrued US $32,222 (2006 - US $14,830) of interest at 8% per annum related to US $400,000 of convertible debentures as discussed in Note 7 to an individual related to the CFO. In November 2007, US $149,850 of convertible debentures was converted to 111,000 units. Each unit consists of one common share and one warrant, exercisable at US $1.50 per share, expiring on July 15, 2008.

(d) During 2007, the Company's subsidiary ("DEAL") incurred a total of $172,750 (2006 - $105,625) in consulting fees to private companies controlled by the President of DEAL. The Company purchased Wild Horse Energy Ltd. for $354,880 from the President of DEAL. Wild Horse Energy Ltd. owned 10% shares of DEAL.

(e) During 2007, the Company incurred $113,556 (2006 - $Nil) in consulting fees to a private company controlled by the vice-president of the Company.

(f) During 2007, the Company incurred $45,500 (2006 - $Nil) in meeting attendance fees to the Company's independent directors.

(g) Included in May 2007 private placements at $2.65 per Unit, 148,000 Units were issued to officers and directors. Included in November 2007 flow-through shares issuance at $1.82 per share, 680,000 flow-through shares were issued to officers and directors. See Note 8.

These transactions are in the normal course of operations and are measured at the exchange amount established and agreed to by the related parties.

NOTE 14 – FUTURE INCOME TAXES

The actual income tax provisions differ from the expected amounts calculated by applying the Canadian combined federal and provincial corporate income tax rates to the Company's (loss) / income before income taxes. The components of these differences are as follows:

		2007		2006
(Loss) / income before income taxes	**$**	**(31,031,447)**	$	24,341,652
Corporate tax rate		**30.83%**		34.12%
Expected tax (recovery) expense		**(9,566,995)**		8,305,371
Increase (decrease) resulting from:				
Change in corporate tax rate		**192,229**		53,546
Titan shares and warrants investment		**4,398,806**		(5,601,176)
Non-deductible stock-based compensation		**758,850**		441,638
Change in future tax asset valuation allowance		**-**		(3,490,610)
Share issue costs and other permanent differences		**643,238**		(214,975)
Renounced exploration expenditures and other adjustments		**(646,902)**		960,132
Future income tax (recovery) expense	**$**	**(4,220,774)**	$	453,926

The Company's tax-effected future income tax assets and liabilities are made up as follows:

Future income tax assets		**2007**		2006
Non-capital losses available	**$**	**1,635,108**	$	1,077,545
Capital losses available		**964,695**		1,067,642
Resource pools in excess of net book value		**-**		1,540,396
Share issue costs and other		**401,468**		407,359
		3,001,271		4,092,942
Future income tax				
Long term investments		**(1,202,370)**		(5,601,176)
Resource pools in excess of net book value		**(608,077)**		-
		(1,810,447)		(5,601,176)
Net future income tax assets (liabilities)		**1,190,824**		(1,508,234)
Valuation allowance				
Reversal (increase) of valuation allowance		**(1,190,824)**		-
Net future income tax liability	**$**	**-**	$	(1,508,234)

The Company has approximately $5,304,000 (2006 - $2,884,000) of non-capital losses which can be applied to reduce future taxable income, expiring as follows:

Year of Expiry		Amount
2015	$	1,520,000
2027		3,784,000
	$	5,304,000

NOTE 14 – FUTURE INCOME TAXES (Continued)

In addition, the Company has Canadian exploration and development expenditures totaling approximately $5,993,000, unamortized share issue costs of approximately $1,227,000 and capital loss carry forwards of approximately $6,258,000 which may be available to reduce future taxable income. Both the exploration and development expenditures and the capital losses can be carried forward indefinitely.

NOTE 15 – COMMITMENT

Effective May 1, 2005, the Company entered in to a five year lease on its office premises. Under the terms of the lease the Company is required to make minimum annual payment. The Company is committed under operating lease agreement for the premises to future minimum payments as follows:

2008	$ 95,334
2009	101,053
2010	34,320
	$ 230,707

NOTE 16 – SEGMENTED DISCLOSURE

As at December 31, 2007 and 2006, the Company's significant assets, losses and revenue by geographic location were as follows:

	December 31, 2007	December 31, 2006
	$	$
Canada		
Interest revenue	**806,147**	673,559
Segmented income (loss)	**(26,738,906)**	26,591,831
Assets:		
Current Assets	**14,528,145**	18,152,296
Equipment, net	**87,399**	106,953
Investment in Titan	**12,600,000**	36,538,953
Resource properties	**7,965,724**	696,992
	35,181,268	55,495,194
U.S.A.		
Interest revenue	**-**	-
Segmented loss	**(71,767)**	(2,703,105)
Assets:		
Current Assets	**515,577**	-
Equipment, net	**888**	-
Investment in Titan	**-**	-
Resource properties	**27,445,766**	25,182,534
	27,962,231	25,182,534

NOTE 17 – SUBSEQUENT EVENTS

(a) Stock Options

Subsequent to December 31, 2007, the Company granted 2,100,000 incentive stock options with a weighted average exercise price at $1.42 per share to independent directors, management, officers and consultants of the Company.

Subsequent to December 31, 2007, 509,549 common shares were issued upon the exercise of stock options for proceeds of $284,589 and 266,800 incentive stock options were forfeited.

(b) Renunciation of Canadian Exploration Expenditures ("CEEs")

In January 2008, the Company renounced $1,820,000 flow-through funds to investors, using the look-back rule. $263,222 of renounced CEEs had been spent by December 31, 2007 and approximately $1,557,000 is committed to be spent by December 31, 2008.

In February 2008, the Company filed a Part XII.6 tax return with the Canada Revenue Agency related to CEEs renunciation with an effective date of December 31, 2006 and paid $263,953 of Part XII.6 tax.