

**HY LAKE GOLD INC.**  
(A Development Stage Enterprise)  
**FINANCIAL STATEMENTS (PREPARED BY MANAGEMENT)**  
**March 31, 2007**  
**(Unaudited)**

**Responsibility for Financial Statements**

The accompanying financial statements for Hy Lake Gold Inc. have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles consistently applied. The most significant of these policies have been set out in the September 30, 2006 audited financial statements. These statements are presented on an accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Corporation is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly stated.

**Disclosure Required Under National Instrument 51-102 - Continuous Disclosure Obligations - Part 4.3(3)(a)**

The auditor of Hy Lake Gold Inc. has not performed a review of the unaudited comparative financial statements for the three month and six month periods ending March 31, 2007.

**INDEX**

	Page
Balance Sheet	1
Statement of Loss	2
Statement of Cash Flows	3
Notes to the Financial Statements	4 - 9

**HY LAKE GOLD INC.**  
(A Development Stage Enterprise)  
**BALANCE SHEET**  
**AS AT MARCH 31, 2007**

	March 31, <b>2007</b> (unaudited)	September 30, <b>2006</b> (audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 467,047	\$ 187,624
Accounts receivable	25,545	7,440
Prepaid expenses and deposits	<u>9,833</u>	<u>-</u>
	<u>502,425</u>	<u>195,064</u>
<b>Mineral resource properties</b> , note 3	<u>322,697</u>	<u>84,105</u>
<b>Property, plant and equipment</b>		
Capital assets, note 5	<u>580</u>	<u>681</u>
	<u>\$ 825,702</u>	<u>\$ 279,850</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<u>\$ 5,605</u>	<u>\$ 20,994</u>
	<u>5,605</u>	<u>20,994</u>
<b>Commitments and contingent liability</b> , note 6		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital, note 7	11,381,335	10,593,057
Deficit	<u>(10,561,238)</u>	<u>(10,334,201)</u>
	<u>820,097</u>	<u>258,856</u>
	<u>\$ 825,702</u>	<u>\$ 279,850</u>

Approved on behalf of the board:

"Michael Meredith" Director

"Richard Padulo" Director

**HY LAKE GOLD INC.**  
(A Development Stage Enterprise)  
**STATEMENT OF LOSS**  
**FOR THE PERIOD ENDED MARCH 31, 2007**  
(Unaudited)

	Three Months March 31, 2007	Three Months March 31, 2006	Six Months March 31, 2007	Six Months March 31, 2006
<b>Expenses</b>				
General and administrative	102,342	3,849	116,139	11,014
Management fees	8,250	-	16,750	-
Consulting fees	53,444	30,625	76,394	30,625
Advertising and promotion	10,114	-	10,114	-
Travel	7,162	-	7,464	-
Amortization	51	-	176	-
Professional fees	-	6,854	-	6,854
Interest and bank charges	-	7,592	-	7,592
	<u>181,363</u>	<u>48,920</u>	<u>227,037</u>	<u>56,085</u>
<b>Net loss for the year</b>	(181,363)	(48,920)	(227,037)	(56,085)
Deficit, beginning of period	<u>(10,379,875)</u>	<u>(10,284,848)</u>	<u>(10,334,201)</u>	<u>(10,277,683)</u>
Deficit, end of period	<u><b>\$(10,561,238)</b></u>	<u><b>\$(10,333,768)</b></u>	<u><b>\$(10,561,238)</b></u>	<u><b>\$(10,333,768)</b></u>
<b>Loss per share</b>				
Basic and fully diluted	<u>(0.016)</u>	<u>(0.015)</u>	<u>(0.021)</u>	<u>(0.017)</u>
Weighted average number of shares	<u>10,817,863</u>	<u>3,223,050</u>	<u>10,817,863</u>	<u>3,223,050</u>

See accompanying notes to the financial statements

**HY LAKE GOLD INC.**  
(A Development Stage Enterprise)  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED MARCH 31, 2007**  
(Unaudited)

	Three Months March 31, 2007	Three Months March 31, 2006	Six Months March 31, 2007	Six Months March 31, 2006
<b>Cash flows from operating activities</b>				
Net loss for the period	\$ (181,363)	\$ (48,920)	\$ (227,037)	\$ (56,085)
Adjustments for:				
Amortization	<u>51</u>	<u>-</u>	<u>176</u>	<u>-</u>
	(181,312)	(48,920)	(226,861)	(56,085)
Changes in non-cash working capital balances	<u>(43,402)</u>	<u>(53,864)</u>	<u>(43,402)</u>	<u>(46,699)</u>
Cash flows used in operating activities	<u>(224,714)</u>	<u>(102,784)</u>	<u>(270,263)</u>	<u>(102,784)</u>
<b>Cash flows from investing activities</b>				
Increase in Mineral Resource Properties	<u>(238,592)</u>	<u>-</u>	<u>(238,592)</u>	<u>-</u>
	<u>(238,592)</u>	<u>-</u>	<u>(238,592)</u>	<u>-</u>
<b>Cash flows from financing activities</b>				
Increase in common shares	<u>722,836</u>	<u>173,000</u>	<u>788,278</u>	<u>173,000</u>
	<u>722,836</u>	<u>173,000</u>	<u>788,278</u>	<u>173,000</u>
Net increase in cash	259,530	70,216	279,423	70,216
Cash , beginning of period	<u>187,624</u>	<u>-</u>	<u>187,624</u>	<u>-</u>
<b>Cash, end of year</b>	<u><b>\$ 447,154</b></u>	<u><b>\$ 70,216</b></u>	<u><b>\$ 467,047</b></u>	<u><b>\$ 70,216</b></u>

See accompanying notes to the financial statements

## **HY LAKE GOLD INC.**

(A Development Stage Enterprise)

### **NOTES TO THE FINANCIAL STATEMENTS**

**MARCH 31, 2007**

**(Unaudited)**

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#### **1. NATURE OF OPERATIONS AND GOING CONCERN CONSIDERATIONS**

HY LAKE GOLD INC. (the "Company") was incorporated under the laws of Ontario on November 29, 1991 and is principally engaged in the business of exploring and developing precious metal mineral properties. Substantially all of the efforts of the Company are devoted to these business activities which to date generated minimal revenues. The Company is in the process of further exploring its mineral resource properties and expects to generate additional losses and to require additional financial resources to reach commercialisation. The Company's continuation as a going concern is dependent on continued support from the Company's investors and on the determination of economically viable reserves contained on its mineral resource properties. Failure to continue as a going concern would then require that stated amounts of assets and liabilities be reflected on a liquidation basis of valuation which could differ materially from the going concern basis of accounting.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

(a) Estimates

The preparation of 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, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(b) Mineral resource properties and deferred exploration costs

Mineral resource properties are carried at cost. The Company considers exploration and development costs and expenditures to have the characteristics of capital assets such as property, plant and equipment, and as such, the Company capitalizes all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties as incurred, until those properties are brought into production. After the commencement of production these deferred exploration costs will be amortized through charges against income derived from mining operations. Amortization charges will be calculated on a unit-of-production basis, using proven and probable reserves, or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge will be made.

The actual recovery value of capitalized expenditures for mineral properties and deferred exploration costs, will be contingent upon the discovery of economically viable reserves, and the Company's financial ability at that time to fully exploit these properties or determine a suitable plan of disposition.

(c) Financial Instruments

Financial instruments are initially recorded at cost. If subsequent circumstances indicate that a decline in the fair value of a financial assets is other than temporary, the financial assets is written down to its fair value. Unless otherwise indicated, the fair values of financial instruments approximate their recorded amounts. The fair value of accounts receivable, advances payable and accounts payable approximate their recorded amounts because of the short period to receipt, payment of cash or due date.

## HY LAKE GOLD INC.

(A Development Stage Enterprise)

### NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

(Unaudited)

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#### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(d) Income taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying value of assets and liabilities on the balance sheet and their corresponding values for income tax purposes, using the effective income tax rates expected to apply when these differences reverse. Future income tax assets are recognized only to such extent that it is more likely than not that they will be realized in full. The estimated realizable amount is reviewed annually and adjusted, if necessary, by use of a valuation allowance.

(e) Stock based compensation

The Company has adopted CICA Handbook Section 3870 which require the company to follow the fair value method of accounting for all stock based compensation arrangements. The fair value of each option granted during the period is accounted for in operations over the vesting period of the option using the Black-Scholes options pricing model on the date of the grant, with the related increase to contributed surplus.

(f) Flow through shares

The Company has adopted the recommendations of the CICA with respect to the accounting for Flow Through Shares issued March 19, 2004. This results in the Company reducing the net proceeds of the flow through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favour of the flow through share subscribers. This future income tax liability will be calculated net of any benefit resulting from unrecorded income tax loss carry forwards and income tax pools in excess of the accounting value available for deduction.

(g) Asset retirement obligation

Effective October 1, 2005 the Company adopted the CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred or can be reasonably estimated, and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at September 30, 2006, the Company has not incurred or committed any asset retirement obligations related to the development of its exploration properties.

(h) Impairment of long-lived assets

Long-lived assets, including property and equipment and other assets, are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount which the carrying amount of the asset exceeds the fair value of the asset.

**HY LAKE GOLD INC.**

(A Development Stage Enterprise)

**NOTES TO THE FINANCIAL STATEMENTS****MARCH 31, 2007****(Unaudited)**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)****(i) Earnings (loss) per share**

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to redeem common shares at the prevailing market value.

**(j) Amortization**

The Company provides for amortization of its property, plant and equipment at the following annual rates:

Computer equipment	- 30%	declining balance basis
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**(a) Cumulative information for development stage companies**

The Company has adopted CICA Handbook Accounting Guideline #11 with respect to financial statement presentation for development stage companies. Accordingly the statements of income and cash flows have been altered to include a column outlining the cumulative revenues, expenses and cash flows from the date of commencement of development stage activities being October 1, 2005 to the fiscal year end date of the financial statements.

**3. MINERAL RESOURCE PROPERTIES AND DEFERRED EXPLORATION COSTS**

	Acquisition Costs	Exploration Expenditures	March 31, 2007 Total	September 30, 2006 Total
Red Lake (a)	<u>\$ -</u>	<u>\$ 322,696</u>	<u>\$ 322,696</u>	<u>\$ 84,105</u>
	<u>\$ -</u>	<u>\$ 322,696</u>	<u>\$ 322,696</u>	<u>84,105</u>

**HY LAKE GOLD INC.**

(A Development Stage Enterprise)

**NOTES TO THE FINANCIAL STATEMENTS****MARCH 31, 2007****(Unaudited)****4. RELATED PARTY ADVANCES AND TRANSACTIONS**

The advances from officers, directors and shareholders are interest free and have no fixed repayment terms.

Companies controlled by officers and directors of the Company and individuals related to them charged management and consulting fees in the amount of \$ 26,628 to the Company during the quarter.

Capitalized exploration expenditures totaling \$2,000 were charged in the quarter by a director of the Company.

Management believes these transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

**5. PROPERTY, PLANT AND EQUIPMENT**

	Cost	Accumulated Amortization	December 31, 2007 Net Book Value	September 30, 2007 Net Book Value
Computer equipment	<u>\$ 756</u>	<u>\$ 176</u>	<u>\$ 580</u>	<u>\$ 681</u>
	<u>\$ 756</u>	<u>\$ 176</u>	<u>\$ 580</u>	<u>\$ 681</u>

**6. COMMITMENTS****Red Lake Property**

In order to earn a 75% interest in the property, the Company assumed the following option commitments:

The minimum annual cash payments required under the terms of the contractual obligations on mineral resource properties for the next four years are as follows:

Commitment	Total required	Outstanding March 31, 2007
Cash payments	\$ 80,000	\$ 65,000
Common shares to be issued	550,000	300,000
Work commitments	\$ 1,000,000	\$ 930,895

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(A Development Stage Enterprise)

**NOTES TO THE FINANCIAL STATEMENTS****MARCH 31, 2007****(Unaudited)**

In addition, as part of the letter of intent, the Company is committed to pay annual lease payments and property taxes relating to the property. The estimated annual costs are \$ 1,000.

The Company is currently in arrears in meeting certain property commitments. However, in order for the property vendor to exercise default mechanisms, the vendor must issue a default notice in writing, the date from which the Company has six months to satisfy the commitments that are in arrears. To date, the property vendor has not issued a default notice.

**7. CAPITAL STOCK**

Authorized

Unlimited Common shares without par value

<b>Common shares</b>	<b>Number of Shares</b>	<b>Amount</b>
Balance, September 30, 2005 and 2004	32,230,505	\$ 9,784,657
Share consolidation, 1 for 10	3,223,060	9,784,657
Shares issued on settlement of debt	898,250	89,825
Issued for cash	3,500,000	350,000
Issued for services	200,000	20,000
Issued on conversion of loan payable	<u>3,485,750</u>	<u>348,575</u>
Balance, September 30, 2006	11,307,060	\$ 10,593,057
Issued on private placement flow-through, December 15, 2006	969,428	339,300
Issued on private placement, December 15, 2006	250,000	25,000
Issued on private placement flow-through, December 22, 2006	638,500	223,475
Finders fees on December 29, 2006 private placement	<u>17,721</u>	<u>(3,722)</u>
Balance, December 31, 2006	13,182,709	11,177,110
Issued on private placement	392,072	137,225
Issue for property acquisition	50,000	43,000
Issued on exercise of options	<u>80,000</u>	<u>24,000</u>
Balance March 31, 2007	<u>13,704,781</u>	<u>\$ 11,381,335</u>
Stock-option plan		

Under a management and key employee incentive option plan the Company has granted to certain officers, directors and key employees, stock options to purchase up to 10% of the issued and outstanding common shares of the Company at any given time.

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(A Development Stage Enterprise)

**NOTES TO THE FINANCIAL STATEMENTS****MARCH 31, 2007****(Unaudited)**

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**8. LOSS PER SHARE**

Basic loss per share has been calculated by dividing the net loss per the financial statements by the weighted average number of shares outstanding during the year. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued under outstanding warrants and options of the Company. As the company is in a loss position for the periods ended September 30, 2007 and 2006, no dilutive effect would result from the potential increase in common shares.

**9. SUPPLEMENTAL CASH FLOW INFORMATION**

	March 31, 2007	September 30, 2007
Changes in non-cash working capital balances		
Accounts receivable	\$ (18,105)	\$ 5,237
Prepaid expenses and deposits	(9,833)	
Accounts payable and accrued liabilities	<u>(15,464)</u>	<u>(7,006)</u>
	<u>\$ (43,402)</u>	<u>\$ (1,769)</u>

**10. SUBSEQUENT EVENTS**

On April 10th, the Company closed on a private placement of 1,500,00 units, raising gross proceeds of \$900,000.