

DUNDARAVE RESOURCES INC.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2007

(Unaudited – Prepared by Management)

NOTICE TO READER

INTERIM CONSOLIDATED BALANCE SHEETS

INTERIM CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**MANAGEMENT'S COMMENTS ON
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying interim consolidated financial statements of Dunderave Resources Inc. for the three months ended March 31, 2007 have been prepared by management and are the responsibility of the Company's management. These interim consolidated financial statements have not been reviewed by the Company's external auditors.

DUNDARAVE RESOURCES INC.
INTERIM CONSOLIDATED BALANCE SHEETS
(Unaudited – Prepared by Management)

| | March 31, 2007 | December 31, 2006 |
|--|---------------------------|----------------------|
| ASSETS | | |
| CURRENT | | |
| Cash and cash equivalents | \$ 299,162 | \$ 249,739 |
| Available for sale marketable securities <i>(Note 4)</i> | 1,239,673 | 831,594 |
| Receivables | 3,958 | 7,804 |
| Prepaid expenses | 673 | 673 |
| | 1,543,466 | 1,089,810 |
| PROPERTY AND EQUIPMENT | 944 | 1,465 |
| | \$ 1,544,410 | \$ 1,091,275 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 19,741 | \$ 9,141 |
| SHAREHOLDERS' EQUITY | | |
| SHARE CAPITAL <i>(Note 5)</i> | 14,934,526 | 14,875,526 |
| ACCUMULATED OTHER COMPREHENSIVE INCOME | 305,074 | - |
| CONTRIBUTED SURPLUS | 359,665 | 271,284 |
| DEFICIT | (14,074,596) | (14,064,676) |
| | 1,524,669 | 1,082,134 |
| | \$ 1,544,410 | \$ 1,091,275 |

Approved on behalf of the Board:

“Signed”

Paul Matysek– Director

“Signed”

Christine Thomson– Director

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

DUNDARAVE RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Prepared by Management)

| | Three months ended March 31, | |
|---|-------------------------------------|-------------------|
| | 2007 | 2006 |
| EXPENSES | | |
| Consulting fees | \$ 10,000 | \$ 17,604 |
| Amortization of property and equipment | 521 | 1,102 |
| Interest and bank charges | 109 | 130 |
| Office and general | - | 994 |
| Professional fees | 3,308 | 957 |
| Telephone | 124 | 787 |
| Transfer agent and filing fees | 4,827 | 3,920 |
| Stock based compensation | 119,381 | - |
| | 138,270 | 25,591 |
| REVENUE | | |
| Gain on disposal of mineral properties | - | 9,621 |
| Gain on foreign exchange | (1,019) | 22 |
| Gain on sale of available for sale marketable securities | 120,927 | 131,461 |
| Interest and other income | 8,443 | 1,467 |
| | 128,350 | 142,571 |
| NET LOSS FOR THE PERIOD | (9,920) | 116,980 |
| OTHER COMPREHENSIVE LOSS | | |
| Unrealized holding gain on short-term investments | 37,581 | - |
| Reclassification adjustments for realized gains included in net loss for the period | (76,279) | - |
| | (38,698) | - |
| COMPREHENSIVE LOSS | \$ (48,618) | \$ 116,980 |
| EARNINGS (LOSS) PER SHARE | | |
| Basic | \$ (0.01) | \$ 0.02 |
| Diluted | \$ (0.01) | \$ 0.01 |
| Weighted average shares outstanding | | |
| Basic | 6,633,198 | 6,435,976 |
| Diluted | 6,633,198 | 8,410,976 |

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

DUNDARAVE RESOURCES INC.
INTERIM CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(Unaudited – Prepared by Management)

| | Share capital | | Deficit | Contributed surplus | Accumulated other comprehensive income (loss) |
|--|------------------|----------------------|------------------------|---------------------|---|
| | Shares | Amount | | | |
| Balance, December 31, 2005 | 6,435,976 | \$ 14,770,672 | \$ (13,801,748) | \$ 327,144 | \$ – |
| Common shares issued for: | | | | | |
| Options exercised | 75,000 | 21,000 | – | – | – |
| Warrants exercised | 40,000 | 9,600 | – | – | – |
| Transfer from contributed surplus on options exercised and cancelled | – | 74,254 | – | (74,254) | – |
| Stock-based compensation | – | – | – | 18,394 | – |
| Net loss for the year | – | – | (262,928) | – | – |
| Balance, December 31, 2006 | 6,550,976 | 14,875,526 | (14,064,676) | 271,284 | – |
| Adjustment to opening balance – | | | | | |
| Change in accounting policy (Note 3) | – | – | – | – | 343,772 |
| Common shares issued for: | | | | | |
| Options exercised | 100,000 | 28,000 | – | – | – |
| Transfer from contributed surplus on options exercised | – | 31,000 | – | (31,000) | – |
| Stock-based compensation | – | – | – | 119,381 | – |
| Reclassification adjustments | – | – | – | – | (76,279) |
| Unrealized holding gain on available for sale short-term investments | – | – | – | – | 37,581 |
| Net loss for the period | – | – | (9,920) | – | – |
| Balance, at March 31, 2007 | <u>6,650,976</u> | <u>\$ 14,934,526</u> | <u>\$ (14,074,596)</u> | <u>\$ 359,665</u> | <u>\$ 305,074</u> |

DUNDARAVE RESOURCES INC.
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited – Prepared by Management)

| | Three months ended March 31, | |
|---|-------------------------------------|-------------------|
| | 2007 | 2006 |
| CASH FLOWS PROVIDED BY (USED FOR): | | |
| OPERATING ACTIVITIES | | |
| Net loss for the period | \$ (9,920) | \$ 116,980 |
| Adjusted for items which do not involve cash: | | |
| Gains on sale of available for sale marketable securities | (120,927) | (131,461) |
| Amortization of property and equipment | 521 | 1,102 |
| Gain from disposal of mineral properties | - | (9,621) |
| Stock-based compensation | 119,381 | - |
| | (10,945) | (23,000) |
| Net changes in non-cash working capital items: | | |
| Short-term investments | 17,922 | (100,597) |
| Receivables | 3,846 | (1,040) |
| Prepaid expenses | - | - |
| Accounts payable and accrued liabilities | 10,600 | 3,569 |
| | 21,423 | (98,068) |
| FINANCING ACTIVITIES | | |
| Exercise of stock options | 28,000 | - |
| | 49,423 | (121,068) |
| INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS | 49,423 | (121,068) |
| CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD | 249,739 | 465,085 |
| CASH & CASH EQUIVALENTS, END OF PERIOD | \$ 299,162 | \$ 344,017 |

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

DUNDARAVE RESOURCES INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(Unaudited – Prepared by Management)

NOTE 1 - NATURE AND CONTINUANCE OF OPERATIONS

The Company's primary business is the acquisition, exploration and development of mineral properties. The recoverability of amounts capitalized for resource properties is dependent upon the existence, discovery and exploitation of economically recoverable reserves in its resource properties, the ability of the Company to arrange appropriate financing, either directly or through joint ventures, to complete the development of the properties, confirmation of the Company's interests in the underlying properties, and upon future profitable production of the proceeds from the disposition thereof.

These consolidated financial statements have been prepared on a going concern basis, which implies the Company will continue to realize its assets and discharge its liabilities in the normal course of business. The Company has suffered recurring losses and has not generated profitable operations to date. The continuation of the Company as a going concern is dependent upon the continued financial support from its shareholders and other related parties, the ability of the Company to obtain necessary equity financing to continue operations, and the attainment of profitable operations. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 2 - BASIS OF PRESENTATION

The unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited interim financial statements have been prepared in accordance with the accounting principles and policies described in the Company's annual financial statements for the year ended December 31, 2006, except as described below, and should be read in conjunction with those statements. In the opinion of management, all adjustments (consisting of normal and recurring accruals) considered necessary for fair presentation of the Company's financial position, results of operations and cash flows have been included. Operating results for the three month period ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ended December 31, 2006.

NOTE 3 – CHANGE IN ACCOUNTING POLICY

Effective on January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

(a) *Financial instruments – Recognition and measurement (Section 3855)*

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on and after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be accounted for either at fair value, or in circumstances where fair value may not be considered the most relevant, at cost or amortized cost. Changes in fair value are recognized in the statement of loss and comprehensive loss.

All financial assets and financial liabilities are recognized when the Company becomes a party to the underlying contract. As such, all of the Company's financial assets and financial liabilities were re-measured in accordance with the new standard as of January 1, 2007. Differences between the previous accounting basis and fair value as at January 1, 2007 were recognized by adjusting the opening balance of accumulated other comprehensive income.

Under the new standard, all financial instruments are classified into one of five categories. Initial and subsequent measurement and recognition of changes in value depend on the initial classification of the financial instrument. Available for sale financial instruments, the category which applies to the Company's short-term investments, are measured at fair value at the end of each period. Changes in fair value between periods are included in other comprehensive income until the financial asset is sold. Upon sale, the realized gain or loss is reclassified from accumulated other comprehensive income to the deficit.

(b) *Comprehensive income (Section 1530)*

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recognized as part of net income (loss) to be presented in "other comprehensive income" until it is considered appropriate to be recognized in net income (loss). This standard also requires the presentation of accumulated other comprehensive income, and its components. Accordingly, the Company now includes comprehensive income (loss) within its consolidated statement of loss and comprehensive loss, and a statement of shareholders' equity as a separate financial statement.

DUNDARAVE RESOURCES INC.
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007
(Unaudited – Prepared by Management)

NOTE 4 – AVAILABLE FOR SALE MARKETABLE SECURITIES

| | March 31, 2007 | | | December 31, 2006 |
|--------------------------------------|-------------------|-----------------------------------|---------------------|----------------------|
| | Cost | Unrealized holding gain (loss) | Fair value | Cost |
| First Majestic Resources Corporation | \$ 16,889 | \$ 195,186 | \$ 212,074 | \$ 21,061 |
| SNS Silver Corp. | 19,350 | 107,500 | 126,850 | 27,000 |
| Talvest Money Market Fund | 100,000 | 1,938 | 101,938 | 35,000 |
| Bank of Montreal – GIC | 300,000 | - | 300,000 | 300,000 |
| Canada Treasury Bill | 498,360 | 451 | 498,811 | 448,533 |
| | <u>\$ 934,598</u> | <u>\$ 305,075</u> | <u>\$ 1,239,673</u> | <u>\$ 831,594</u> |

NOTE 5 - SHARE CAPITAL

Authorized share capital consists of an unlimited number of common shares without par value

NOTE 6– STOCK OPTIONS

The Company's Board of Directors approved a rolling stock incentive plan dated December 17, 2004, in accordance with the policies of the TSX Venture Exchange. The Board of Directors is authorized to grant options to directors, officers, consultants or employees to acquire up to 10% of the issued and outstanding shares at the time of each grant. The exercise price shall be determined by the Board of Directors, provided that it is not less than the Discounted Market Price, as that term is defined in the TSX policy manual or such other minimum price as is permitted by the TSX.

A summary of the changes in the Company's common share purchase options is presented below:

| | Number | Weighted Average Exercise Price |
|------------------------------|----------------|------------------------------------|
| Balance, beginning of period | 535,000 | \$ 0.29 |
| Granted | 267,500 | \$ 0.72 |
| Expired | (37,500) | \$ 0.28 |
| Exercised | (100,000) | \$ 0.28 |
| Balance, end of period | <u>665,000</u> | <u>\$ 0.61</u> |
| Number currently exercisable | <u>665,000</u> | <u>\$ 0.61</u> |

The fair value of the options granted during the year was estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions:

| | March 31, 2007 | December 31, 2006 |
|--------------------------|----------------|-------------------|
| Dividend Yield | Nil | Nil |
| Expected volatility | 290% | 290% |
| Risk free rate of return | 3.34% | 3.34% |
| Expected life of options | 1.5 years | 1.5 years |

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NOTE 7 – SHARE PURCHASE WARRANTS

At March 31, 2007, there were 1,560,000 outstanding share purchase warrants entitling the holders thereof the right to purchase one common share exercisable at a price of \$0.24 per share up to June 2, 2007.

NOTE 8 - RELATED PARTY TRANSACTIONS

During the period ended March 31, 2007, the Company paid consulting fees of \$10,000 (2006 - \$16,000) to a corporation controlled by a director. These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.