

## Management's Report to the Shareholders

The accompanying financial statements are the responsibility of management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Management has established procedures and internal control systems to provide reasonable assurance that assets are safeguarded, that transactions and financial records are properly recorded and that reliable information is produced in a timely manner.

KPMP LLP, independent external auditors appointed by the shareholders, have examined and reported upon the financial statements and Martin & Brusset Associates Petroleum Consultants, independent reserve evaluators, have reviewed and reported on the Company's petroleum and natural gas reserves.

The Audit Committee of the Board of Directors has reviewed these financial statements with management and the external auditors. The financial statements have been approved by the Board of Directors on the recommendation of the Audit Committee.

*"signed Robert V. Shields"*  
PRESIDENT & CHIEF EXECUTIVE OFFICER

*"signed John C. Loewen"*  
CHIEF FINANCIAL OFFICER

Calgary, Canada  
April 24, 2008

## Auditors' Report

We have audited the consolidated balance sheets of Marauder Resources East Coast Inc. as at December 31, 2007 and 2006 and the consolidated statements of operations and 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.

*"signed KPMG LLP"*  
Chartered Accountants

Calgary, Canada  
April 24, 2008

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# Marauder Resources East Coast Inc.

## Consolidated Balance Sheets

December 31

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	2007	2006
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 649,607	\$ 606,506
Accounts receivable	319,679	347,679
Prepaid expenses and deposits	21,354	36,363
	990,640	990,548
Property and equipment <i>(note 4)</i>	35,309,704	35,411,663
	\$ 36,300,344	\$ 36,402,211
 <b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 390,564	\$ 544,755
Future income tax liability <i>(note 8)</i>	6,622,376	—
	7,012,940	544,755
 <b>Shareholders' Equity</b>		
Share capital <i>(note 5)</i>	43,362,379	42,829,738
Warrants <i>(note 6)</i>	121,840	140,902
Contributed surplus <i>(note 7)</i>	7,167,292	6,561,987
Deficit	(21,364,107)	(13,675,171)
	29,287,404	35,857,456
	\$ 36,300,344	\$ 36,402,211
Future operations <i>(note 1)</i>		

On behalf of the Board

“signed John Loewen” Director

“signed Robert Shields” Director

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**Marauder Resources East Coast Inc.**  
**Consolidated Statements of Operations and Deficit**  
Years ended December 31

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	<u>2007</u>	<u>2006</u>
<b>Revenue</b>		
Interest income	\$ —	\$ 9,901
<b>Expenses and other items</b>		
General and administrative (note 10)	598,953	643,152
Stock-based compensation (note 5)	464,403	—
Depletion and depreciation (note 4)	3,204	1,984,792
	<u>1,066,560</u>	<u>2,627,944</u>
<b>Loss before income taxes (note 8)</b>	<b>(1,066,560)</b>	<b>(2,618,043)</b>
Future income tax (provision) reduction	<u>(6,622,376)</u>	<u>386,630</u>
<b>Net loss for the year</b>	<b>(7,688,936)</b>	<b>(2,231,413)</b>
Deficit, beginning of year	<u>(13,675,171)</u>	<u>(11,443,758)</u>
<b>Deficit, end of year</b>	<b>\$ (21,364,107)</b>	<b>\$ (13,675,171)</b>
<b>Net loss per share (note 5)</b>		
Basic and diluted	<u>\$ (0.15)</u>	<u>\$ (0.04)</u>

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See accompanying notes to consolidated financial statements

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**Marauder Resources East Coast Inc.**  
**Consolidated Statements of Cash Flows**  
Years ended December 31

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	2007	2006
<b>Cash provided by (used in):</b>		
<b>Operating activities</b>		
Net loss for the year	\$ (7,688,936)	\$ (2,231,413)
Add back non-cash items:		
Depletion and depreciation	3,204	1,984,792
Stock-based compensation	464,403	-
Future income tax provision (reduction)	6,622,376	(386,630)
Abandonment expenditures	-	(46,937)
	(598,953)	(680,188)
Change in non-cash working capital ( <i>note 9</i> )	(61,815)	79,793
	(660,768)	(600,395)
<b>Financing activities</b>		
Net proceeds from share issue	654,481	-
Change in non-cash working capital ( <i>note 9</i> )	(695)	(666,466)
	653,786	(666,466)
<b>Investing activities</b>		
Expenditures on property and equipment	(1,245)	(1,944,465)
Proceeds on disposal of property and equipment	100,000	-
Change in non-cash working capital ( <i>note 9</i> )	(48,672)	(99,095)
	50,083	(2,043,560)
<b>Increase (decrease) in cash</b>	43,101	(3,310,421)
Cash, beginning of year	606,506	3,916,927
<b>Cash, end of year</b>	\$ 649,607	\$ 606,506

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See accompanying notes to consolidated financial statements

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# **Marauder Resources East Coast Inc.**

## **Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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Marauder Resources East Coast Inc. (the "Company") is incorporated under the Business Corporations Act (Alberta). The Company's principle business is the exploration for and the production of petroleum and natural gas reserves off the east coast of Canada and elsewhere.

### **1. Future operations**

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. As at December 31, 2007, the Company had an accumulated deficit of \$21,364,107 (2006 – \$13,675,171). Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds therefrom and to continue to obtain capital financing from investors sufficient to meet current and future obligations.

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

### **2. Significant accounting policies**

The consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada and include the accounts of the Company and its wholly owned subsidiaries.

#### **a) Property and equipment**

The Company follows the full cost method of accounting for oil and gas operations, whereby all costs of exploring for and developing oil and gas properties and related reserves are capitalized. Capitalized costs include land acquisition costs, cost of drilling both productive and non-productive wells, and geological and geophysical expenses and related overhead.

Capitalized costs, excluding costs relating to unproved properties, are depleted using the unit-of-production method based on estimated proved reserves of oil and gas before royalties as determined by independent petroleum engineers. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude oil based on relative energy content of six thousand cubic feet to one barrel of oil. Costs of acquiring and evaluating unproved properties are excluded from costs subject to depletion until it is determined whether proved reserves are attributable to the properties or impairment occurs.

Proceeds from disposal of properties are deducted from the full cost pool without recognition of a gain or loss unless such a sale would alter the rate of depletion and depreciation by in excess of 20%.

Under the full cost method of accounting, oil and gas assets are evaluated at least annually to determine that the costs are recoverable and do not exceed the fair value of the properties. The costs are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proved reserves and the lower of cost and market of unproved properties exceed the carrying amount of the oil and gas assets. If the carrying amount of the oil and gas assets is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying amount exceeds the sum of the discounted cash flows expected from the production of proved and probable reserves and the lower of cost and market of unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using a risk-free rate.

Office furniture and equipment are recorded at cost and are depreciated on the declining balance basis using rates varying from 20% to 30%.

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# **Marauder Resources East Coast Inc.**

## **Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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### **2. Significant accounting policies (continued)**

#### **b) Asset retirement obligation**

The Company records a liability for the fair value of legal obligation associated with the retirement of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability, there is a corresponding increase in the carrying amount of the related asset known as the asset retirement cost, which is depleted on a unit-of production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows.

#### **c) Interest in joint operations**

Certain of the Company's oil and gas exploration and development activities are conducted jointly with others and, accordingly, the consolidated financial statements reflect only the Company's proportionate interest in such activities.

#### **d) Income taxes**

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

#### **e) Flow-through shares**

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Future income tax liabilities are increased and share capital is reduced by the estimated tax cost when the expenditures are renounced.

#### **f) Stock-based compensation**

Under the Company's stock option plan described in note 5, options to purchase common shares are granted to directors, officers, employees and consultants at current market prices or higher. Stock-based compensation expense is recorded in the statement of operations for all options granted with a corresponding amount recorded as contributed surplus. Compensation expense is based on the estimated fair values on the options at the time of the grant as determined using a Black Scholes option model. The expense is recognized on a straight-line basis over the vesting period of the option. Upon the exercise of the stock options, consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed.

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# **Marauder Resources East Coast Inc.**

## **Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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### **2. Significant accounting policies (continued)**

#### **g) Per share amounts**

Basic loss per share is calculated on the basis of the weighted average number of common shares outstanding during the year. Diluted per share amounts are calculated using the treasury stock method. Diluted calculations reflect the weighted average incremental common shares that would be issued upon exercise of dilutive options and warrants assuming the proceeds would be used to repurchase shares at average market prices for the year. Anti-dilutive options and warrants are not included in the calculation.

#### **h) Measurement uncertainty**

The amounts recorded for depletion and depreciation of property and equipment and the ceiling test are based on estimates of gross reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of changes in such estimates in future periods could be material.

### **3. Changes in accounting policies**

On January 1, 2007, the Company adopted the new or revised Canadian accounting standards for financial instruments – recognition and measurement, hedges, financial instruments – presentation and disclosure, comprehensive income and accounting changes. The adoption of these standards had no significant impact on these financial statements.

#### **a) Section 3855 Financial instruments—recognition and measurement**

This new standard requires all financial instruments within its scope, including all derivatives, to be recognized on the balance sheet initially at fair value. Subsequent measurement of all financial assets and liabilities except those held-for-trading and available for sale are measured at amortized cost determined using the effective interest rate method. Held-for-trading financial assets are measured at fair value with changes in fair value recognized in earnings. Available-for-sale financial assets are measured at fair value with changes in fair value recognized in comprehensive income and reclassified to earnings when derecognized or impaired. The Company has classified its financial assets and liabilities as follows:

<u>Held-for-trading</u>	<u>Loans and receivables</u>	<u>Other liabilities</u>
Cash and cash equivalents	Accounts receivable	Accounts payable and accrued liabilities

Derivative instruments, including embedded derivatives, are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in net loss with the exception of derivatives designated as cash flow hedges. The Company did not identify any derivatives which require separate recognition and measurement.

#### **b) Section 3865 Hedges**

This new standard specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. On adoption of these standards, the Company did not have any agreements or contracts which are following hedge accounting.

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# **Marauder Resources East Coast Inc.**

## **Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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### **3. Changes in accounting policies (continued)**

#### **c) Section 1530 Comprehensive income**

Comprehensive income is the change in shareholders' equity during a period from transactions and other events and circumstances from non-owner sources and includes unrealized gains and losses on financial assets classified as held available-for-sale. When related amounts are recorded in accordance with this new standard, the Company will report a statement of comprehensive income combined with the statement of operations and a new category, accumulated other comprehensive income, in the shareholders' equity section of the balance sheet. The Company has no amounts that are included in comprehensive income except for the net loss for the year.

#### **d) Section 1506 Accounting changes**

Voluntary changes in accounting policies are permitted only if they result in financial statements which provide more reliable and relevant information. Accounting policy changes are applied retrospectively unless it is impracticable to determine the period or cumulative impact of the change. Corrections of prior period errors are applied retrospectively and change in accounting estimates are applied prospectively by including the effect of the change in earnings.

#### **e) Pending accounting pronouncements:**

The Company is currently assessing the impact of these following new standards on its financial statements:

##### **i) Capital Disclosures and Financial Instruments – Disclosures and Presentation**

On December 1, 2006 three new accounting standards were issued by the CICA. These were Section 1535 Capital Disclosures, Section 3862 Financial Instruments – Disclosure and Section 3863 Financial Instruments – Presentation. These new standards will be effective on January 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital, (ii) quantitative data about what the entity regards as capital, (iii) whether the entity has complied with any capital requirements, and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Section 3861 Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

##### **ii) International Financial Reporting Standards ("IFRS")**

The Accounting Standards Board of Canada ("AcSB") has announced that accounting standards in Canada are to converge with IFRS. The AcSB has indicated that Canadian entities will need to begin reporting under IFRS by the first quarter of 2011 with appropriate comparative data from the prior year. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required, specifically for quarterly reporting. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policy which must be addressed.

# Marauder Resources East Coast Inc.

## Notes to Consolidated Financial Statements

December 31, 2007 and 2006

### 4. Property and equipment

	December 31, 2007		
	Cost	Accumulated depletion and depreciation	Net
Petroleum and natural gas properties	\$ 42,558,718	\$ 7,260,382	\$ 35,298,336
Office equipment	20,222	8,854	11,368
	<u>\$ 42,578,940</u>	<u>\$ 7,269,236</u>	<u>\$ 35,309,704</u>
	December 31, 2006		
	Cost	Accumulated depletion and depreciation	Net
Petroleum and natural gas properties	\$ 42,659,363	\$ 7,260,382	\$ 35,398,981
Office equipment	18,332	5,650	12,682
	<u>\$ 42,677,695</u>	<u>\$ 7,266,032</u>	<u>\$ 35,411,663</u>

The Company did not capitalize any general and administrative costs in 2007 or 2006.

As the Company did not have any production in 2007 or 2006, depletion and depreciation expense for the year ended December 31, 2006 includes \$1,981,182 related to the write-off of expenditures on impaired petroleum and natural gas properties.

The Company applied the ceiling test to its capitalized assets at December 31, 2007 and determined that there was no further impairment. For the purposes of the December 31, 2007 impairment test the following benchmark prices were used.

	WTI (US\$) Price \$/bbl	Company Average Oil Price \$/bbl
2009	N/A	N/A
2010	N/A	N/A
2011	82.00	80.00
2012	82.50	80.50
2013	83.00	81.00
2014	83.50	81.50

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# Marauder Resources East Coast Inc.

## Notes to Consolidated Financial Statements

December 31, 2007 and 2006

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### 5. Share capital

#### a) Authorized

Unlimited number of common voting shares

Unlimited number of preferred shares, issued in series, of which none have been issued

#### b) Common shares issued

	Number of Shares		Amount
Balance – December 31, 2005	51,568,835	\$	43,216,368
Tax effect of flow-through shares (i)	–		(386,630)
Balance – December 31, 2006	51,568,835	\$	42,829,738
Private placement (ii)	2,420,666		609,090
Share issue costs	–		(76,449)
Balance – December 31, 2007	53,989,501	\$	43,362,379

(i) The \$386,630 future tax effect of the 2005 flow-through proceeds was recorded in February 2006 when the related renunciation documents were filed with the tax authorities. As at December 31, 2006, all of the qualifying expenditures had been incurred.

(ii) In September 2007, the Company completed a private placement of 2,420,666 units at a price of \$0.30 per unit for total gross proceeds of \$726,200. Each unit consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of \$0.50 per share on or before September 12, 2008.

At the time of the private placement, \$117,110 was ascribed to the warrants and \$609,090 was ascribed to the common shares. The warrant value was estimated using the Black-Scholes pricing model based on expected volatility of 110%, one year life and a risk-free interest rate of 4.2%.

In addition to cash commissions of \$36,310, one of the agents received warrants to purchase 24,700 units at a price of \$0.30 per unit until September 12, 2008. Each unit consists of one common share and one-half common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one common share at a price of \$0.50 per share on or before September 12, 2008. The fair value of the warrants has been recorded as share issue costs estimated at \$4,730 using the Black-Scholes option pricing model assuming a risk-free interest rate of 4.2%; weighted average life of one year; dividend yield of nil; and expected volatility rate of 110%.

#### c) Stock options

The Company has a stock option plan which allows for the issuance of options to purchase shares at specific prices for a specific period of time. The maximum number of shares issuable pursuant to options granted under the plan are limited to 10% of the total issued and outstanding common shares subject to shareholder approval. All directors, officers and certain employees and consultants are eligible to participate in the plan. All options under the plan vest immediately. The option price under the plan will not be less than the market price of the common shares on the date of grant. The expiry date for each option will be set by the Board of Directors at the time of issue of the option but in any event will not be more than five years after the date of grant.

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**Marauder Resources East Coast Inc.**  
**Notes to Consolidated Financial Statements**  
December 31, 2007 and 2006

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**5. Share capital** (continued)

**c) Stock options** (continued)

Shares have been reserved for the following outstanding stock options:

	2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	3,400,000	\$ 1.35	5,090,000	\$ 1.34
Modified	(3,400,000)	\$ (1.35)	–	–
Re-priced	3,400,000	\$ 0.25	–	–
Expired or forfeited	–	–	(1,690,000)	(1.33)
Granted	1,475,000	\$ 0.25	–	–
Balance, end of year	<u>4,875,000</u>	<u>\$ 0.25</u>	<u>3,400,000</u>	<u>\$ 1.35</u>

(i) In April and July 2007, the Company granted 1,475,000 stock options to directors and a consultant. The options were granted at an exercise price of \$0.25 per option, vest immediately and expire five years from date of grant. The fair value of these options was estimated to be \$298,010 using the Black-Scholes pricing model based on a volatility of 299%, risk-free interest rate ranging from 4.2% to 4.6%, expected life of 5 years and no dividend yield.

In April 2007, the Company also modified the terms of 3,400,000 outstanding options with exercise prices ranging from \$0.65 to \$1.50 per share and expiry dates in 2009 and 2010. The exercise price of the modified options was reduced to \$0.25 per share and the expiry dates extended to April 2012. The fair value of the modified options, estimated using the Black-Scholes pricing model on the same assumption described above, less the fair value of the old options immediately prior to the modifications resulted in stock based compensation expense of \$166,393.

The following table summarizes information about stock options outstanding at December 31, 2007:

Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable
4,875,000	4.4	\$ 0.25	4,875,000

**d) Per share amounts**

The basic and diluted weighted average number of common shares outstanding during the year ended December 31, 2007 was 52,311,615 (2006 – 51,568,835). In computing diluted per share amounts, all of the Company's outstanding options and warrants have been excluded as they are anti-dilutive.

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**Marauder Resources East Coast Inc.**  
**Notes to Consolidated Financial Statements**  
December 31, 2007 and 2006

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**6. Warrants**

	Number of warrants	Amount
Balance, December 31, 2006	200,870	\$ 140,902
Expired	(200,870)	(140,902)
Granted ( <i>note 5(b)</i> )	1,247,383	121,840
Balance, December 31, 2007	<u>1,247,383</u>	<u>121,840</u>

The following table is a continuity of warrants:

	December 31, 2007		December 31, 2006	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Balance, beginning of year	200,870	\$ 1.15	2,992,149	\$ 1.56
Issued	1,247,383	0.50	–	–
Expired	(200,870)	1.15	(2,791,279)	1.59
Balance, end of year	<u>1,247,383</u>	<u>\$ 0.50</u>	<u>200,870</u>	<u>\$ 1.15</u>

Warrants outstanding at December 31, 2007 have a weighted average remaining life of 0.7 years.

**7. Contributed surplus**

	2007	2006
Balance, beginning of year	\$ 6,561,987	\$ 5,060,272
Stock-based compensation ( <i>note 5</i> )	464,403	–
Expiry of warrants ( <i>note 6</i> )	140,902	1,501,715
Balance, end of year	<u>\$ 7,167,292</u>	<u>\$ 6,561,987</u>

**8. Income taxes**

The future income tax reduction reported in the consolidated statements of operations and deficit differs from the amount computed by applying the combined federal and provincial tax rates to the net loss before taxes. The difference results from the following:

	2007	2006
Expected income tax provision (reduction) at 32.12% (2006 – 34.50%)	\$ (342,579)	\$ (903,094)
Resource allowance	–	20,841
Non-deductible items	150,949	–
Rate adjustment and other	2,753,731	2,551,323
Change in valuation allowance	4,060,275	(2,055,700)
	<u>\$ 6,622,376</u>	<u>\$ (386,630)</u>

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**Marauder Resources East Coast Inc.**  
**Notes to Consolidated Financial Statements**  
December 31, 2007 and 2006

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**8. Income taxes** (continued)

The components of the net future income tax asset (liability) at December 31 are:

	<u>2007</u>	<u>2006</u>
Non-capital losses	\$ 23,909,870	\$ 27,468,612
Share issue costs	103,386	192,508
Capital losses	92,608	214,850
Eligible capital expenditures	63,949	63,912
Property and equipment	(7,608,175)	(8,816,143)
Valuation allowance	<u>(23,184,014)</u>	<u>(19,123,739)</u>
	<u>\$ (6,622,376)</u>	<u>\$ -</u>

As at December 31, 2007, the Company has approximately \$5.4 million of tax pools and \$95.6 million of non-capital losses available for deduction against future taxable income. A valuation allowance of \$92.0 million has been provided for on the non-capital losses as they may not be realized prior to expiration. Non-capital losses expire between 2008 and 2026.

**9. Change in non-cash working capital**

	<u>2007</u>	<u>2006</u>
Accounts receivable	\$ 28,000	\$ 199,628
Prepaid expenses and deposits	15,009	(1,228)
Accounts payable and accrued liabilities	<u>(154,191)</u>	<u>(884,168)</u>
	<u>(111,182)</u>	<u>(685,768)</u>

The change in non-cash working capital has been allocated to the following activities:

	<u>2007</u>	<u>2006</u>
Operations	\$ (61,815)	\$ 79,793
Financing	(695)	(666,466)
Investing	<u>(48,672)</u>	<u>(99,095)</u>
	<u>\$ (111,182)</u>	<u>\$ (685,768)</u>

**10. Related party transactions**

The Company had the following related party transactions during the year ended December 31, 2007:

- a) The Company was charged \$110,552 (2006 – \$45,917) by a legal firm in which a director of the Company is a partner.
- b) The Company was charged \$141,931 (2006 – \$122,321) for office rent by a corporation controlled by an officer and director of the Company.
- c) The Company has accrued a liability in the amount of \$281,795 for the indemnification of investors subject to reassessment as a result of an audit by the Canada Revenue Agency for unexpended renounced flow through share expenditures. An officer of the Company has indemnified the Company for these costs; as such, an equal amount receivable has been accrued.

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# **Marauder Resources East Coast Inc.**

## **Notes to Consolidated Financial Statements**

December 31, 2007 and 2006

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### **10. Related party transactions (continued)**

Included in accounts payable at December 31, 2006 is \$282,392 (2006 – \$391,076) in respect of these amounts. Included in accounts receivable at December 31, 2007 is \$283,087 (2006 – \$338,968).

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.

### **11. Financial instruments**

#### **a) Fair values of financial assets and liabilities**

Financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. At December 31, 2007 and 2006 there were no significant differences between the carrying amounts reported on the balance sheet and estimated fair values. The Company has not entered into any hedging contracts.

#### **b) Credit risk**

The majority of the accounts receivable are in respect of a flow-through audit adjustment for expenditures not incurred. The monies are due from an individual from one of the previously acquired corporations with a corresponding accrued liability owing to investors (see note 10).