

**FREEWEST RESOURCES CANADA INC.**  
**INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED JANUARY 31, 2007**

**STATEMENT CONCERNING THE INTERIM FINANCIAL STATEMENTS**

Management has compiled the unaudited interim financial statements as at January 31, 2007 and for the three-month periods ended January 31, 2007 and 2006. The statements have not been audited or reviewed by the Corporation's auditors or any other firm of chartered accountants.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS AS AT MARCH 23, 2007**

The following management's discussion and analysis ("MD&A") of the results of operations and financial condition of Freewest Resources Canada Inc. ("Freewest" or the "Corporation") for the three-month period ended January 31, 2007 should be read in conjunction with the Corporation's audited financial statements and the related notes. The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada.

### **FORWARD LOOKING STATEMENTS**

Except for historical information, this contains forward-looking statements relating to, among other things, regulatory compliance, and the sufficiency of current working capital, the estimated cost and availability of funding for the acquisition of properties and the continued exploration and development thereof. Such statements reflect current views of Freewest with respect to future events and are subject to certain risks, uncertainties and assumptions. Estimates provided for fiscal 2007 and beyond are based on assumptions of future events and actual results could vary significantly from these estimates. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the Corporation.

### **OVERVIEW**

Freewest is a Canadian exploration corporation that focuses on grass roots exploration mainly in Eastern Canada. Freewest has a reputation within the Industry of acquiring properties located in good geological settings, with the potential to host large ore bodies. Management is a strong believer in working with prospectors who continue to offer the Corporation a good selection of early stage prospects. The Corporation's management team has a proven track record of being involved in a number of gold and base metal discoveries over the past 38 years. Freewest's exploration strategy involves combining prospecting and geological expertise with the use of modern geophysical and geochemical techniques to search for buried ore deposits. The Corporation is also a strong believer in conducting exploration through joint ventures with larger mining firms to share the risks and benefits of the firm's expertise in mine development and production.

The Corporation's shares are listed for trading on the TSX Venture Exchange under the trading symbol FWR. Additional information Freewest can be found on SEDAR ([www.sedar.com](http://www.sedar.com)) and on Freewest's web site ([www.freewest.com](http://www.freewest.com)).

### **MINING PROPERTIES**

#### **QUEBEC**

##### **THE BARRY-URBAN PROJECT**

The Barry-Urban Gold Project is located 100 kilometres east of Lebel-Sur-Quévillon and 180 kilometres from Chibougamau in the Province of Quebec. The project consists of 4 properties located within a 20 kilometre radius at the eastern end of the prolific Abitibi Greenstone Belt. The properties are known as Barry, Windfall, Eagle River and Greenshield. With the exception of a small portion of the Barry property encompassing the Barry gold deposit (100% Murgor), the project is a joint-venture (FWR-MUG JV) involving Freewest Resources Canada Inc. (50% interest) and Murgor Resources Inc. (50%). Currently, the Windfall property is the priority property of the FWR-MUG JV within the Barry-Urban Project and has received the bulk of exploration work.

On February 5, 2007 the Corporation announced that Freewest and Murgor had signed agreement with Noront Resources Ltd. Whereby Noront may earn an interest in 29 claims adjacent to Noront's claim block. Noront plans more drilling and also plans to start a ramp on our claims that will cut through the F-11, F-17 zones. This underground program is expected to start this summer.

## **WINDFALL PROPERTY**

Under the terms of the agreement, Noront will issue a total of 750,000 common shares of Noront to the Freewest-Murgor JV upon signing of the agreement and will incur expenditures of \$4million, in order to earn a 50% in the optioned property. Noront will act as operator of the project and will have the right to propose the completion of a feasibility study. Should the Freewest-Murgor JV not participate in the costs of such feasibility study, Noront may earn an additional 10% interest for an aggregate 60% interest. Thereafter, the parties shall operate under a joint venture agreement on a 60-40 participating basis. Should any party fail to contribute its share of exploration and development costs, the non-participating party's interest will be diluted by a standard abatement clause down to a 10% interest and thereafter reduce to a 2% Net Smelter Return, of which 1% may be purchased by the contributing party in whole or in part for \$1 million. The agreement is subject to all regulatory approvals.

Past exploration program consisted of property-scale geological mapping, prospecting, trenching, ground geophysical surveys and diamond drilling. Diamond drilling has to date tested 3 economically significant gold deposits known as the F17, F51 and F11 zones with very encouraging results.

The F17 zone occurs in a northeast-trending shear zone dipping steeply to the northwest. The gold occurs in at least 2 shallowly-plunging ore shoots that plunge at approximately 10 degrees to the northeast. The drilling was successful in defining the geometry of the zone and also on conclusively determining the controls on gold mineralization. This understanding of controls on gold mineralization is extremely important in planning future drilling programs in continuing efforts to develop a mineral resource.

The F51 zone is located 700 metres to the northeast of the F17 zone and is thought to occur in the same northeast-trending shear zone as the latter. The ore shoot plunges at 45 degrees to the northeast and has been traced over a strike length of 100 metres and to a vertical depth of about 150 metres. The zone remains open to the northeast and down-plunge to depth.

At the F11 Zone, felsic dikes appear to cut the auriferous shear zone and accordingly, disrupt the ore shoots, Preliminary structural interpretations suggest that the ore shoots at the F11 Zone are controlled by the same plunge as the F17 zone that is, a 10 degree plunge to the northeast.

## **BENOIT PROJECT**

This 3,680 hectare property is located near Lebel-sur Quevillon in south-central Quebec. It contains a gold deposit with an informal resource of 531,000 tons grading 0.161 oz/ton gold. This resource is contained within a larger inventory of 5.1 million tons grading 0.06 oz/ton gold. Murgor Resources Inc. has earned a 50% interest in the property. The property has excellent potential to host additional gold deposits.

## **GEORGE RIVER PROJECT – QUEBEC AND LABRADOR**

### **THE ACQUISITION**

Freewest's 100%-owned George River uranium property is situated within the George River Area of northeastern Quebec and northwestern Labrador. It is located 175 kilometres northeast of Schefferville, Quebec and 125 kilometres east of the Voiseys Bay nickel-copper-cobalt deposit being mined by CRVD-Inco Limited in Labrador. The property consists of 5300 mineral claims, comprising 24 claim blocks totaling 550,000 acres.

In September of 2006, Freewest announced the discovery of 4 new uranium occurrences made during the course of a first-phase exploration program completed on the property. This initial program was focused on the exploration of Proterozoic-age uranium deposits of various styles within the Churchill Domain in Quebec and Labrador and consisted of an airborne geophysical survey and follow-up prospecting program. The targets for prospecting consisted of a combination of airborne radiometric anomalies, uranium-in lake sediment anomalies, known radioactive occurrences and sulphide showings.

## **AIRBORNE GEOPHYSICAL SURVEY AND PROSPECTING PROGRAM**

The most significant of the 4 new discoveries is the Stewart Lake trend. This discovery is comprised of numerous outcrops, subcrop and large boulders traced by prospecting over a 2.6 kilometre length and over a width of 700 metres. The mineralized rock types are coarse-grained to very coarse-grained granitic pegmatites likely of alkaline affinity, that are fractured, brecciated and hematitically altered. Of the 20 samples collected from this trend, 5 of the 20 samples returned values greater than 0.10%  $U_3O_8$  (up to 0.453  $U_3O_8$  or 9.1 lbs), 7 of the 20 samples yielded values greater than 0.05%  $U_3O_8$  and 19 of the 20 samples assayed greater than 0.01%  $U_3O_8$ .

The Stewart Lake trend is closely associated with a large east-northeast-trending airborne radiometric anomaly (equivalent uranium and equivalent uranium/thorium) defined over a strike length of 4 kilometres. Additionally, several other similar radiometric anomalies are located along trend to the northeast, providing evidence for the existence of a very large mineralized system in this area.

The Abigail occurrence is located approximately 50 kilometres south of the Stewart Lake trend. This occurrence consists of east-west trending coarse-grained pegmatite dikes crosscutting paragneiss rock types. Preliminary grab sampling returned a best assay yielding 0.369%  $U_3O_8$  (8.7 lbs)

The Stewart 2 and Murphy occurrences are located 65 kilometres southwest of the Stewart Lake trend. Both of these occurrences are closely associated with large airborne radiometric anomalies. Preliminary sampling of the Stewart 2 and Murphy occurrences yielded assays of 0.112%  $U_3O_8$  (2.2 lbs) and 0.087%  $U_3O_8$  (1.8 lbs), respectively.

In addition to the new uranium occurrences, the Corporation discovered a new nickel-copper showing known as the Markus. At Markus, a series of ultramafic feeder dikes were traced over a 700 metre strike length. A preliminary sampling program returned best values of 0.23% nickel and 0.56% copper. The mineralization at the occurrence remains completely open-ended along strike and may originate and/or feed a larger magma chamber.

## **FUTURE WORK**

A comprehensive compilation of all of the data generated by the first-phase exploration program is currently underway. The compilation will assist in prioritizing exploration targets at both the detailed and reconnaissance scales on this large property. One of the primary goals of this year's exploration program will be to establish some priority targets for diamond drilling. With the current high price of uranium and the encouragement generated by the first-phase exploration program in 2006, the George River project will see a significant exploration program in 2007. Numerous copper-nickel targets will also be explored this year in addition to uranium.

## **ONTARIO**

### **SUNGOLD PROJECT**

#### **DISCOVERY HISTORY AND WORK BY FREEWEST**

During March of 2005, Freewest announced the discovery of high-grade volcanic-hosted copper-zinc sulphides near Wye Lake on its Sungold property. Massive sulphides obtained from the discovery outcrops yielded spectacular assays of 12.40% copper and 10.01 % zinc as well as 0.25% copper and 32.80% zinc. The Wye Lake occurrence is of exceptional quality and is hosted in similar age rocks that contain the Geco., Winston Lake, Mattabi and South Bay basemetal deposits in northwestern Ontario. All of these base metal deposits were of excellent grade and were profitable mines for a number of years. The 100% owned Sungold property comprises 94 square kilometers and is located 120 kilometres west of Thunder Bay in the Shebandowan greenstone belt of northwestern Ontario.

Since its discovery, the Sungold property has been the focus of airborne geophysical surveys, geological mapping, prospecting, trenching and diamond drilling. At the Wye Lake copper-zinc occurrence, trenching and diamond drilling have traced stringer-type, semi-massive and massive sulphide styles of mineralization over an intermittent 800 metre strike length. An initial phase of diamond drilling comprising 25 holes intersected the Wye Lake horizon over widths of two to ten metres, confirming the existence of excellent quality massive sulphides locally, but failed to intersect a commercial deposit within the area drilled. Highlights from the 2005-2006 drilling campaign include 6.21% zinc over 4.43 metres (WL05-02), 1.22% copper over 5.78 metres (WL05-07), 5.09% zinc over 2.15 metres (WL05-08) and 1.74% copper over 3.00 metres (WL05-13).

Despite the modest drilling results generated by the initial drilling program on the Wye Lake occurrence, exploration remains at a very early stage. Exploration programs completed at Sungold in 2006 consolidated additional base metal targets that remain to be drilled and identified a newly recognized style of copper-gold-uranium mineralization on the property.

**Home Lake Horizon:** This comprises a parallel base-metal bearing horizon located in the footwall and to the southeast of the Wye Lake Horizon. An earlier drill hole completed at the Home lake zinc-copper occurrence in the 1980's yielded 3.71% zinc and 0.15% copper over 6.5 feet. A second target located along this horizon is situated 1.5 kilometres to the northeast of the Home Lake occurrence and consists of a conductor and anomalous copper mineralization. Diamond drilling is warranted at both of these sites.

#### **IRON OXIDE-COPPER-GOLD-URANIUM TARGET**

**Hamlin Occurrence:** A distinctive highly altered granite-like breccia was traced by prospecting and geological mapping over a 4.5 kilometre strike length and over widths of up to 400 metres this field season. The breccia contains locally appreciable chalcopyrite and heavy magnetite as breccia filling; the clasts are characterized by moderate to intense sodic, hematitic, potassic and calcic alteration. Grab samples collected from the breccias assayed up to 6.30% copper, 1.50g/t gold and up to 187 ppm uranium. Interestingly, several of the samples returned anomalous uranium values that historically, are unknown in this part of the Shebandowan freestone belt. Preliminary observations and analytical work is suggestive of an iron oxide-copper –gold uranium style of mineralization analogous to the Olympic Dam deposit in Australia, the world's largest uranium deposit.

Freewest is actively seeking a joint venture partner to finance ongoing exploration on this highly prospective property.

## **McFAULDS PROJECT**

The McFaulds property comprises 9 mineral claims (140 claim units or 22.7 square kilometres) and is located within the Sachigo greenstone belt, in the James Bay lowlands of northern Ontario. It is situated immediately adjacent to the McFaulds #3 massive sulphide deposit, discovered by Spider Resources and KWG Resources (Spider-KWG JV) in 2003. McFaulds #3 contains a number of significant base-metal drill intercepts, the best of which yielded 8.02% copper over 18.50 metres.

In 2005, Freewest optioned 5 of the 9 original claims (12.7 square kilometres) to the Spider-KWG JV. The agreement calls for the joint-venture to spend \$3.0M on exploration over 4 years, with a further option to earn a cumulative 65% interest, by arranging project financing to bring any mineral deposits into production.

During 2006, the joint-venture intersected high-grade chrome mineralization in peridotite while drilling one of the conductors for copper-zinc. Two massive chromitite layers were intersected, the Upper layer yielding 22.70% chrome, 0.17 g/t platinum and 0.24 g/t palladium over 1.05 metres and the Lower layer returning 23.70% chrome, 0.21g/t platinum and 0.46 g/t palladium over 0.60 metres.

This chrome-platinum-group-element discovery is the first of its kind in the McFaulds area of the Sachigo greenstone belt. At this early stage, such mineralization is comparable to the platinum-group-element bearing chromitites in the UG2 layer within the Bushveld Complex of South Africa.

## **ONTARIO URANIUM PROPERTIES**

Freewest recently acquired a 100% interest in 2 uranium properties in northwestern Ontario by staking. All of the properties are well accessed by wood cutting roads and can be explored year-round at reasonable cost. Initial exploration of these properties will commence in the early spring.

## **CLAW LAKE PROPERTY**

The 100%-owned Claw Lake property was acquired by staking and consists of 2 claim groups known as Claw Lake East (16 claim units) and Claw Lake West (240 claim units). The prime target acquired comprises an extensive (15 kilometre by 10 kilometre) uranium in-lake sediment anomaly containing several sites with high uranium values including 131, 66, 65, 59 and 50 parts per million. The high uranium values also correlate with anomalous levels of molybdenum and rare earth elements, indicative of an intrusion-related style of mineralization.

## **NEW BRUNSWICK**

### **CLARENCE STREAM PROJECT**

#### **MINERAL RESOURCES**

With the continuing strength of the gold price over the last year and positive forecast for the coming year, the 100%-owned Clarence Stream property will continue to be the Corporation's most important asset. The property comprises 11,296 hectares and is well-located, 70 kilometers southwest of the City of Fredericton in southwestern New Brunswick. It is situated 10 kilometres from the former-producing Mount Pleasant tin-tungsten-molybdenum-indium mine, a facility that contains outbuildings, Mineral electricity and a fully-permitted tailings pond. Clarence Stream's proximity to such a facility would impact favourably on capital costs, once a mineable resource is established.

Exploration efforts by Freewest have been successful in identifying two distinct deposit clusters containing ten gold occurrences. The clusters known as the Proximal and Distal groups of deposits contain 43-101 compliant mineral resources. Roscoe, Postle Associates (RPA) calculated an Indicated Resource of 648,000 tonnes at an uncut grade of 7.30 g/t gold, or 152,000 ounces of gold and an Inferred Mineral Resource of 540,000 tonnes at an uncut grade of 6.58 g/t gold, amounting to 115,000 ounces of gold.

RPA also estimated antimony mineral resources in the Anomaly-A area on the AD Zone. Indicated antimony resources are estimated at 126,000 tonnes averaging 2.3% antimony, or 6,395,000 pounds of antimony and additional Inferred Resources at 5,000 tonnes averaging 2.8% antimony, or 311,000 pounds of antimony.

Table 1 – Gold Mineral Resources

Area	Category	Tonnes (t)	Cut Au (g/t)	Uncut Au (g/t)	Cut Au (oz)	Uncut Au (oz)
Proximal	Indicated	468,000	5.98	7.18	90,000	108,000
	Inferred	312,000	5.38	6.88	54,000	69,000
Anomaly-A	Indicated	180,000	7.08	7.60	41,000	44,000
	Inferred	232,000	4.83	6.17	36,000	46,000
Total	Indicated	648,000	6.29	7.30	131,000	152,000
	Inferred	544,000	5.20	6.58	91,000	115,000

Notes:

1. CIM definitions are followed for Mineral Resources.
2. Mineral Resources are estimated at cut-off grades of 3 g/t Au.
3. Mineral Resources are estimated using an average long-term gold price of US\$450 per ounce, and a US\$/C\$ exchange rate of 1.18
4. High gold assays are cut to 30 g/t prior to compositing
5. A minimum thickness of two metres is used.

Table 2 – Antimony Mineral Resources

Area	Category	Tonnes (t)	Cut Sb (%)	Cut Sb (lbs)	Cut Au (g/t)	Cut Au (oz)
Anomaly-A	Indicated	126,000	2.3%	6,395,000	7.23	29,272
	Inferred	5,000	2.8%	311,000	6.35	992

Notes:

1. CIM definitions are followed for Mineral Resources.
2. High antimony assays are cut to 24% prior to compositing.
3. A minimum thickness of two metres is used.
4. Gold resources are included in Table 1

## RECENT DEVELOPMENTS AND FUTURE WORK

Bench-scale testing of diamond drill core from the Central Zone, the largest of the Proximal deposits, was recently completed by CANMET Mineral Technology Branch of Natural Resources Canada. The purpose of the testing was to determine the gold recovery rate of mineralization from the Central Zone. The last of the ongoing tests indicates that the head grade of Central Zone ore is 8.00 g/t gold and that an encouraging 88.3% of the gold can be recovered by conventional cyanidation leach. Similar testing is currently being completed on the AD Zone, one of the Distal or Anomaly-A deposits. Such testing will determine the gold recovery as well as the recoveries that can be expected for antimony mineralization that is also contained within the AD Zone.

Diamond drilling will continue at Clarence Stream in efforts to increase the gold mineral resource. A number of the Proximal zones contain Indicated and Inferred Mineral Resources and are still open along strike and to depth. The Central Zone has seen the deepest drilling to date to a depth of 250 vertical metres. All of the East, A, N, Central, West and Cox Zones will be targeted for deeper drilling in the coming year. Similarly, the AD and MW Zones two of the Distal deposits are open down-plunge. Drilling success at any of the gold zones will increase the gold mineral resource

The Corporation is very optimistic that the threshold of 400,000 ounces of gold to support commercial production will be reached in the coming year, thereby taking advantage of increased gold prices and market conditions.

## **GOLDEN RIDGE PROJECT**

The 100%-owned Golden Ridge property comprises 5,952 hectares and is located in York County, New Brunswick, approximately 80 kilometers west of Fredericton. During 1997 to 1999, Freewest discovered gold, antimony, and base-metal mineralization within extensive alteration zones within the Poplar Mountain Volcanic Complex (PMVC). The PMVC is an Ordovician-age volcanic centre comprising dacitic subvolcanic intrusions, dacitic to andesitic flow and volcanoclastic rocks, as well as basaltic volcanic rocks. The oval-shaped volcanic centre is 5 kilometres long and 1 kilometre wide and outcrops in New Brunswick and in the State of Maine.

Exploration by Freewest identified multiple northwest-trending structures in New Brunswick containing significant zones of gold mineralization, including a drill hole that assayed 4.40 g/t gold over 6.00 metres. In addition, a number of high-grade antimony-quartz boulders assaying up to 26% antimony were discovered, all within a large gold-in-soil anomaly.

Freewest also discovered massive sulphide clasts or fragments in volcanic breccias situated within the PMVC in Maine. Such sulphide clasts returned high-grade assays at three separate locales including 0.48% copper, 21.20% lead, 24.30% zinc, 13.70 oz/t silver and 0.18 g/t gold, 0.19% copper, 6.13% lead, 11.10% zinc, 3.15 oz/t silver and 1.10 g/t gold as well as 1.47% copper, 12.35% lead, 20.80% zinc, 10.80 oz/t silver and 0.23 g/t gold, respectively. These discoveries underscore the high potential for high-grade volcanic-hosted massive sulphide deposits to exist within the PMVC and clearly warrant follow-up.

In late 2002, Freewest optioned the property to First Narrows Resources Corporation. The agreement required First Narrows to spend C\$1,100,000 on exploration over five years in order to earn a 50% interest in the Golden Ridge property. A drill program was conducted by First Narrows in 2004 to further define the gold mineralization discovered by Freewest. Their drilling yielded some of the best results encountered to date including 1.47 g/t gold over 48.9 meters in hole GR-04-11 and 1.23 g/t over 33.2 meters in hole GR-04-14. First Narrows returned the property to Freewest in the fall of 2006 and subsequently, retain no interest in it.

To take advantage of current high base-metal and precious metal prices, Freewest is planning to fly a detailed airborne time-domain electromagnetic survey within the PMVC in an effort to source the high-grade massive sulphide clasts. Any conductors defined by such a survey will be prime diamond drilling targets.

## **RESULTS OF OPERATIONS**

### **Three-month period ended January 31, 2007 compared with three-month period ended January 31, 2006**

For the three month ended January 31, 2007, the Corporation reported a net income of \$547,731 or \$0.004 basic and fully diluted per share, compared to net income of \$278,857 or \$0.002 basic and fully diluted per share in the same period of 2006.

Revenue totaled \$247,239 at January 31, 2007 as compared to \$34,282 at January 31, 2006. The increase of \$212,957 consisted of a reduction of \$11,060 from interest income as a result of the lower on deposit offset by a higher gain of \$224,017 on the disposal of marketable securities.

The net income for the three-month period included a write-off due to abandonment of properties of \$113,002 (\$63,493 – January 31, 2006). Expenses excluding the write-off due to abandonment of properties totaled \$131,312 compared to \$143,722 for the three-month period ended January 31, 2006. Professional fees totaled \$54,356 for the three-month period ended January 31, 2007 compared to \$35,610 for the three-month period ended January 31, 2006. The increase of \$18,746 was related to higher professional services rendered during the period including \$10,500 of financial consulting services provided the Corporation. Filing costs and shareholders' information decreased by \$3,152 to \$37,019 compared \$40,171 at January 31, 2006 and was due a decrease in advertising, promotion, and public relation costs related to the timing and attendance at mining and investor conferences. Administrative expenses and others decreased by \$11,336 to \$39,545 from \$50,881 as at January 31, 2006 as a result of the decrease in office expenditures as a result of the rental of new office premises and lower salaries due to a revised agreement with a related corporation for the sharing of Freewest's office and personnel. Interest expenses of \$Nil (\$5,233 – January 31, 2006) were incurred as a result of the period in which the exploration expenditures were incurred. Stock option compensation expenses as described in the Critical Accounting Policies section totaled \$Nil for the three-month period ended January 31, 2007 compared to \$11,337 for the three-month period ended January 31, 2006.

### **Three-month period ended January 31, 2006 compared with three-month period ended January 31, 2005**

For the three month ended January 31, 2006, the Corporation reported a net income of \$278,857 or \$0.002 basic and fully diluted per share, compared to net income of \$242,678 or \$0.002 basic and fully diluted per share in the same period of 2005.

Revenue totaled \$34,282 at January 31, 2006 as compared to \$30,854 at January 31, 2005. The increase of \$3,428 consisted of \$13,338 from interest income as a result of the more funds on deposit and higher interest rates offset by a lower gain of \$9,910 on the disposal of marketable securities.

The net income for the three-month period included a write-off due to abandonment of properties of \$63,493 (\$70,285 – January 31, 2005). Expenses excluding the write-off due to abandonment of properties totaled \$143,722 compared to \$161,145 for the three-month period ended January 31, 2005. Professional fees totaled \$35,610 for the three-month period ended January 31, 2006 compared to \$87,110 for the three-month period ended January 31, 2005. The decrease of \$51,500 was related to underaccrual of audit fees for the year ended October 31, 2004 reflected in the period ending January 31, 2005. Filing costs and shareholders' information increased by \$11,950 to \$40,171 compared \$28,221 at January 31, 2005 and was due to increased advertising, promotion, and public relation costs due to increased corporate activity. Administrative expenses and others increased by \$6,533 to \$50,881 from \$44,348 as at January 31, 2005 as a result of the increased office expenditures and rent as a result of the rental of new office premises. Interest expenses of \$5,233 (\$Nil – January 31, 2005) were incurred as a result of the period in which the exploration expenditures were incurred. Stock option compensation expenses as described in the Critical Accounting Policies section totaled \$11,337 for the three-month period ended January 31, 2006 compared to \$Nil for the three-month period ended January 31, 2005.

## SUMMARY OF QUARTERLY RESULTS

The following table presents unaudited selected financial information for eight of the most recently completed financial quarters:

	2007	2006				2005		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	\$	\$	\$	\$	\$	\$	\$	
Revenue	247,239	28,584	225,495	40,819	34,282	(112,064)	159,787	9,660
Net income (loss)	547,731	(139,975)	7,843	(465,967)	278,857	(121,236)	(152,616)	(1,226,774)
Net income (loss) per share - basic and fully diluted	0.004	(0.001)	0.000	(0.004)	0.002	(0.001)	(0.002)	(0.013)

The Corporation has no dividend policy and has no intention of developing a dividend policy in the foreseeable future. The Corporation has paid no dividends and has no retained earnings from which it might pay dividends.

### LIQUIDITY

#### Three-month period ended January 31, 2007 compared with three-month period ended January 31, 2006

As at January 31, 2007, the Corporation maintained a cash or equivalent position of \$1,887,179 (\$2,933,010 as at January 31, 2006) and working capital of \$1,915,126 as compared to a working capital of \$2,845,037 as at January 31, 2006. The Corporation has no long-term debt. Management is of the opinion that the current cash position is sufficient to meet current commitments. Full development of some mineral properties would require substantially more financial resources. Traditionally, the Corporation has been able to rely on its ability to raise financing in public and private negotiated equity offerings. The Corporation may also advance the development of mineral properties through joint-venture participation.

Freewest raised a total \$2,010,020 through three (3) private placement \$(1,702,518 flow-through amount and \$307,502 in common shares amount) compared to \$1,576,600 through one (1) private placements (\$1,411,845 flow-through amount and \$164,755 in common shares amount) for the three-month period ended January 31, 2006. Issue costs related to the financings totaled \$121,457 at January 31, 2007 as compared to \$96,036 at January 31, 2006.

#### Three-month period ended January 31, 2006 compared with three-month period ended January 31, 2005

As at January 31, 2006, the Corporation maintained a cash or equivalent position of \$2,933,010 (\$1,982,083 as at January 31, 2005) and working capital of \$2,845,037 as compared to a working capital of \$1,980,118 as at January 31, 2005. The Corporation has no long-term debt. Management is of the opinion that the current cash position is sufficient to meet current commitments. Full development of some mineral properties would require substantially more financial resources. Traditionally, the Corporation has been able to rely on its ability to raise financing in public and private negotiated equity offerings. The Corporation may also advance the development of mineral properties through joint-venture participation.

Freewest raised a total \$1,576,600 through one (1) private placement \$(1,411,845 flow-through amount and \$164,755 in common shares amount) compared to \$1,499,555 through two (2) private placements (\$1,343,194 flow-through amount and \$156,361 in common shares amount) for the three-month period ended January 31, 2005. Issue costs related to the financings totaled \$96,036 at January 31, 2006 as compared to \$109,600 at January 31, 2005. A total of \$Nil was raised through the exercise of warrants for common shares as compared to \$14,000 as at January 31, 2005.

## MINING PROPERTIES AND DEFERRED COSTS

	October 31, 2006	Expenditures	Proceeds from option agreements	(Write-off Disposal or Grant)	January 31, 2007
	\$	\$	\$	\$	\$
<b>Quebec</b>					
Benoit					
Acquisition	401,894	600	-	-	402,494
Exploration	95,692	-	-	-	95,692
Barry					
Acquisition	185,582	-	-	-	185,582
Exploration	626,476	-	-	-	626,476
Verneuil					
Acquisition	214,369	51	-	-	214,420
Exploration	72,089	-	-	-	72,089
Windfall					
Acquisition	111,472	1,633	-	-	113,105
Exploration	1,967,610	398	-	-	1,968,008
Eagle River					
Acquisition	11,203	168	-	-	11,371
Exploration	127,987	-	-	-	127,987
La Treve					
Acquisition	39,847	-	-	-	39,847
Exploration	99,752	-	-	-	99,752
George River					
Acquisition	365,172	24,990	-	-	390,162
Exploration	827,837	83,130	-	-	910,967
Others					
Acquisition	1,335	-	-	-	1,335
Exploration	28,951	9,743	-	(8,816)	29,878
	<b>5,177,268</b>	<b>120,713</b>	<b>-</b>	<b>(8,816)</b>	<b>5,289,165</b>
<b>Ontario</b>					
Larose					
Acquisition	79,263	-	-	-	79,263
Exploration	919,279	527	-	-	919,806
Lizar					
Acquisition	326,232	30,000	-	-	356,232
Exploration	422,957	6,324	-	-	429,281
McFaulds					
Acquisition	(100,872)	-	-	-	(100,872)
Exploration	149,124	-	-	-	149,124

## MINING PROPERTIES AND DEFERRED COSTS (Cont'd)

	October 31, 2006	Expenditures	Proceeds from option agreements	(Write-off)	January 31, 2007
	\$	\$	\$	\$	\$
<b>Ontario (Cont'd)</b>					
Sungold					
Acquisition	162,231	-	-	-	162,231
Exploration	2,938,242	56,015	-	-	2,994,257
Folson Lake					
Acquisition	(8,300)	-	-	-	(8,300)
Exploration	237,843	324	-	-	238,167
Others					
Acquisition	146,341	-	-	-	146,341
Exploration	(15,386)	94,753	-	(70,663)	8,704
	<b>5,256,954</b>	<b>187,943</b>	-	<b>(70,663)</b>	<b>5,374,234</b>
<b>New Brunswick</b>					
Golden Ridge					
Acquisition	59,240	-	-	-	59,240
Exploration	727,650	500	-	-	728,150
Clarence Stream					
Acquisition	481,189	-	-	-	481,189
Exploration	5,999,344	317,963	-	-	6,317,307
Others					
Acquisition	21,341	-	-	-	21,341
Exploration	64,291	44,842	-	(14,179)	94,954
	<b>7,353,055</b>	<b>363,305</b>	-	<b>(14,179)</b>	<b>7,702,181</b>
<b>NFLD/Labrador</b>					
George River					
Acquisition	30,120	15,000	-	-	45,120
Exploration	54,603	-	-	-	54,603
Others					
Acquisition	6,000	-	(6,000)	-	-
Exploration	12,829	9,308	-	(19,344)	2,793
	<b>103,552</b>	<b>24,308</b>	<b>(6,000)</b>	<b>(19,344)</b>	<b>102,516</b>
<b>Canadian Properties</b>	<b>17,890,829</b>	<b>696,269</b>	<b>(6,000)</b>	<b>(113,002)</b>	<b>18,468,096</b>
<b>Stock Option Compensation</b>	<b>220,332</b>	-	-	-	<b>220,332</b>
	<b>18,111,161</b>	<b>696,269</b>	<b>(6,000)</b>	<b>(113,002)</b>	<b>18,688,428</b>

For the three-month period ended January 31, 2007, the Corporation incurred exploration expenditures totaling \$623,827 of which \$93,271 was incurred in Quebec; \$157,943 in Ontario; \$363,305 in New Brunswick and \$9,308 in Newfoundland and Labrador. The exploration expenditures incurred in Canada were funded through the amount raised from Freewest's private placement equity financings.

## RELATED PARTY TRANSACTIONS

All related party transactions are in normal course of operations and are measured at the exchange value which is the amount of consideration established and agreed to by the related parties.

- (i) During the period the Corporation retained the services of certain members of the board of directors of the Corporation to carry out work on its exploration projects. For the period ended January 31, 2007, the total amount of such services was \$42,462 (2006 - \$37,362).
- (ii) Prepaid expenses included an amount of \$2,262 (2006 - \$4,724) representing advances to a director for upcoming exploration and office expenses.
- (iii) The related corporation charged an aggregate amount of \$7,400 (2006 - \$253,936) for mining properties and exploration expenditures and \$10,500 (2006 - \$Nil) for financial consulting services.
- (iv) The Corporation charged related corporation an aggregate amount of \$11,625 (2006 - \$7,263) for administrative costs and services, shared office expenses and mining properties costs.
- (v) Due to (from) related corporations significantly represent the net amount of charges for shared office and related expenses, as well as joint venture exploration expenditures between Freewest Resources Canada Inc. and Murgor Resources Inc..
- (vi) Amounts due to (from) related parties are non-interest bearing with no specific terms of repayment.

Certain directors and shareholders of the Corporation are also directors, officers and shareholders of the related corporations.

## ADMINISTRATIVE EXPENSES AND OTHERS

The table below details the amounts included in Administrative Expenses and Others of \$39,545 for the three-month period ended January 31, 2007 (\$50,881 – January 31, 2006):

	January 31, 2007	January 31, 2006
	\$	\$
Office Expenses		
Dues and Subscriptions	728	1,085
Postage and Courier	1,368	1,544
Telephone	992	3,637
Insurance	6,562	6,261
Office Supplies and Other	5,760	7,240
Recovery	(3,000)	(4,500)
Salaries	14,872	22,113
Rent	12,403	9,954
Foreign Exchange	(140)	177
Moving Expenses	-	3,370
	<b>39,545</b>	<b>50,881</b>

## CAPITAL STOCK

**a) The authorized and issued capital stock of the Corporation consists of the following:**

**Authorized:**

An unlimited number of no par value common shares.

	<u>Number of Shares</u>	<u>Amount</u>
	#	\$
<b>Issued:</b>		
Balance at beginning, October 31, 2006 (audited)	126,631,384	37,162,543
Issuance of shares under flow-through agreements	9,500,098	1,702,518
Issuance of shares for cash	1,833,343	299,169
Issuance of shares on acquisition of mining properties	155,000	28,275
Issued and fully paid	138,119,825	39,192,505
Tax benefits renounced on flow-through shares	-	(544,806)
	<u>138,119,825</u>	<u>38,647,699</u>

**b) Stock option plan**

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>
	#	\$
Balance at beginning October 31, 2006 (audited)	9,790,000	0.30
Granted	-	-
Expired	(300,000)	0.35
Balance at end, March 23, 2007 (unaudited)	<u>9,470,000</u>	<u>0.30</u>

**Accounting for the stock-based compensation plan**

The fair value of 250,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	2.75%
Expected volatility	111%
Dividend yield	Nil
Weighted average expected life	2 years

The expenses related to the 200,000 stock options granted to a financial consultant on November 1, 2005 were \$11,336 classified under the "Administration" and the expenses related to the 50,000 stock options granted to employees on March 9, 2006 were \$5,000 classified under the "Deferred exploration expenses".

**b) Stock option plan (cont'd)**

**Accounting for the stock-based compensation plan**

The fair value of 1,180,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	4.00%
Expected volatility	159%
Dividend yield	Nil
Weighted average expected life	5 years

The expenses related to the 1,180,000 stock options granted to employees, directors and consultants on March 9, 2006 were \$14,000 classified under the "Deferred exploration expenses" and \$151,200 under "Administration".

The fair value of 25,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	4%
Expected volatility	71%
Dividend yield	Nil
Weighted average expected life	5 years

The expenses related to the 25,000 stock options granted to a consultant on March 23, 2006 were \$2,600 classified under the "Deferred exploration expenses".

The fair value of 10,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	2.98%
Expected volatility	70%
Dividend yield	Nil
Weighted average expected life	1 year

The expenses related to the 10,000 stock options granted to an employee on May 23, 2006 were \$481 and were classified under the "Deferred exploration expenses".

The fair value of 250,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	3.75%
Expected volatility	159%
Dividend yield	Nil
Weighted average expected life	5 years

The expenses related to the 250,000 stock options granted to a consultant on June 12, 2006 were \$24,625 and were classified under the "Administration".

The fair value of 250,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	3.75%
Expected volatility	71%
Dividend yield	Nil
Weighted average expected life	5 years

The expenses related to the 250,000 stock options granted to a consultant on October 26, 2006 were \$22,500 and were classified under the "Deferred exploration expenses".

### c) Warrants

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
	<b>#</b>	<b>\$</b>
Balance at beginning October 31, 2006 (audited)	14,788,000	0.25
Granted	10,333,441	0.25
Expired	<u>(350,000)</u>	<u>0.32</u>
Balance at end, March 23, 2007 (unaudited)	<u>24,771,441</u>	<u>0.25</u>

## FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash, cash held for exploration work, marketable securities, accounts receivable, accounts payable and accrued liabilities, and due to related parties. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. Due to their short-term nature, the fair value of these financial instruments approximates their carrying value.

## OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not have any off-balance sheet arrangements.

## CRITICAL ACCOUNTING POLICIES

The Corporation prepares its financial statements in conformity with Generally Accepted Accounting Principles ("GAAP") in Canada. The Corporation details its significant accounting policies in Note 2 to its audited October 31, 2006 financial statements, of which the Freewest has identified the following accounting policies, which are believed to be the most critical in fully understanding and evaluating the reported financial results:

The cost of mining properties and deferred costs are capitalized until the results of the projects are known. If a project is successful, the related expenditures will be amortized over a period of years pro-rata to anticipated income. If a project is abandoned or if a permanent drop in value for a property is recognized, the related expenditures will be written off. The sale of an interest in claims or a grant received is credited directly to expenditures until such time as all related expenditures are recovered. Direct costs incurred to maintain claims are capitalized.

The Corporation has two stock option plans as described in note 8b to the audited October 31, 2006 financial statements. Effective November 1, 2002, the Corporation adopted prospectively the recommendations of the Canadian Institute of Chartered Accountants Handbook Section 3870, *Stock-based Compensation and Other Stock-based Payments* and began expensing prospectively its stock based compensation in 2003. Under these new standards, all stock-based payments made to non-employees must be systematically accounted for in the Corporation's financial statements. Under this method, compensation cost should be measured at the grant date based on the fair value of the award and should be recognized over the related service period. The cost of the stock option Compensation Plan is recognized in Deferred Exploration Expenses and Administration Expenses with a corresponding credit to Contributed Surplus using the fair value based method of Accounting of Awards.

Basic per share amounts are calculated using the weighted number of shares outstanding for the period. The dilutive loss per share, which is calculated using the treasury method, is equal to the basic loss per share due to the anti-dilutive effect of the total share options and warrants outstanding.

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 and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of income and expenses during the reporting period. Significant areas requiring the use of management estimates relate to impairment of mineral properties. Actual results could differ from those estimates.

The Corporation 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 bases. 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 substantive enactment. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

The Corporation has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. To recognize the foregone tax benefits to the Corporation, the carrying value of the shares issued is reduced by the tax effect of the tax benefits renounced to subscribers.

Effective as of the audited October 31, 2004 financial statements, the Corporation prospectively adopted the recommendation of the Emerging Issues Committee (“EIC”) of the Canadian Institute of Chartered Accountants (“CICA”). EIC 146 requires the recognition of the foregone tax benefit at the time of the renouncement provided there is reasonable assurance that the expenditures will be incurred.

## **CHANGES IN ACCOUNTING POLICIES**

The Corporation made no changes in or added any new accounting policies as the end of the period covered by this report. In fiscal 2004, the Corporation prospectively adopted the recommendation of the Emerging Issues Committee (“EIC”) of the Canadian Institute of Chartered Accountants (“CICA”). EIC 146 requires the recognition of the foregone tax benefit at the time of the renouncement provided there is reasonable assurance that the expenditures will be incurred.

## **DISCLOSURE CONTROLS AND PROCEDURES**

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer (“CEO”) and the Vice-President, Finance (“VP”), on a timely basis so that appropriate decisions can be made regarding public disclosure.

As of the end of the period covered by this report, Freewest’s management evaluated the effectiveness of the design and operation of its disclosure controls and procedures under the supervision of, and with the participation of the CEO and VP. Based on this evaluation, the CEO and VP have concluded that the Corporation’s disclosure controls and procedures, as defined in Multilateral Instrument 52-109, Certification of Disclosure in Issuers Annual and Interim Filings are effective to ensure that material information relating to Freewest Resources Canada Inc. is made known to management on a timely basis and is included in this report.

## **INTERNAL CONTROL OVER FINANCIAL REPORTING**

As of the end of the period covered by this report, Freewest's management provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with GAAP.

During the period covered by this report, there has been no change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, the Issuer's internal control over financial reporting.

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

Management is responsible for the preparation of the financial statements and other financial information relating to the Corporation included in this interim report. The financial statements have been prepared in accordance with generally accepted accounting principles in Canada and necessarily include amounts based on estimates and judgements of management. Management has established these amounts in a reasonable manner, in order to ensure that the financial statements are presented fairly in all material respects. The Corporation has established and maintains disclosure controls and procedures over financial reporting. The certifying officers have evaluated the effectiveness of the issuer's disclosure controls and procedures as at January 31, 2007 and have concluded that such procedures are adequate and effective to ensure accurate and complete disclosures in this interim report.

(Signed: Mackenzie I. Watson, P.Eng)  
President & CEO

(Signed: Ronald Kay)  
Director

Montreal, Quebec  
March 23, 2007

**FREEWEST RESOURCES CANADA INC.  
BALANCE SHEETS  
AS AT**

	<b>January 31 2007 (Unaudited)</b>	<b>October 31 2006 (Audited)</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	478,362	32,648
Cash Held for Exploration Work	1,408,817	418,004
Marketable Securities (note 4)	172,276	301,768
Accounts Receivable	202,351	192,999
Prepaid Expenses	48,655	78,437
	<u>2,310,461</u>	<u>1,023,856</u>
<b>PROPERTY, PLANT AND EQUIPMENT</b>	22,450	23,991
<b>MINING PROPERTIES AND DEFERRED COSTS</b>	<u>18,688,428</u>	<u>18,111,161</u>
	<u><u>21,021,339</u></u>	<u><u>19,159,008</u></u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts Payable and Accrued Liabilities	366,020	373,446
Due to Related Parties (note 6)	29,315	51,046
	<u>395,335</u>	<u>424,492</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (note 5)</b>	38,619,424	37,162,543
<b>STOCK OPTIONS (note 5b)</b>	876,819	876,819
<b>WARRANTS (note 5c)</b>	126,137	117,804
<b>DEFICIT</b>	<u>(18,996,376)</u>	<u>(19,422,650)</u>
	<u>20,626,004</u>	<u>18,734,516</u>
	<u><u>21,021,339</u></u>	<u><u>19,159,008</u></u>

See accompanying notes  
to financial statements.

Approved on Behalf of the Board:

(Signed: Mackenzie I. Watson) Director

(Signed: Ronald Kay) Director

**FREEWEST RESOURCES CANADA INC.**  
**INTERIM STATEMENTS OF OPERATIONS AND DEFICIT**  
**(UNAUDITED)**

	<b>Three-month period ended</b>	
	<b>January 31</b>	
	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUE</b>		
Interest	9,337	20,397
Gain on Disposal of Assets	237,902	13,885
	247,239	34,282
<b>EXPENSES</b>		
Professional Fees	54,356	35,610
Filing Costs and Shareholders' Information	37,019	40,171
Administrative Expenses and Others	39,545	50,881
Amortization	392	490
Interest	-	5,233
Write-off Due to Abandonment of Properties	113,002	63,493
Stock Option Compensation	-	11,337
	244,314	207,215
<b>INCOME (LOSS) BEFORE RECOVERY OF INCOME TAXES</b>	2,925	(172,933)
<b>RECOVERY OF INCOME TAXES</b>	544,806	451,790
<b>NET INCOME (LOSS)</b>	547,731	278,857
<b>DEFICIT - BEGINNING OF PERIOD</b>	(19,422,650)	(18,852,637)
<b>ISSUE COSTS</b>	(121,457)	(96,036)
<b>DEFICIT - END OF PERIOD</b>	(18,996,376)	(18,669,816)
<b>BASIC AND FULLY DILUTED NET INCOME PER SHARE</b>	0.004	0.002
<b>WEIGHTED AVERAGE NUMBER OF OUTSTANDING SHARES</b>	132,393,749	112,559,457

See accompanying notes  
to financial statements.

**FREEWEST RESOURCES CANADA INC.**  
**INTERIM STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

	Three-month period ended January 31	
	<u>2007</u>	<u>2006</u>
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income ( Loss )	547,731	278,857
Adjustments for:		
Gain on Disposal of Assets	(237,902)	(13,885)
Write-off Due to Abandonment of Properties	113,002	63,493
Amortization	392	490
Stock Option Compensation	-	11,337
Recovery of Future Income Taxes	(544,806)	(451,790)
	<u>(121,583)</u>	<u>(111,498)</u>
Changes in non-cash working capital components		
Accounts Receivable	(9,352)	80,557
Prepaid Expenses	29,782	(5,728)
Accounts Payable and Accrued Liabilities	(7,426)	(118,926)
Due to Related Parties	<u>(21,731)</u>	<u>89,766</u>
Cash Flows Used In Operating Activities	<u>(130,310)</u>	<u>(65,829)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issuance of Common Shares and Warrants	307,502	164,755
Issuance of Flow-Through Shares	1,702,518	1,411,845
Issue Costs	(121,457)	(96,036)
Cash Flows From Financing Activities	<u>1,888,563</u>	<u>1,480,564</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from Disposal of Assets	367,394	24,885
Mining Properties Acquisition Expenditures	(72,442)	(47,034)
Mining Properties Exploration Expenditures	(623,827)	(1,114,794)
Proceeds from Option Agreements	6,000	25,000
Amortization Expenses in Mining Properties	1,149	1,620
Government Grants	-	3,152
Cash Flows Used In Investing Activities	<u>(321,726)</u>	<u>(1,107,171)</u>
<b>NET CHANGES IN CASH AND CASH EQUIVALENTS</b>	1,436,527	307,564
Cash and cash equivalents - beginning of period	<u>450,652</u>	<u>2,625,446</u>
<b>CASH AND CASH EQUIVALENTS - END OF PERIOD</b>	<u><b>1,887,179</b></u>	<u><b>2,933,010</b></u>
<b>CASH AND CASH EQUIVALENTS CONSISTS OF:</b>		
Cash	478,362	1,635,508
Cash Held for Exploration Work	1,408,817	1,297,502
	<u><b>1,887,179</b></u>	<u><b>2,933,010</b></u>
<b>ADDITIONAL INFORMATION</b>		
Shares received in consideration of sale of interest in mining properties	-	<b>49,750</b>
Interest paid	-	<b>5,233</b>

See accompanying notes  
to financial statements.

**FREWEST RESOURCES CANADA INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**JANUARY 31, 2007**  
**(UNAUDITED)**

**1. NATURE OF OPERATIONS**

The Corporation, directly and through joint ventures, is in the process of exploring its mining properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mining properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mining claims, the ability of the Corporation to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition of the properties.

**2. BASIS OF PRESENTATION**

The unaudited interim financial statements are prepared in accordance with generally accepted accounting principles in Canada and use the same accounting policies and methods used in the preparation of the corporation's most recent audited annual financial statements. All disclosure required for audited annual financial statements have not been included in these unaudited interim financial statements. These unaudited interim financial statements should be read in conjunction with the corporation's most recent audited annual financial statements.

In the opinion of management, the unaudited interim financial statements reflect all adjustments, which consist of normal and recurring adjustments, necessary to present fairly the financial position at January 31, 2007 and the results of operations and cash flows for the three-months ended January 31, 2007 and 2006.

**3. USE OF ESTIMATES**

The preparation of the unaudited interim financial statements in conformity with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the amounts reported in the unaudited interim financial statements and accompanying notes. Management believes that the estimates used in the preparation of the unaudited interim financial statements are reasonable and prudent; however, actual results could differ from these estimates.

**4. MARKETABLE SECURITIES**

Marketable securities are carried at the lower of cost and market. As at January 31, 2007, cost was \$172,276 (October 31, 2006 - \$301,768). Market value at January 31, 2007 was \$528,750 (October 31, 2006 - \$505,124).

**5. CAPITAL STOCK**

a) **The authorized and issued capital stock of the Corporation consists of the following:**

**Authorized:**

An unlimited number of no par value common shares.

	<b>Number of Shares</b>	<b>Amount</b>
	<b>#</b>	<b>\$</b>
<b>Issued:</b>		
Balance at beginning, October 31, 2006 (audited)	126,631,384	37,162,543
Issuance of shares under flow-through agreements	9,500,098	1,702,518
Issuance of shares for cash	1,833,343	299,169
Issued and fully paid	137,964,825	39,164,230
Tax benefits renounced on flow-through shares	-	(544,806)
	137,964,825	38,619,424
Balance at end, January 31, 2007 (unaudited)		

**FREEWEST RESOURCES CANADA INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**JANUARY 31, 2007**  
**(UNAUDITED)**

**5. CAPITAL STOCK (Cont'd)**  
**b) Stock option plan**

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
	<b>#</b>	<b>\$</b>
Balance at beginning October 31, 2006 (audited)	9,790,000	0.30
Granted	-	-
Expired	-	-
	<u>9,790,000</u>	<u>0.30</u>
Balance at end, January 31, 2007 (unaudited)	<u>9,790,000</u>	<u>0.30</u>

**Accounting for the stock-based compensation plan**

The fair value of 250,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	2.75%
Expected volatility	111%
Dividend yield	Nil
Weighted average expected life	2 years

The expenses related to the 200,000 stock options granted to a financial consultant on November 1, 2005 were \$11,336 classified under the "Administration" and the expenses related to the 50,000 stock options granted to employees on March 9, 2006 were \$5,000 classified under the "Deferred exploration expenses".

The fair value of 1,180,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	4.00%
Expected volatility	159%
Dividend yield	Nil
Weighted average expected life	5 years

The expenses related to the 1,180,000 stock options granted to employees, directors and consultants on March 9, 2006 were \$14,000 classified under the "Deferred exploration expenses" and \$151,200 under "Administration".

The fair value of 10,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	2.98%
Expected volatility	70%
Dividend yield	Nil
Weighted average expected life	1 year

The expenses related to the 10,000 stock options granted to employees, directors and consultants on May 23, 2006 were \$481 classified under the "Deferred exploration expenses".

**FREEWEST RESOURCES CANADA INC.**  
**NOTES TO INTERIM FINANCIAL STATEMENTS**  
**JANUARY 31, 2007**  
**(UNAUDITED)**

**5. CAPITAL STOCK (Cont'd)**

**b) Stock option plan (cont'd)**

The fair value of 250,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	3.75%
Expected volatility	159%
Dividend yield	Nil
Weighted average expected life	5 years

The expenses related to the 250,000 stock options granted to a financial consultant on June 12, 2006 were \$24,625 classified under the "Administration".

The fair value of 250,000 options was estimated using Black-Scholes option pricing model with the following weighted-average assumptions:

Weighted risk-free interest rate	3.75%
Expected volatility	71%
Dividend yield	Nil
Weighted average expected life	5 years

The expenses related to the 250,000 stock options granted to a consultant on October 30, 2006 were \$22,500 classified under the "Deferred exploration expenses".

**c) Warrants**

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>
	#	\$
Balance at beginning October 31, 2006 (audited)	14,788,000	0.25
Granted	10,333,441	0.25
Expired	(350,000)	0.32
Balance at end, January 31, 2007 (unaudited)	<u>24,771,441</u>	<u>0.25</u>

**6. RELATED PARTY TRANSACTIONS**

All related party transactions are in normal course of operations and are measured at the exchange value which is the amount of consideration established and agreed to by the related parties.

(i) During the period the Corporation retained the services of certain members of the board of directors of the Corporation to carry out work on its exploration projects. For the period ended January 31, 2007, the total amount of such services was \$42,462 (2006 - \$37,362).

(ii) Prepaid expenses include an amount of \$2,262 (2006 - \$4,724) representing advances to a director for upcoming exploration and office expenses.

(iii) The related corporations charged an aggregate amount of \$7,400 (2006 - \$253,936) for mining properties and exploration expenditures and \$10,500 (2006 - \$Nil) for financial consulting services.

(iv) The Corporation charged related corporation an aggregate amount of \$11,625 (2006 - \$7,263) for administrative costs and services, shared office expenses and mining properties costs.

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**6. RELATED PARTY TRANSACTIONS (Cont'd)**

(v) Due to(from) related corporation significantly represent the net amount of charges for shared office and related expenses, as well as joint venture exploration expenditures between Freewest Resources Canada Inc. and Murgor Resources Inc..

(vi) Amounts due to related parties are non-interest bearing with no specific terms of repayment.

Certain directors and shareholders of the Corporation are also directors, officers and shareholders of the related corporations.

**7. COMPARATIVE FIGURES**

Certain items in the comparative unaudited interim financial statements have been reclassified from statements previously presented to conform to the presentation of the 2007 unaudited interim financial statements.