



November 9, 2007

## Claude Resources Announces Third Quarter Results

### Overview

Claude Resources Inc. is a public Company based in Saskatoon, Saskatchewan, whose shares trade on the Toronto Stock Exchange (TSX-CRJ) and the American Stock Exchange (AMEX-CGR). Claude is a gold exploration and mining company. It's major exploration property, the Madsen project, is located in Red Lake, Ontario, Canada. The Company also owns producing oil and natural gas assets. The Company's entire asset base is located in Canada.

Claude Resources significantly increased gold production at the Seabee mine in the third quarter - 15,091 ounces were produced - a production level that is 35% above the Company's long-term quarterly average. This strong performance resulted from increasing grade and tonnes at the Seabee orebody combined with production from the Santoy 7 satellite orebody.

Shaft dewatering at the Madsen project is continuing steadily and the exploration program is being accelerated.

Third quarter results will continue to be negatively impacted by the appreciating Canadian dollar and ongoing cost challenges prevalent in the industry. Over the past five years, Claude's cash operating costs in US dollars per ounce have increased by over US \$150 as a result of changes in foreign exchange rates.

The increase in reserves, grade, production and gold price provide a solid platform for future growth.

### Financial Highlights

	Three Months Ended September 30, 2007	Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	Nine Months Ended September 30, 2006
Revenue (\$ millions)	10.4	10.0	25.6	31.9
Net earnings (loss) (\$ millions)	(1.8)	0.0	(5.2)	6.8
Earnings (loss) per share (\$)	(0.02)	0.00	(0.06)	0.09
Cash from operations (\$ millions)*	0.4	2.3	0.2	8.6
Cash from operations per share (\$)*	0.00	0.03	0.00	0.12
Average realized gold price (US \$/ounce)	689	627	657	600
Total cash operating costs (US \$/ounce)	566	417	579	375
Working capital (\$ millions)	7.5	3.3	7.5	3.3

\* before net change in non-cash working capital

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This Management's Discussion and Analysis is a review of the financial condition of Claude Resources Inc. ("Claude" or the "Company") as at September 30, 2007 compared with December 31, 2006, and the results of operations for the three months and nine months ended September 30, 2007 compared with the corresponding period of 2006. It contains "forward looking statements" that are subject to risk factors set out in a cautionary note contained herein. This discussion is the responsibility of Management and the information within this Management Discussion and Analysis is current to November 8, 2007 (except as otherwise noted). The Board of Directors reviewed and approved the disclosure presented herein. This discussion should be read in conjunction with the Company's 2006 annual MD&A and 2006 annual audited Consolidated Financial Statements and Notes. All amounts are expressed in millions of Canadian dollars except where otherwise indicated.

### **EXPLORATION**

Work at the Madsen area during the summer continued to drill test for high-grade gold mineralization along the hanging wall contact of the main ultramafic body at Russet Lake. In addition, two high priority areas of the property were prospected with a soil and rock chip sampling program, the Russet Lake ultramafic and the polymetallic area in the northwest part of the property. Operations continued on the dewatering of the Madsen shaft.

The Company continued with definition and exploration drilling of the Santoy 8 mineralized zone. Surface mapping, prospecting and soil sampling programs were also carried out to test several high priority regional targets.

All exploration programs were carried out under the direction of Qualified Person, Judy Stoeterau, P.Geo., Vice President of Exploration for Claude.

### **Madsen Property**

On September 1, 2006, Claude regained control of its 100% owned Madsen gold project which comprises approximately 4,000 hectares (10,000 acres) in the prolific Red Lake area of northwestern Ontario. The property had been under an option agreement with Goldcorp Canada Ltd.

During the third quarter, work on the Madsen property continued with a core drill program to test the Russet Lake ultramafic horizon for up-plunge extensions to the historic high grade Zone 8 lense at Madsen mine, mineralization similar to the Campbell/Red Lake high grade deposits. This deep, high grade mineralization at Madsen was discovered and mined between 1969 and 1974 on the 2200 to 2700 levels (1,100 to 1,200 metres depth). Historically, drill and face samples from this zone reported over 1 ounce per ton. However, it was common practice at Madsen during this period to remove all visible gold pieces before bagging for laboratory analysis; this did not allow for more exact calculations. In addition, Zone 8 ore was blended with lower grade mill feed, again blocking any true grade analysis.

During the summer of 2007, the Company targeted two of the high priority areas within the Madsen property with surface rock chip and soil geochemical surveys. These were the main ultramafic body from Russet Lake southwest to the Starratt mine area and the polymetallic area in the northwest part of the property. The first area has the potential to host bodies of high grade gold mineralization similar to the Zone 8 material mined at depth at Madsen in the 1970's. The ore rock lay within deformed, brecciated mafic volcanic rocks within or adjacent to the main ultramafic body.

The second targeted area is currently referred to as polymetallic due to the variety of mineralization reported from historic exploration. In addition to significant gold values, drill core analyses from the area have returned elevated values of tungsten, molybdenum, copper and silver and may be indicative of a stockwork or exoskarn type system. Twenty significant gold intercepts in five drill holes returned from 1.0 to 26.5 grams per tonne gold. Results also include 56 samples containing copper values ranging from 0.1% to greater than 2%; 66 samples with molybdenum values ranging from 0.03% to 2%; and 24 samples with greater than 0.05% tungsten.

Results from the summer programs together with an airborne geophysical survey to be conducted in the fourth quarter will be used to advance the winter core drill program in these two high priority areas.

A recent improvement to our pumping system has safely increased the dewatering rate in the Madsen shaft to 340 gallons per minute or 3 feet to 5 feet per day depending on the footprint and material being drained. The water level is now down below Level 7 with Level 16 expected to be reached during the second half of 2008. The plan is to establish Level 16 as the Company's exploration platform around which the historical high grade 8 Zone will be drilled. Concurrent with drilling from Level 16, dewatering will continue until the mine is completely dewatered to Level 24.

### **Seabee Property**

Third quarter drilling on Santoy 8 totalled 16,640 metres in 94 holes. The Santoy area lies 11 kilometres east of the Seabee mine. The area hosts numerous occurrences of gold mineralization – of these, the Santoy 7 and 8 zones have been sufficiently drill-tested to support the calculation of an inferred mineral resource of 1,110,000 tonnes of 6.53 grams per tonne (top cut of 30 grams per tonne). The 2007 program prioritized infill drilling of the mineral resource area to a 200 metre depth and step-out drilling to the north. Santoy 8 drilling is expected to continue into the fourth quarter. Assay results continue to be received and an updated mineral resource is expected in the first quarter of 2008.

The Shane area lies five kilometres east of the Seabee mine and is adjacent to the all-season Santoy road, making any deposit defined in the area easily accessible as mill-feed. During the previous year prospecting and soil geochemistry results proved a horizon both east and west to a total length of 1,300 metres, open at both ends. Drill programs to the end of 2006 revealed mineralization along this structure is in the form of moderately-steep, west-plunging shoots hosting intercepts of 23.88 grams per tonne over 3.74 metres and 12.16 grams per tonne over 8.43 metres – see the November 23, 2006 news release *Claude Resources Discovers More Gold on Shane Property*. In order to understand the structural and stratigraphic setting of mineralization in the area, a 1:2,500 surface mapping program was completed.

The Western Limb (“WL”) target is located northwest of the Porky Main and Porky West deposits along the same structural corridor. The prospective area has potential to host near surface, high-grade gold mineralization similar to the Porky Main and West deposits. Surface prospecting and soil sampling were completed along a 3.5 kilometre strike length.

Results from the summer programs on the Shane and WL areas will be compiled with prospecting, soil geochemistry and detailed airborne magnetic data to plan the 2008 drilling program.

### **Other**

The Tartan and Amisk Lake properties are undergoing strategic reviews and a 43-101 compliant report was completed by ACA Howe on the Tartan Property.

### **Quality Assurance and Quality Control Procedures**

Rigorous quality assurance and quality control practices have been implemented on all Company core drill programs including blank, reference and duplicate samples with each batch of assays. Madsen and Santoy 8 samples are analyzed by fire assay with a combination of atomic absorption and gravimetric finish at an independent ISO approved facility. Santoy 7 samples are analyzed by fire assay with a gravimetric finish at the Seabee mine laboratory, with check samples sent to an independent ISO approved facility.

All exploration programs are carried out under the direction of Qualified Person, Judy Stoeterau, P.Geo., Vice President of Exploration for Claude.

## OPERATIONS

### Gold

For the quarter ended September 30, 2007, Claude Resources Inc. milled 53,047 tonnes of Seabee ore at a grade of 7.71 grams per tonne and milled 12,648 tonnes of Santoy 7 ore at a grade of 6.41 grams per tonne with a recovery of 95.8%. Mill recoveries continue to be higher than budgeted due to the addition of the new primary ball mill commissioned in February.

	Year To Date 2007			Q1			Q2			Q3		
	Grand Totals Combined	Seabee	Santoy	Seabee	Santoy	Total	Seabee	Santoy	Total	Seabee	Santoy	Total
<b>Tonnes</b>	<b>162,143</b>	139,569	22,574	42,129	4,879	47,008	44,393	5,047	49,440	53,047	12,648	65,695
<b>Tonnes / Day</b>	<b>594</b>	511	83	468	54	522	488	55	543	577	137	714
<b>Grade</b>	<b>6.45</b>	6.42	6.66	5.06	5.79	5.13	6.18	8.11	6.38	7.71	6.41	7.46
<b>Milled Ounces</b>	<b>33,641</b>	28,809	4,832	6,847	909	7,756	8,820	1,316	10,136	13,142	2,608	15,750
<b>Recovery</b>	<b>95.6%</b>	95.6%	95.6%	94.1%	94.1%	94.1%	96.4%	96.4%	96.4%	95.8%	95.8%	95.8%
<b>Ounces Sold</b>	<b>30,493</b>	26,037	4,456	7,488	-	7,488	7,112	2,021	9,133	11,437	2,435	13,872
<b>Produced Ounces</b>	<b>32,157</b>	27,535	4,622	6,442	855	7,297	8,501	1,268	9,769	12,592	2,499	15,091

During the third quarter, the Company produced 15,091 ounces of gold. 12,592 ounces of gold were produced from the Seabee mine and 2,499 ounces of gold were produced from the Santoy 7 bulk sample. These results represent a 35% increase over the 11,200 ounces produced on average over the past 20 quarters and are a significant improvement over each of the first two quarters of this year. Increased production over the previous two quarters is largely attributed to improved grades and tonnage from the Seabee mine - due to the completion of breasting in shrinkage stope 2c6807 and Santoy 7 increased throughput. A production decision for Santoy 7 is anticipated early in the fourth quarter.

For the year to date ending September 30, 2007, Claude milled 139,569 tonnes of Seabee ore at a grade of 6.42 grams per tonne and milled 22,574 tonnes of Santoy 7 ore at a grade of 6.66 grams per tonne with a recovery of 95.6%. The Company produced 32,157 ounces of gold to the end of September of which 27,535 ounces of gold were produced from the Seabee mine and 4,622 ounces of gold were produced from the Santoy 7 project. Sales volume from the Seabee mine and Santoy 7 were 26,037 ounces and 4,456 ounces of gold, respectively. The difference between sales volume and produced ounces is due to the in-circuit inventory build up as average head grades have increased over the last two quarters, from 5.13 grams per tonne to 6.38 grams per tonne in the second quarter and to 7.46 grams per tonne in the third quarter.

During the third quarter, the Seabee mine began its 2008 winter re-supply program focusing on upgrading its underground and surface fleet in order to contain future operating costs. Additional expenditures in 2007 included road upgrades to Santoy 7 and expansions to our existing infrastructure. These include camp, kitchen, warehouse and maintenance facilities. These capital investments are required to maintain and expand operations in and around the Seabee mining area, control operating costs and attract quality personnel to our operations in this very competitive labour environment.

Management continues to focus on strengthening its operational team, in order to bring about improvements in our health, safety and environmental programs. As such, we completed an "Environmental Aspect Review" of our operations with the assistance of professional consultants and strengthened our internal training programs by adding resources to our Safety Department.

### Reserves

In September 2007, the Company updated its proven and probable gold reserves at the Seabee mine. The updated mineral reserves total 984,200 tonnes, grading 6.67 grams per tonne (211,100 ounces). Compared to December 31, 2006 estimates, this represents a 42%, 1% and 44% increase in tonnage, grade and ounces, respectively. The improvement was largely the result of successful underground drilling and development. These programs are ongoing.

**Seabee Mine – Proven and Probable Reserves**

	Sept 2007			June 2007			Dec 2006		
	Tonnes	Grade g/tonne	Gold Ounces	Tonnes	Grade g/tonne	Gold Ounces	Tonnes	Grade g/tonne	Gold Ounces
Proven	303,000	6.18	60,200	368,000	6.80	80,500	520,900	6.44	107,900
Probable	681,200	6.89	150,900	434,600	7.06	98,600	171,600	7.03	38,800
<b>Total Proven and Probable</b>	<b>984,200</b>	<b>6.67</b>	<b>211,100</b>	<b>802,600</b>	<b>6.94</b>	<b>179,100</b>	<b>692,500</b>	<b>6.59</b>	<b>146,700</b>

**Oil and Natural Gas**

Claude produces crude oil, natural gas liquids (ngls) and natural gas from properties in Alberta and Saskatchewan.

The Company has various working interests in oil, ngls and natural gas in Alberta which are operated by other entities on behalf of the Company. At Q3 2007, the Alberta properties provided 90% of the total production for oil and ngls and 100% of the production of natural gas. The Nipisi Unit is a 173 well unitized oil field operated by Canadian Natural Resources Ltd. The Edson Gas Unit has 54 producing gas wells and an associated gas plant, all operated by Talisman Energy. In addition to these properties, the Company has interests in producing oil and gas wells at a number of other Alberta locations.

In Saskatchewan, the Company has a 75% working interest in six producing vertical oil wells along with a 33.75% interest in four producing horizontal wells.

Oil, ngls and natural gas operations continue to positively impact corporate earnings and cash flow from operations before net change in non-cash working capital items. For the nine months ended September 30, 2007, slight declines in petroleum production and petroleum prices realized resulted in a decrease in contributed cash flows (Q3 2007 - \$0.4 million; Q3 2006 - \$0.8 million).

**FINANCIAL**

For the quarter ended September 30, 2007, the Company recorded a net loss of \$1.8 million, or \$0.02 per share, compared to break-even net earnings for the comparable period last year.

For the nine months ended September 30, 2007, the Company recorded a net loss of \$5.2 million, or \$0.06 per share, after a \$1.7 million non-cash recovery related to income tax benefits arising from the issue of flow-through shares. This compares to net earnings of \$6.8 million, or \$0.09 per share, after a \$3.9 million gain realized on the sale of certain portfolio investments and a \$2.7 million non-cash recovery related to income tax benefits arising from the issuance of flow-through shares for the comparable period in 2006.

Note for the nine months ended September 30, 2007, as the Santoy 7 bulk sample is an exploration project, gold sales net of expenditures are not included in earnings but are offset against the carrying value of the asset.

**Revenue**

Total revenue generated for the third quarter was \$10.4 million, a 4% increase over the \$10.0 million reported for the same period in 2006. The Seabee mine contributed \$8.2 million to revenue during the second quarter of this year compared to \$7.7 million reported for the same period in 2006. This was due to slightly higher gold sales volume (Q3 2007 – 11,400 ounces; Q3 2006 – 11,000 ounces) and improved Canadian dollar gold prices realized: Q3 2007 - \$720 (US \$689); Q3 2006 - \$703 (US \$627). The 10% increase in the US dollar price of gold was partially offset by the appreciating Canadian versus US dollar exchange rate.

Gross Oil, ngls and natural gas revenue for the three months ending September 30, 2007 was \$2.1 million, a 9% decrease from the \$2.3 million reported for the same period in 2006. This reduction was attributable to production

decreases in oil, ngl's and natural gas. Despite these production decreases, improvements in the average petroleum and natural gas prices realized proved beneficial for the Company during the third quarter.

Total revenue for the first nine months of 2007 fell 20% to \$25.6 million from \$31.9 million reported in the first nine months of 2006. The Seabee mine contributed \$18.9 million to revenue, a 24% decline from the \$25.0 million reported in 2006. The decrease was a result of lower gold sales volume (2007 – 26,000 ounces; 2006 – 36,700 ounces) offset by a 7% improvement in Canadian dollar gold prices realized: 2007 - \$726 (US \$657); 2006 - \$679 (US \$600). The lower gold sales volume was attributable mainly to equipment availability and lower grade ore being processed during the period.

Gross oil, ngl's and natural gas revenue for the first nine months of 2007 was \$6.6 million, a 4% decrease from the \$6.9 million reported for the same period in 2006. This result was attributable to normal production declines in oil, ngl's and natural gas. The Company also experienced a slight decrease in petroleum prices realized; however, the average realized price of natural gas increased slightly. Corresponding decreases in both Alberta crown royalties and overriding royalties partially mitigated the decrease in net oil and natural gas revenue.

Oil and NGLs sales volume for the first nine months of 2007 was 43,300 barrels, 12% lower than the 49,400 barrels sold in the same period of 2006. As at September 30, 2007, the average realized price per barrel of oil and NGLs in Canadian dollars was \$68.04 (US \$61.59), a 1% drop compared to the September 30, 2006 average realized price of \$68.67 (US \$60.63).

Year to date, natural gas volumes decreased 14% to 394 MMCF as at September 30, 2007 from 460 MMCF for the same period in 2006. The average realized price in Canadian dollar terms increased to CDN \$6.78 (US \$6.14) from CDN \$6.73 (US \$5.94) during the nine months of 2007.

### **Expenditures**

For the three months ended September 30, 2007, total mine operating costs increased 33% to \$6.8 million from \$5.1 million for the same period last year. These operating costs and lower gold sales volume resulted in a 36% increase in US dollar cash operating cost per ounce: Q3 2007 – US \$566 (CDN \$591); Q3 2006 – US \$417 (CDN \$468). Oil, ngl's and natural gas operating costs were relatively unchanged period over period.

For the first three quarters of 2007 the Company reported mine operating costs of \$16.7 million, a 7% increase from the \$15.6 million recorded in 2006. This increase was largely attributable to the milling of higher cost stockpiled ore, particularly during the third quarter. As well, the Company is experiencing the industry wide challenges of increasing labour and consumable costs. Total cash cost per ounce increased 54% to US \$579 (CDN \$640) per ounce this year to date from US \$375 (CDN \$425) in 2006. This result was due to a combination of higher operating costs, lower gold sales volume and a stronger Canadian versus US dollar. Oil, ngl's and natural gas operating costs were relatively unchanged period over period.

### **Depreciation, Depletion and Accretion**

During the third quarter of 2007, depreciation, depletion and accretion of the Company's gold assets increased by 10% to \$1.9 million from \$2.1 million reported for the comparable period in 2006. For the nine months ended September 30, 2007, this amount was \$6.0 million, a 22% reduction over the \$7.7 million reported in 2006. This decrease was largely due to the combination of increased reserves and fewer tonnes mined and milled during the period.

The increase, period over period, of depreciation, depletion and accretion of the Company's oil and natural gas assets was largely due to a declining reserve base.

### **Administrative Expense**

For the third quarter of 2007, general and administrative costs were 33% higher, increasing to \$0.8 million this period from \$0.6 million in 2006. Year to date costs increased to \$2.6 million from \$1.9 million for the same

period in 2006. This was largely a result of increased labour costs relating to added staff and regulatory compliance costs.

### **Stock Compensation**

Stock-based compensation for the quarter was \$0.08 million compared with \$0.05 million for the same quarter in 2006. Year to date, stock-based compensation was \$0.5 million in 2007 compared with \$0.2 million in 2006. This non-cash expense was lower in 2006 as fewer options were granted.

### **Income Taxes**

The income tax recovery of \$1.7 million was the estimated income tax benefit arising from the issuance of flow-through shares in 2006 and the subsequent renouncement of those expenditures in 2007. A similar benefit of \$2.7 million was recorded in 2006.

### **Liquidity & Financial Resources**

At September 30, 2007, the Company had working capital of \$7.5 million (December 31, 2006 - \$7.7 million). The working capital decrease was the result of increased inventories, payables and bank indebtedness offset by payments on demand loans outstanding. Working capital is expected to remain at or near these levels due to anticipated positive cash flow from operations.

For the three months ended September 30, 2007, cash flow from operations before net changes in non-cash working capital items was \$0.4 million, or \$0.00 per share. For the first nine months of 2007, cash flow from operations before net changes in non-cash working capital items was \$0.2 million, or \$0.00 per share. These results were mainly attributable to lower contributions from the Seabee mine.

The Company's typical cash requirement over the first and second quarters of each year is significant because of the winter road resupply, which includes restocking diesel, propane and other large consumables as well as the continued upgrading of the mining fleet. Management believes the Company may be able to fund the majority of these requirements out of operating cash flows and the utilization of an available lease line. The Company has financing alternatives available in the event production or costs are not as expected.

### **Investing**

Mineral property expenditures during the first nine months of 2007 were \$23.9 million, a \$9.5 million increase from 2006. Year to date, expenditures were comprised of the following: Seabee mine development of \$8.3 million (2006 - \$5.9 million); exploration costs, focusing on the Madsen and Santoy Lake exploration projects of \$9.0 million; and property, plant and equipment charges of \$6.6 million. Property, plant and equipment charges include mining equipment, camp infrastructure, tailings management facility expansion and Madsen dewatering charges.

Oil and natural gas capital expenditures were \$0.5 million during 2007, a decrease from the \$2.3 million reported during the comparable period of 2006. This reduction is attributable to decreased drilling and infrastructure spending on both the Nipisi and Edson properties.

In 2007, \$0.1 million was deposited towards the Company's reclamation and decommissioning requirements at the Seabee mine.

### **Financing**

In October 2007, the Company announced plans to proceed with a private placement for the issue of 3,783,784 common shares, issued on a flow-through basis for \$1.85 per share, for gross proceeds of \$7.0 million. These proceeds will be used to fund exploration programs primarily at the Madsen property. Management believes it will have the funding in place to satisfy its exploration requirements into the second quarter of 2008.

In April 2007, the Company completed a financing for the issue of 12,500,000 common shares at a price of \$1.60

per share for gross proceeds of \$20,000,000. In addition, an over-allotment option to purchase an additional 1,875,000 common shares at a price of \$1.60 for gross proceeds of \$3,000,000 was exercised. This resulted in a total of 14,375,000 common shares issued at a price of \$1.60 for total gross proceeds of \$23,000,000. These proceeds are being used to fund the aggressive exploration programs at the Madsen and Seabee properties as well as for general corporate purposes.

Other financing activities during 2007 included the issuance of 122,000 common shares pursuant to the Company's Employee Share Purchase Plan, the exercise of 270,000 employee stock options and the exercise of 2,174,000 common share purchase warrants.

During the first nine months of this year the Company repaid \$1.5 million of its demand loans outstanding. The proceeds and repayments on capital lease obligations relate primarily to production equipment.

## **CHANGES IN ACCOUNTING POLICIES**

Effective January 1, 2007, the Company adopted the recommendations of CICA Handbook Section 1530, Comprehensive Income ("Section 1530"), Section 3855, Financial Instruments – Recognition and Measurement ("Section 3855") and 3865, "Hedging" ("Section 3865"). These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. These standards have been adopted prospectively.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

In June 2007, the CICA issued Section 3031, "Inventories"; this Section supersedes Section 3030 of the same title. This Section establishes standards for the measurement and disclosure of inventories and provides the Canadian equivalent to International Financial Reporting Standard IAS 2, "Inventories". This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. The Company is currently reviewing this guidance in order to determine the impact, if any, on our consolidated financial statements.

## **OUTLOOK**

The Company's 2007 production and cost forecasts remain relatively unchanged for both the Seabee mine and oil and natural gas operations. Despite the difficult first half, strong third quarter production and similar results expected in the fourth, gold production from both the Seabee and Santoy properties is targeted to remain at or near 48,000 ounces with mine operating costs slightly higher than those incurred in 2006. Capital investment is expected to increase largely as a result of added investment at the Madsen and Seabee mine area exploration properties and increases to property, plant and equipment at the Seabee mine. Oil and natural gas revenues are expected to remain at 2006 levels or decline slightly – a result of normal production declines combined with similar petroleum and natural gas pricing. Oil and natural gas capital expenditures should decline as a result of decreased drilling and infrastructure spending on both the Nipisi and Edson properties.

## **KEY SENSITIVITIES**

Earnings from Claude's gold and oil & natural gas operations are sensitive to fluctuations in both commodity and currency prices. The key factors and their approximate effect on earnings, earnings per share and cash flow are as follows:

### **Gold**

For a US \$10 price movement in gold price per ounce, earnings and cash flow will have a corresponding movement of CDN \$0.4 million, or \$0.00 per share. For a \$0.01 movement in the US\$/CDN\$ exchange rate, earnings and cash flow will have a corresponding movement of \$0.3 million, or \$0.00 per share.

## **Oil & Natural Gas**

For a US \$5 price movement in oil price per barrel, earnings and cash flow will have a corresponding movement of \$0.3 million (\$0.00 per share). For a US \$1 price movement in natural gas price per MCF, earnings and cash flow will have a corresponding movement of \$0.6 million (\$0.01 per share). A \$0.01 movement in the US\$/CDN\$ exchange rate does not have a material effect on earnings and cash flow.

## **DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

To mitigate the effects of price fluctuations on revenues, the Company may undertake hedging transactions from time to time, in respect of foreign exchange rates and the price of gold. At September 30, 2007 and the comparative period in 2006, the Company had no outstanding foreign exchange or forward gold contracts.

## **BALANCE SHEET**

The Company's total assets were \$165.7 million at September 30, 2007, compared to \$145.7 million at year-end 2006. The increase is mostly attributable to the Company's substantial capital investment at the Madsen and Seabee properties as well as higher inventories.

Total liabilities were \$82.4 million at September 30, 2007, compared to \$80.1 million at December 31, 2006. This was due largely to bank indebtedness, payables and accrued liabilities increases offset by demand loan payments. The Company has \$6.5 million in demand loans outstanding. As it is a demand loan, the entire amount has been classified as a current liability for accounting purposes. The long-term debt of \$56.9 million relates to the Red Mile royalty obligations and capital lease obligations. Interest and principal from the Company's restricted promissory notes will be sufficient to fund the expected royalty payments over the remaining years of the royalty obligation agreements.

Shareholders' equity for the nine months ended September 30, 2007 increased by \$17.7 million. The increase reflects a net loss of \$5.2 million and an increase to share capital of \$23.1 million, due primarily to the April equity issue and employee stock option and warrant exercises offset by the renunciation of the tax benefit from the prior year's flow-through shares.

## **OUTSTANDING SHARE DATA**

At October 31, 2007, there were 93.2 million common shares outstanding. In addition, there were 3.6 million employee and consultant stock options outstanding, with exercise prices ranging from \$0.53 to \$2.10 per share.

## **CONTRACTUAL OBLIGATIONS**

At September 30, 2007, there were no significant changes to the Company's contractual obligations from those reported in the Management's Discussion and Analysis for the year ended December 31, 2006.

## SELECTED QUARTERLY FINANCIAL DATA

The following table provides summary financial data for our last eight quarters:

### Quarterly Information

Unaudited (\$ millions)	September 30		June 30		March 31		December 31	
	2007	2006	2007	2006	2007	2006	2006	2005
Gold sales	8.2	7.7	4.9	8.9	5.7	8.4	7.5	7.9
Oil and natural gas sales	2.1	2.3	2.3	1.9	2.2	2.8	2.0	3.4
Net earnings (loss)	(1.8)	-	(3.4)	2.4	-	4.4	(0.4)	1.0
Net earning (loss) per share <sup>(1)</sup>	(0.02)	-	(0.04)	0.03	(0.00)	0.06	(0.01)	0.01
Average realized gold price (US\$)	689	627	633	621	653	556	620	485
Ounces sold	11,400	11,000	7,100	12,700	7,500	13,000	10,700	13,900
Tonnes milled	53,000	59,400	44,400	65,500	42,100	61,800	59,300	66,400
Ounces produced	12,600	11,100	8,500	12,900	6,400	12,100	10,300	15,100
Grade processed (gpt)	7.71	6.14	6.18	6.52	5.06	6.58	5.74	7.60
Cash cost per ounce <sup>(2)</sup> (US\$oz)	566	417	661	362	539	353	468	355
CDN\$/US\$ Exchange	1.0448	1.1212	1.0984	1.1224	1.1714	1.1545	1.1393	1.1733

<sup>(1)</sup> Basic and diluted, calculated based on the number of shares issued and outstanding during the quarter.

<sup>(2)</sup> For an explanation of non-GAAP performance measures refer to "Non-GAAP Performance Measures" on Page 11.

The financial results for the last eight quarters reflect the following general trends: improvement in average realized gold prices partially offset by the strengthening Canadian dollar; third quarter 2007 gold production returning to 2006 levels – a result of higher grade processed; third quarter 2007 gold revenues also returning to 2006 levels – a result of more ounces sold combined with higher realized prices; cash costs per ounce trending lower – an expectation of higher sales volume offset by the appreciating Canadian dollar; and constant oil and natural gas sales – a combination of higher realized prices combined with normal production declines.

## CRITICAL ACCOUNTING ESTIMATES

Certain of our accounting policies require that we make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. For a discussion about those estimates, please refer to our Management's Discussion and Analysis for the year ended December 31, 2006, available at [www.sedar.com](http://www.sedar.com).

## RISKS AND UNCERTAINTIES

Risks and uncertainties related to economic and industry factors are described in detail in the Company's 2007 Annual Information Form and remain substantially unchanged.

## DISCLOSURE CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

As of September 30, 2007, the Company evaluated its disclosure controls and procedures as defined under Multilateral Instrument 52-109. This evaluation was performed by the Chief Executive Officer and the Chief Financial Officer with the assistance of other Company employees to the extent necessary or appropriate. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective.

## **Internal Controls Over Financial Reporting**

No changes were made in the Company's internal control over financial reporting during the quarter ended September 30, 2007, that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## **Limitations of Controls and Procedures**

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

## **NON-GAAP PERFORMANCE MEASURES**

The Company reports its operating, depreciation and depletion costs on a per-ounce sold basis, based on uniform standards developed by the Gold Institute. Management uses this measure to analyze the profitability, compared to average realized gold prices, of the Seabee mine. Investors are cautioned that the above measures may not be comparable to similarly titled measures of other companies, should these companies not follow the Gold Institute standards.

Cash flow from operations is cash from operations before the net change in non-cash working capital items. Cash flow from operations per common share is determined by dividing the cash flow from operations by the weighted average number of common shares outstanding during the period. Management uses this measure to analyze the cash generated by its operations. These measures are not necessarily indicative of operating profit or cash from operations as determined under Canadian GAAP. Investors are cautioned that the above measures may not be comparable to similarly titled measures of other companies.

## **CAUTION REGARDING FORWARD-LOOKING INFORMATION**

This MD&A contains "forward-looking statements" that are based on Claude Resources Inc.'s expectations, estimates and projections as of the dates the statements were made. Generally, these forward-looking statements can be identified by the use of terminology such as "outlook", "anticipate", "project", "forecast", "target", "believe", "estimate", "expect", "intent", "should", "could" and similar expressions. These forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to, gold price and foreign currency exchange rate volatility and to uncertainties and costs related to exploration and development activities, production rates, cash and total costs of production, or the ability to obtain necessary permitting or financing.

A discussion of these and other factors that may affect Claude Resources Inc.'s actual results, performance, achievements or financial position is contained in the filings by Claude Resources Inc. with the Canadian provincial securities commissions and the United States Securities and Exchange Commission.

This list is not exhaustive of the factors that may affect Claude Resources Inc.'s forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on forward-looking

*Management's Discussion and Analysis*  
*(in millions of CDN dollars, except as otherwise noted)*

statements. Claude Resources Inc. does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities law.

**ADDITIONAL INFORMATION**

Additional information related to the Company, including its annual information form (Form 40F in the US), is available on Canadian ([www.sedar.com](http://www.sedar.com)) and US ([www.sec.gov](http://www.sec.gov)) securities regulatory authorities. Certain documents are also available on the Company's website at [www.clauderresources.com](http://www.clauderresources.com).

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**NOTICE OF AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Management of Claude Resources Inc. is responsible for the preparation of the accompanying unaudited interim consolidated financial statements. The unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and are considered by Management to present fairly the financial position, operating results and cash flows of the Company.

The Company's independent auditor has not performed a review of these financial statements, nor the quarterly financial statements for the past eight quarters, in accordance with standards established by the Canadian Institute of Chartered Accountants. These unaudited financial statements include all adjustments, consisting of normal and recurring items that Management considers necessary for a fair presentation of the consolidated financial position, results of operations and cash flows.



Neil McMillan  
Chief Executive Officer



Rick Johnson  
Chief Financial Officer

Date: November 9, 2007

**Consolidated Balance Sheets**

(Canadian Dollars in Thousands - Unaudited)

	<b>Sept 30</b>	<b>December 31</b>
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Current assets:		
Cash	\$ -	\$ 5,331
Receivables	5,502	1,824
Inventories and stockpiled ore	10,476	6,288
Shrinkage stope platform costs (Note 2)	9,672	9,987
Prepays	401	425
	<b>26,051</b>	<b>23,855</b>
Oil and gas properties	9,055	9,198
Mineral properties	71,062	52,984
Investments (Note 3)	1,174	1,428
Restricted promissory notes	55,982	55,982
Deposits for reclamation costs	2,381	2,270
	<b>\$ 165,705</b>	<b>\$ 145,717</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Bank indebtedness (Note 4)	\$ 1,309	\$ -
Payables and accrued liabilities	9,624	7,294
Demand loans (Note 4)	6,516	8,000
Other current liabilities	1,098	911
	<b>18,547</b>	<b>16,205</b>
Obligations under capital lease	790	502
Royalty obligations	56,112	56,112
Deferred revenue	4,324	4,834
Asset retirement obligations	2,638	2,486
Shareholders' equity:		
Share capital (Note 5)	79,077	56,036
Contributed surplus	1,180	1,062
Retained earnings	3,291	8,480
Accumulated other comprehensive deficit	(254)	-
	<b>83,294</b>	<b>65,578</b>
Subsequent event (Note 10)		
	<b>\$ 165,705</b>	<b>\$ 145,717</b>

The accompanying notes form an integral part of these unaudited consolidated financial statements

**Consolidated Statements of Earnings (Loss)**

(Canadian Dollars in Thousands, except per share amounts - Unaudited)

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2007	2006	2007	2006
<b>Revenues: (Note 8)</b>				
Gold	\$ 8,231	\$ 7,718	\$ 18,907	\$ 24,957
Oil and gas (net)	728	840	2,121	2,431
	<b>8,959</b>	8,558	<b>21,028</b>	27,388
<b>Expenses:</b>				
Gold	6,758	5,128	16,650	15,608
Oil and gas	665	656	1,687	1,615
Depreciation, depletion and accretion:				
Gold	1,859	2,114	5,972	7,673
Oil and gas	264	159	696	469
	<b>9,546</b>	8,057	<b>25,005</b>	25,365
	<b>(587)</b>	501	<b>(3,977)</b>	2,023
<b>Other income (expense):</b>				
General and administrative	(752)	(566)	(2,641)	(1,923)
Interest and other	(350)	76	188	374
Gain on sale of assets	-	-	-	3,897
Stock compensation expense	(76)	(46)	(464)	(220)
	<b>(1,178)</b>	(536)	<b>(2,917)</b>	2,128
<b>Earnings (loss) before income taxes</b>	<b>(1,765)</b>	(35)	<b>(6,894)</b>	4,151
Income tax recovery (expense) (Note 6)	-	(1)	1,705	2,674
<b>Net earnings (loss)</b>	<b>\$ (1,765)</b>	\$ (36)	<b>\$ (5,189)</b>	\$ 6,825
Net earnings (loss) per share				
Basic and diluted	<b>\$ (0.02)</b>	(0.00)	<b>\$ (0.06)</b>	0.09
Weighted average number of shares outstanding (000's)				
Basic	<b>93,212</b>	72,804	<b>86,095</b>	72,706
Diluted	<b>93,212</b>	72,804	<b>86,095</b>	73,607

**Consolidated Statements of Shareholders' Equity**

(Canadian Dollars in Thousands - Unaudited)

	Nine Months Ended Sept 30			
	2007		2006	
<b>Share Capital</b>				
Balance, beginning of period	\$	56,036	\$	53,109
April 24th equity issue		21,444		-
Warrants exercised		2,816		171
Flow-through renunciation		(1,705)		(2,699)
Stock Option Plan		276		200
Other		210		65
Balance, end of period	\$	79,077	\$	50,846
<b>Contributed Surplus</b>				
Balance, beginning of period	\$	1,062	\$	622
Stock-based compensation		464		232
Options exercised		(278)		12
Other		(68)		(88)
Balance, end of period	\$	1,180	\$	778
<b>Retained Earnings</b>				
Balance, beginning of period	\$	8,480	\$	2,058
Net earnings (loss)		(5,189)		6,825
Balance, end of period	\$	3,291	\$	8,883
<b>Accumulated other comprehensive loss</b>				
Balance, beginning of period	\$	-	\$	-
Transition adjustment (Note 3)		463		-
Net change in losses on marketable securities (Note 3)		(717)		-
Balance, end of period	\$	(254)	\$	-
Total retained earnings and accumulated other comprehensive loss	\$	3,037	\$	8,883
<b>Shareholders' equity, end of period</b>	<b>\$</b>	<b>83,294</b>	<b>\$</b>	<b>60,507</b>

The accompanying notes form an integral part of these unaudited consolidated financial statements

**Consolidated Statements of Comprehensive Income (Loss)**

(Canadian Dollars in Thousands - Unaudited)

	Three Months Ended Sept 30		Nine Months Ended Sept 30	
	2007	2006	2007	2006
<b>Net earnings (loss)</b>	<b>\$ (1,765)</b>	<b>\$ (36)</b>	<b>\$ (5,189)</b>	<b>\$ 6,825</b>
Other comprehensive loss				
Unrealized loss on marketable securities (Note 3)	(229)	-	(717)	-
<b>Total comprehensive income (loss)</b>	<b>\$ (1,994)</b>	<b>\$ (36)</b>	<b>\$ (5,906)</b>	<b>\$ 6,825</b>

The accompanying notes form an integral part of these unaudited consolidated financial statements

**Consolidated Statements of Cash Flows**

(Canadian Dollars in Thousands - Unaudited)

	Three Months Ended		Nine Months Ended	
	Sept 30		Sept 30	
	2007	2006	2007	2006
<b>Operations:</b>				
Net earnings (loss)	\$ (1,765)	\$ (36)	\$ (5,189)	\$ 6,825
Non-cash items:				
Depreciation, depletion and accretion	2,123	2,273	6,668	8,142
Stock-based compensation	76	46	464	220
Gain on sale of assets	-	-	-	(3,897)
Income tax recovery	-	-	(1,705)	(2,699)
Net changes in non-cash working capital:				
Receivables	(387)	(2,259)	(3,678)	629
Inventories and stockpiled ore	1,429	2,114	(4,188)	(3,218)
Shrinkage stope platform costs	1,581	(253)	315	(894)
Prepays	112	(17)	24	(3)
Payables and accrued liabilities	915	(1,943)	2,330	1,141
Cash (used in) from operations	4,084	(75)	(4,959)	6,246
<b>Investing:</b>				
Mineral properties	(7,023)	(5,128)	(23,929)	(14,412)
Oil and gas properties	(147)	(658)	(522)	(2,325)
Investments	-	-	-	4,299
Reclamation deposits	47	(156)	(111)	(163)
Cash used in investing	(7,123)	(5,942)	(24,562)	(12,601)
<b>Financing:</b>				
Issue of common shares, net of issue costs	15	35	24,400	372
Deferred revenue	(186)	(232)	(496)	(695)
Bank indebtedness	1,309	1,826	1,309	952
Demand loans:				
Proceeds	-	5,000	-	5,000
Repayment	(498)	(317)	(1,484)	(774)
Obligations under capital lease:				
Proceeds	-	-	869	476
Repayment	(111)	(47)	(408)	(176)
Cash provided from financial activities	529	6,265	24,190	5,155
Increase (decrease) in cash	(2,510)	248	(5,331)	(1,200)
Cash, beginning of period	2,510	-	5,331	1,448
Cash, end of period	\$ -	\$ 248	\$ -	\$ 248

The accompanying notes form an integral part of these unaudited consolidated financial statements

## Notes to Consolidated Financial Statements

(Canadian Dollars in Thousands, except as otherwise noted)

(Unaudited)

### Note 1 - Significant Accounting Policies

These unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (Canadian GAAP) for interim financial statements. The preparation of financial data within these statements is based on, with the exception of financial instruments, accounting policies and practices consistent with those used in the preparation of the most recent audited annual consolidated financial statements. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended December 31, 2006, as they do not contain all disclosures required by Canadian GAAP for annual financial statements.

In the opinion of Management, all adjustments (including reclassifications and normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at September 30, 2007, and for comparative periods presented, have been made.

#### Financial Instruments, Hedges, Comprehensive Income, Equity

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments:

- (a) Section 3855, "Financial Instruments – Recognition and Measurement"
- (b) Section 3865, "Hedging"
- (c) Section 1530, "Comprehensive Income"
- (d) Section 3251, "Equity"

These new standards have been adopted on a prospective basis with no restatement to prior period comparative balances.

#### (a) Section 3855, "Financial Instruments – Recognition and Measurement"

This standard sets out criteria for the recognition and measurement of financial instruments and requires that all financial instruments within its scope, including derivatives, are to be included on the Company's balance sheet and measured either at fair value or, when fair value may not be considered most relevant, at cost or amortized cost in certain circumstances. Changes in fair value are to be recognized in the statements of operations and comprehensive income.

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

Financial assets are classified as loans and receivables, held-to maturity investments, available-for-sale, or held-for-trading. Financial liabilities are classified as either held-for-trading or other financial liabilities. Initial classification of the Company's financial instruments affects their initial and subsequent measurement as well as subsequent recognition of changes in the value of these instruments. Classification of the Company's financial instruments is outlined in the table below.

Loans and receivables, held-to-maturity investments, and other financial liabilities are initially measured at fair value; measurement of these items in subsequent reporting periods is at amortized cost. Gains and losses associated with measurement in subsequent reporting periods are recognized in net earnings.

Available-for-sale financial assets are initially measured at fair value; measurement in subsequent reporting periods is also at fair value. Gains and losses from such revaluations are included in other comprehensive income. If available-for-sale financial assets are disposed of, gains and losses recognized in other comprehensive income are transferred to net earnings.

Held-for-trading financial instruments are initially measured and subsequently measured at fair value. Subsequent to initial measurement, all gains and losses are included in net earnings in the period in which they arise.

Derivative financial instruments are classified as held-for-trading; as such, they are measured at fair value, even when they are part of a hedging relationship. All gains and losses are recognized immediately in net earnings in the period in which they arise.

In accordance with this new standard, the Company has classified its financial instruments as follows:

	September 30, 2007		December 31, 2006	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<b>Loans and Receivables</b>				
Accounts receivable <sup>(1)</sup>	5,502	5,502	1,824	1,824
Restricted promissory note	55,982	55,982	55,982	55,982
<b>Available-for-sale financial assets</b>				
Investments	1,174	1,174	1,428	1,891
<b>Held-for-trading</b>				
Cash and cash equivalents <sup>(1)</sup>	-	-	5,331	5,331
Reclamation deposits <sup>(1)</sup>	2,381	2,381	2,270	2,270
<b>Other financial liabilities</b>				
Bank indebtedness <sup>(1)</sup>	1,309	1,309	-	-
Demand Loans <sup>(1)</sup>	6,516	6,516	8,000	8,000
Payables and Accrued Liabilities <sup>(1)</sup>	9,624	9,624	7,294	7,294

<sup>(1)</sup> Due to the nature and / or short maturity of these financial instruments, carrying value approximated fair value

The Company's investment in various equities has been classified as available-for-sale securities and recorded at fair value in the Company's Consolidated Balance Sheet. In accordance with transitional provisions of this Section, the Company recorded the following adjustments as at January 1, 2007: an increase to investments of \$463,000 and an increase to accumulated other comprehensive income of \$463,000.

(b) Section 3865, "Hedging"

This standard outlines the circumstances under which hedge accounting is permissible and how it may be applied. As the Company did not have any foreign currency or gold hedges outstanding as at January 1, 2007 or September 30, 2007, Section 3865 had no impact on the Company's financial statements.

(c) Section 1530, "Comprehensive Income"

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

**Note 2 - Shrinkage Stope Platform Costs**

Shrinkage stope platform costs represent ore that is being used to gain access to further ore. This ore is expected to be processed in the following 12 months. The processing of this broken ore occurs in accordance with a mine plan based on the known mineral reserves and current mill capacity. The timing of processing of ore has not been significantly affected by historic prices of gold.

**Note 3 - Investments**

The Company has investments in various Canadian equities; these investments have been classified as available-for-sale securities, in accordance with Handbook Section 3855, *Financial Instruments*. In accordance with transitional guidance, the Company adjusted the value of these investments as at January 1, 2007 to their fair value. Measurement in subsequent reporting periods is also at fair value. Gains and losses from such revaluations are included in other comprehensive income. If available-for-sale financial assets are disposed of, gains and losses recognized in other comprehensive income are transferred to net earnings.

	Mark-to-market loss in OCI September 30, 2007		
	Fair Value	Three Months Ended	Nine Months Ended
Available-for-sale securities	\$ 1,174	\$ (229)	\$ (717)
	December 31, 2006		
	Fair Value	Book Value	Transitional Adjustment
Available-for-sale securities	\$ 1,891	\$ 1,428	\$ 463

By holding these long-term investments, the Company is exposed to various risk factors including market price risk and liquidity risk.

**Note 4 - Demand Loans**

	September 30 2007	December 31 2006
Line of credit, up to \$3,500,000 available, interest at prime plus 0.75%	\$ 1,309	\$ -
Demand loan, repayable in monthly payments of \$96,514 including interest at 5.99%, due February 2010	\$ 2,599	\$ 3,300
Demand loan, repayable in monthly payments of \$83,333 plus interest at prime plus 1.5%, due August 2011	3,917	4,700
	\$ 6,516	\$ 8,000

The demand loans are secured by a general security agreement covering all assets of the Company, excluding oil and gas assets in Alberta.

## Note 5 - Share Capital

At September 30, 2007 there were 93,213,613 common shares outstanding.

### a) Issue of shares

On April 24, 2007, the Company completed a financing for the issue of 12,500,000 common shares at a price of \$1.60 per share for gross proceeds of \$20,000,000. In addition, an over-allotment option to purchase an additional 1,875,000 common shares at a price of \$1.60 for gross proceeds of \$3,000,000 was exercised. This resulted in a total of 14,375,000 common shares issued at a price of \$1.60 for total gross proceeds of \$23,000,000.

During the period ended September 30, 2007, the Company also issued 122,000, 270,000 and 2,174,000 common shares pursuant to the Company's Employee Share Purchase Plan, employee stock option plan and warrants exercised pursuant to a June 2005 private placement, respectively.

### b) Share Option Plan

The Company has established a share option plan under which options may be granted to directors, officers and key employees to purchase up to an aggregate of 9% of the issued and outstanding common shares. Options granted have an exercise price of the prior day's closing price of the common shares on the stock exchange on which the shares are traded. The majority of the options granted vest over three years and expire ten years from the date of the grant of the option.

For options outstanding at September 30, 2007 weighted average exercise prices are as follows:

	September 30		December 31	
	2007	Average Price	2006	Average Price
Beginning of period	3,380,000	\$ 1.17	2,755,000	\$ 1.11
Options granted	685,000	1.66	965,000	1.35
Options exercised	(270,000)	0.81	(230,000)	0.74
Options lapsed	(235,000)	1.79	(110,000)	2.13
End of period	3,560,000	\$ 1.25	3,380,000	\$ 1.17

For options outstanding at September 30, 2007, the range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life are as follows:

Option Price Per Share	Number	Weighted Average Exercise Price	Weighted Average Remaining Life
\$0.53-\$0.96	741,000	\$ 0.63	5.01 years
\$1.05-\$1.47	1,779,000	1.26	4.50 years
\$1.59-\$2.10	1,040,000	1.70	8.62 years
	3,560,000	\$ 1.25	5.81 years

The fair value of stock options issued in the period was estimated using the Black-Scholes option pricing model with assumptions of six year weighted average expected option life, no expected forfeiture rate, 59.88% volatility and interest rates ranging from 3.96% to 4.70%. For the period ended September 30, 2007, the compensation cost recorded in respect of stock options issued was \$464,000 (September 30, 2006 - \$220,000).

## Note 6 - Income taxes

The Company finances a portion of its exploration activities through the issue of flow-through shares. The Company estimates the tax cost of expenditures renounced to subscribers on the date the deductions are renounced to the subscribers. Share capital is reduced and future income tax liabilities are increased by the estimated tax benefits renounced by the Company to the subscribers. Because the Company has unrecorded loss carryforwards and tax pools in excess of book value, future income tax liabilities are reduced with a corresponding credit to income tax recovery of \$1.7 million (2006 - \$2.7 million).

## Note 7 - Comparative Figures

Certain prior period balances have been reclassified to conform to the current financial statement presentation.

## Note 8 - Segmented Information

The Company has two reportable industry segments: (1) gold mining and (2) oil, natural gas liquids and natural gas production. These segments are differentiated by differences in end products. All assets within the Company's reportable segments are located in Canada. The Company's producing gold mine, the Seabee mine, is located in northern Saskatchewan. Mineral exploration properties are located in Saskatchewan, Manitoba and Ontario. The Company's oil and gas assets are located in Alberta and Saskatchewan.

Three Months Ended September 30, 2007				
	Gold	Oil & Gas	All Others	Total
Revenue	\$ 8,231	\$ 2,140	\$ -	\$ 10,371
Crown royalties	-	(386)	-	(386)
Overriding royalties	-	(1,026)	-	(1,026)
Net Revenue	8,231	728	-	8,959
Operating expense	6,758	665	-	7,423
Depreciation, depletion and accretion	1,859	264	-	2,123
Non-segmented loss	-	-	1,178	1,178
Net loss	\$ (386)	(201)	\$ (1,178)	\$ (1,765)

Three Months Ended September 30, 2006				
	Gold	Oil & Gas	All Others	Total
Revenue	\$ 7,718	\$ 2,260	\$ -	\$ 9,978
Crown Royalties	-	(464)	-	(464)
Alberta Royalty Tax Credit	-	125	-	125
Overriding royalties	-	(1,081)	-	(1,081)
Net Revenue	7,718	840	-	8,558
Operating expense	5,128	656	-	5,784
Depreciation, depletion and accretion	2,114	159	-	2,273
Non-segmented loss	-	-	537	537
Net earnings (loss)	\$ 476	\$ 25	\$ (537)	\$ (36)

Nine Months Ended September 30, 2007				
	Gold	Oil & Gas	All Others	Total
Revenue	\$ 18,907	\$ 6,646	\$ -	\$ 25,553
Crown royalties	-	(1,312)	-	(1,312)
Overriding royalties	-	(3,213)	-	(3,213)
Net Revenue	18,907	2,121	-	21,028
Operating expense	16,650	1,687	-	18,337
Depreciation, depletion and accretion	5,972	696	-	6,668
Non-segmented loss	-	-	1,212	1,212
Net loss	\$ (3,715)	(262)	\$ (1,212)	\$ (5,189)

Nine Months Ended September 30, 2006				
	Gold	Oil & Gas	All Others	Total
Revenue	\$ 24,957	\$ 6,939	\$ -	\$ 31,896
Crown Royalties	-	(1,608)	-	(1,608)
Alberta Royalty Tax Credit	-	375	-	375
Overriding royalties	-	(3,275)	-	(3,275)
Net Revenue	24,957	2,431	-	27,388
Operating expense	15,608	1,615	-	17,223
Depreciation, depletion and accretion	7,673	469	-	8,142
Non-segmented income	-	-	(4,802)	(4,802)
Net earnings	\$ 1,676	\$ 347	\$ 4,802	\$ 6,825

## Note 9 - Differences from United States Accounting Principles

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada. See Note 21 of the Company's audited financial statements for the year ended December 31, 2006 for an explanation of the differences in Canadian and US GAAP.

## Note 10 - Subsequent Event

In November 2007, the Company expects to complete a private placement offering of 3,783,784 common shares issued on a flow-through basis, at a price of \$1.85 per share, for gross proceeds of \$7.0 million. The Company will be required to generate \$7.0 million in qualifying Canadian Exploration Expenses as defined in the Income Tax Act (Canada) prior to December 31, 2008.