

ANDOVER VENTURES INC.

Consolidated Financial Statements

DECEMBER 31, 2006

The accompanying unaudited interim financial statements of Andover Ventures Inc. for the period ended December 31, 2006 have been prepared by management and approved by the Audit Committee and the Board of Directors of the Company. These statements have not been reviewed by the Company's independent auditors.

ANDOVER VENTURES INC.

(A Development Stage Company)

Balance Sheets

(In Canadian Dollars)

(Unaudited)

	December 31, 2006	March 31, 2006
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 98,473	\$ 258,912
Marketable securities	-	1,075
Subscription receivable	364,000	-
GST receivable	18,086	-
	<u>480,559</u>	<u>259,987</u>
Mineral Properties (note 3)	<u>4,109,155</u>	<u>11,676</u>
	<u>\$ 4,589,714</u>	<u>\$ 271,663</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	<u>\$ 37,688</u>	<u>\$ 62,163</u>
Shareholders' Equity		
Capital Stock (Note 4)		
Authorized: 200,000,000 common shares without par value; 50,000 Class A preferred shares without par value; and 50,000 Class B preferred shares without par value		
Issued and fully paid: 17,040,000 common shares	5,642,000	773,000
Liability to issue shares	29,000	-
Contributed surplus	408,976	22,664
Deficit, accumulated during the development stage	<u>(1,527,950)</u>	<u>(586,164)</u>
	<u>4,552,026</u>	<u>209,500</u>
	<u>\$ 4,589,714</u>	<u>\$ 271,663</u>

Approved by the Directors:

*"Michael England"*Michael England, *Chief Executive Officer and Director**"Walter Brenner"*Walter Brenner, *Chief Financial Officer and Director*

ANDOVER VENTURES INC.

(A Development Stage Company)

Income Statements

(In Canadian Dollars)

(Unaudited)

	Three Months Period Ended December 31,		Nine Months Period Ended December 31,	
	2006	2005	2006	2005
INTEREST AND OTHER INCOME	\$ 2,464	\$ 2,062	\$ 10,751	\$ 2,739
GENERAL AND ADMINISTRATIVE EXPENSES				
Accounting fees	4,500	1,000	8,300	4,275
Audit fees	2,000	1,625	13,970	6,020
Management fees	24,000	-	39,000	-
Consulting fees	83,802	71,880	172,084	127,380
Legal fees	52,862	-	103,612	-
Interest and bank charges	499	982	1,603	2,880
Office expense	10,118	2,672	24,263	6,087
Telephone	1,865	826	4,366	1,954
Transfer agent and filing fees	37,921	5,461	66,453	8,772
Shareholder costs	307	-	638	-
Foreign exchanges	(343)	-	(343)	-
Stock-based compensation	168,812	-	386,312	-
Travel and promotion	65,068	3,599	132,279	17,289
	451,411	88,045	952,537	174,657
LOSS BEFORE THE OTHER ITEMS	(448,947)	(85,983)	(941,786)	(171,918)
Gain on marketable securities	-	(11,382)	-	3,432
NET LOSS FOR THE PERIOD	(448,947)	(97,365)	(941,786)	(168,486)
DEFICIT – BEGINNING OF PERIOD	(1,079,003)	(425,539)	(586,164)	(354,418)
DEFICIT – END OF PERIOD	(1,527,950)	(522,904)	(1,527,950)	(522,904)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.03)	\$ (0.03)	\$ (0.06)	\$ (0.03)
WEIGHTED AVERAGE SHARES OUTSTANDING				
Basic and Diluted	16,858,178	3,665,000	16,811,190	3,665,000

ANDOVER VENTURES INC.

(A Development Stage Company)

Statement of Cash Flows

(In Canadian Dollars)

(Unaudited)

	Three Months Period Ended December 31,		Nine Months Period Ended December 31,	
	2006	2005	2006	2005
CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES				
Loss for the period	(448,947)	\$ (97,365)	(941,786)	\$ (168,486)
Non-Cash Items:				
Gain on marketable securities	-	11,382	-	(3,432)
Stock-based compensation	168,812	-	386,312	-
Changes in non-cash working capital items:				
Accounts receivable	(9,517)	(5,881)	(18,086)	(7,591)
Accounts payable and accrued	(25,017)	57,629	(24,475)	53,235
Cash used for operating activities	(314,669)	(34,235)	(598,035)	(126,274)
FINANCING ACTIVITIES				
Share capital for cash	4,199,500	-	4,869,000	-
Liability to issue shares	29,000	-	29,000	-
Share subscription receivables	(722,500)	-	(364,000)	-
Due to broker on margin-secured	-	23,291	-	20,562
Cash derived from financing activities	3,506,000	23,291	4,534,000	20,562
INVESTING ACTIVITIES				
Mineral properties	(3,709,834)	-	(4,097,479)	-
Advance on exploration work program	406,933	-	-	-
Marketable securities	-	(24,101)	1,075	(19,661)
Cash used for investing activities	(3,302,901)	(24,101)	(4,096,404)	(19,661)
CASH INCREASE (DECREASE), DURING THE PERIOD	(111,570)	(35,045)	(160,439)	(125,373)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	210,043	133,805	258,912	224,133
CASH AND CASH EQUIVALENTS, END OF PERIOD	98,473	98,760	98,473	98,760

ANDOVER VENTURES INC.
NOTES TO FINANCIAL STATEMENTS
(A Development Stage Company)
December 31, 2006
(In Canadian Dollars)

NOTE 1. BUSINESS OF THE COMPANY

Andover Ventures Inc. ("The Company") is incorporated under the Laws of British Columbia, Canada on February 12, 2003, and is the date of inception of the Company.

NOTE 2. INTERIM FINANCIAL STATEMENTS

The accompanying unaudited financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim financial statements should be read in conjunction with the Company's annual audited financial statements as at and for the year ended March 31, 2006. All materials adjustments which, in the opinion of management, are necessary for fair presentation of the results for the interim period have been reflected. The results for the nine months ended December 31, 2006 are stated utilizing the same accounting policies and methods of application as the most recent annual financial statements, but are not necessarily indicate of the results to be expected for the full year.

NOTE 3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	March 30, 2006 \$	Net Expenditures \$	December 31, 2006 \$
Kamishak Property			
Acquisition costs	-	106,825	106,825
Deferred exploration costs			
Office and sundry	-	6,807	6,807
Geological consulting	-	98,367	98,367
Exploration salaries and wages	-	9,792	9,792
Field camp & exploration costs	-	140,115	140,115
Sample analysis	-	10,027	10,027
Drilling	-	215,694	215,694
Professional fees	-	24,085	24,085
Accommodation and travel	-	4,528	4,528
Fuel	-	13,918	13,918
	<u>-</u>	<u>630,158</u>	<u>630,158</u>

ANDOVER VENTURES INC.

NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

December 31, 2006

(In Canadian Dollars)

NOTE 3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS, continued

Bulk Property	-		
Acquisition costs	-	102,210	102,210
Deferred exploration costs			
Office and sundry	-	8,899	8,899
Geological consulting	-	27,635	27,635
Exploration salaries and wages	-	5,127	5,127
Field camp & exploration costs	-	11,740	11,740
Sample analysis	-	3,899	3,899
Drilling	-	51,808	51,808
Professional fees	-	635	635
Accommodation and travel	-	408	408
Vehicles	-	5,849	5,849
Fuel	-	1,724	1,724
	-	<u>219,934</u>	<u>219,934</u>
Bristol Bay Property			
Acquisition costs	-	122,540	122,540
Deferred exploration costs	-		
Geological consulting	-	22,949	22,949
Exploration salaries and wages	-	28,782	28,782
Field camp & exploration costs	-	28,127	28,127
Professional fees	-	20,618	20,618
Accommodation and travel	-	9,714	9,714
Total	-	<u>232,730</u>	<u>232,730</u>
Sun Property			
Acquisition costs		3,000,000	3,000,000
Deferred exploration costs			
Office and sundry		7,181	7,181
Geological consulting		6,831	6,831
Professional fees		1,123	1,123
Field camp & exploration costs		7,905	7,905
Accommodation and travel		3,293	3,293
	-	<u>3,026,333</u>	<u>3,026,333</u>
Total	-	<u>4,109,155</u>	<u>4,109,155</u>

ANDOVER VENTURES INC.

NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

December 31, 2006

(In Canadian Dollars)

NOTE 3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS, continued

Alaska, U.S.A

Kamishak Property

The Company has entered into a property option agreement dated March 27, 2006 with Full Metal Minerals Ltd. ("FMM") whereby the Company can earn a 60% interest in Full Metal's Kamishak property. The Kamishak property is located approximately 440 kilometers southwest of Anchorage, Alaska. In consideration for its interest in the Kamishak Property, the Company must incur the following exploration expenditures:

- (a) in the amount of at least US\$250,000 on or before April 1, 2007;
- (b) in the cumulative amount of at least US\$800,000 on or before April 1, 2008;
- (c) in the cumulative amount of at least US\$1,300,000 on or before April 1, 2009; and
- (d) in the cumulative amount of at least US\$2,000,000 on or before April 1, 2010.

Additionally, the Company must issue and deliver to FMM:

- (a) 150,000 shares (issued) in the capital of Andover on or before the earlier of April 1, 2006 and the date that is three business days following the acceptance for filing of the Option Agreement by the Exchange;
- (b) a further 125,000 shares on or before April 1, 2007;
- (c) a further 125,000 shares on or before April 1, 2008; and
- (d) a further 125,000 shares on or before April 1, 2009.

Further, Andover must pay to FMM:

- (a) US\$10,000 upon the signing of the option agreement (paid) plus an additional US\$10,000 (paid) upon receipt by Andover of the acceptance of the Option Agreement by the Exchange;
- (b) a further US\$20,000 on or before April 1, 2007;
- (c) a further US\$20,000 on or before April 1, 2008; and
- (d) a further US\$20,000 on or before April 1, 2009.

Finally, Andover must assume all obligations of FMM pursuant to the Underlying property Agreement, including payment of an annual fee of US\$20,000 payable to Alaska Earth, and must pay annual fees to the State of Alaska estimated to be US\$3,300 to maintain the claims.

The Company paid a finder's fee of \$50,000 common shares (issued) to Golden Capital Securities in connection with the agreement.

Bulk Gold Property

On August 15, 2006, the Company signed a Letter of Agreement with Altar Resources Alaska to option the 1,150 acre Bulk Gold property located in the historic Nome Mining district of Alaska. The property is situated about 23 miles (38km) north of Nome, and only one mile west of the Nome-Taylor state highway.

The Company will earn 100% of the Bulk Gold Property, subject to scaling NSR's to a maximum of 4.5%, by incurring exploration expenditures, issuing shares and making option payments as follows:

ANDOVER VENTURES INC.

NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

December 31, 2006

(In Canadian Dollars)

NOTE 3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS, continued

Alaska, U.S.A

Bulk Gold Property

Minimum Expenditures

For mining year ending on September 1, 2007	\$	150,000
For mining year ending on September 1, 2008		500,000
For mining year ending on September 1, 2009		750,000
For mining year ending on September 1, 2010		<u>150,000</u>
Total	\$	<u>2,900,00</u>

Shares to be issued Option payments

	Shares		Payments	
			\$	
On the Effective Date (the signing bonus) (paid)	150,000	(issued)	15,000	(paid)
First Anniversary of the Effective Date	250,000		25,000	
Second Anniversary of the Effective Date	350,000		45,000	
Third Anniversary of the Effective Date			65,000	
Fourth Anniversary of the Effective Date			100,000	
Fifth Anniversary of the Effective Date			<u>250,000</u>	
Total	<u>750,000</u>		<u>500,000</u>	

Bristol Bay Properties

On August 24, 2006, the Company has entered into an Exploration Agreement with Option to Lease with the Bristol Bay Native Corporation (BBNC), an Alaska Native Regional Corporation. The agreement will allow the company to acquire a 100% interest in mineral rights at five individual properties covering approximately 18,000 hectares in the Iliamna Lake area of southwest Alaska.

To acquire these 100% interest at 5 properties, the Company has agreed to a seven year exploration agreement with the option to lease or purchase the lands in the event of a major mineral discovery. The exploration agreement calls for total minimum exploration expenditures of US\$4.15 million, and option payments to BBNC totalling US\$875,000 (US\$90,000 first year). Additionally, the Company will make annual scholarship donations to the Bristol Bay Native Corporation Education Foundation that, over the seven year life of the agreement, will total \$240,000. Any of the claims that are, or become, subject to the agreement may be purchased outright by Andover during the option period for \$5 million, subject to an NSR royalty. Andover has the option to lease other mineral lands owned by BBNC. Leases are subject to annual cash payments and an NSR royalty on production. Base metal royalties, after an optional buy-down payment, will be 1%. Precious metal royalties are on a sliding scale tied to the price of gold. After an optional buy-down payment, the royalty will range between 2% and 3%.

Also, the Company will pay a finder's fee of 150,000 common shares to Full Metal Minerals Ltd. upon TSX Venture Exchange approval and a further 150,000 shares upon receipt of a feasibility study, should that happen, on the properties contained in the Agreement. The finder's fee will be paid in stages.

ANDOVER VENTURES INC.

NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

December 31, 2006

(In Canadian Dollars)

NOTE 3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS, continued

Alaska, U.S.A

Sun Property

On October 27, 2006, the Company acquired a 50% interest in the Sun mining claims located in the Ambler District of Alaska. The purchase price payable was \$3,000,000 (paid) and the seller, Hastings Base Metals Corp. ("Hastings ") retains a 1.5% NSR. The Company has also obtained an option to acquire the remaining 50% interest for a purchase price of \$10,000,000 payable in cash or shares at the option of the Company.

The SUN property, consisting of 25 state mining claims on the south flank of the Brooks Range in north central Alaska, is comprised of 13 SUN claims and 12 HOT claims. An important zinc-copper (silver) deposit first identified by Sunshine Mining Company in the early 1970's. Sunshine concluded a Partnership Agreement with Anaconda in 1975, resulting in the formation of the Ambler Mining Company with Anaconda as operator.

On October 27, 2006, the Company acquired a 50% interest in the Sun mining claims located in the Ambler District of Alaska. The purchase price payable was \$3,000,000 (paid) and the seller, Hastings Base Metals Corp. ("Hastings ") retains a 1.5% NSR. The Company has also obtained an option to acquire the remaining 50% interest for a purchase price of \$10,000,000 payable in cash or shares at the option of the Company.

NOTE 4. CAPITAL STOCK

(a) Authorized: 200,000,000 common shares without par value; 50,000,000 Class A preferred shares without par value; and 50,000,000 Class B preferred shares without par value.

(b) Issued:

	Number of Shares	Amount	Contributed Surplus
Balance, March 31, 2006	5,315,000	\$ 773,000	\$ 22,664
Shared issued for:			
Private Placement (1)	2,000,000	487,500	-
Private Placement (2)	1,700,000	774,500	-
Private Placement (3)	7,600,000	3,422,500	-
Mineral properties interest (Note 3)	300,000	148,500	-
Commission	50,000	21,000	-
Stock option	75,000	15,000	-
Stock-based compensation	-	-	386,312
Balance, September 30, 2006	17,040,000	5,642,000	408,976

(1) On April 3, 2006, the Company completed a non-brokered private placement of 2,000,000 shares at a price of 25 cents per unit for a total proceeds of \$487,500. Each unit will consist of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one additional common share of the Company at a price of \$0.48 per share for two years. Agent commission costs totaling \$12,500 have been offset against the proceeds.

ANDOVER VENTURES INC.

NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

December 31, 2006

(In Canadian Dollars)

NOTE 4. CAPITAL STOCK, continued

(b) Issued:

(2) October 16, 2006, the Company completed a private placement for 1,700,000 units at a price of \$0.50 per unit for a total proceeds of \$774,500. Each unit consists of one common share of the Company and one common share purchase warrant, each warrant entitling the holder to purchase one common share at 60 cents for a period of 12 months after the closing date, then at 70 cents for an additional 12 months. If, following the date that is four months and one day after the closing date of the financing, the closing price of the Company's common shares exceeds \$1 for 20 consecutive trading days, then the warrant term will be automatically reduced and the share purchase warrants will expire on the date that is 30 days following the issuance of a news release disclosing the reduced warrant term. Agent commission costs totaling \$75,500 have been offset against the proceeds.

Broker warrants were also issued for 125,000 to West Oak Capital Partners Inc. and 26,000 to Jennings Capital Inc. Each broker warrant entitles the holder to acquire the same number of common shares of the Company at \$0.50 per share for two years.

(3) During the period, the Company completed a private placement of 7,600,000 units at a price of \$0.50 per unit, for total proceeds of \$3,422,500. Each unit consists of one common share and one share purchase warrant exercisable at a price of \$0.60 per share in the first year and \$0.70 per share in the second year. There is a four-month hold period on the shares expiring on March 21, 2007. Agent commission and corporate finance fee totaling \$377,500 have been offset against the proceeds.

(c) Stock options and warrants

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of five years with vesting provisions determined by the board of directors.

Stock option and share purchase warrant activity is summarized as follows:

	Options		Warrants	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, March 31, 2006	250,000	\$ 0.20	-	\$ -
Granted	356,500	0.32	2,000,000	0.45
Granted	200,000	0.50	1,700,000	0.50
Granted	170,000	0.50	7,600,000	0.50
Granted	510,000	0.50	151,000	0.50
Exercised	75,000	0.20		
Outstanding, December 31, 2006	1,411,500	\$ 0.20-0.50	11,451,000	\$ 0.45-0.50

Exercisable, December 31, 2006	1,411,500	\$ 0.20-0.50	11,451,000	\$ 0.45-0.50
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ANDOVER VENTURES INC.

NOTES TO FINANCIAL STATEMENTS

(A Development Stage Company)

December 31, 2006

(In Canadian Dollars)

NOTE 4. CAPITAL STOCK, continued

(c) Stock options and warrants

The weighted average fair value per option granted was \$0.45.

(d) Escrow shares

The 500,000 common shares are held in escrow subject to release based upon terms of escrow agreements and approvals of regulatory authorities.

(e) Stock-based compensation:

The Company recorded \$316,312 in connection with the fair value of stock options that during the period ended December 31, 2006. The compensation expense amount was offset to contributed surplus.

The fair value of stock options granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions; risk-free interest rate - 3.5%; expected dividend yield - Nil; expected stock price volatility - 177%; expected option life in years - 5 years.

NOTE 5. TRANSACTIONS WITH RELATED PARTIES

During the period ended September 30, 2006, the Company paid management fees of \$39,000 (2005 - \$Nil) to a director and officer of the Company.