
ADVANCED EXPLORATIONS INC.

Consolidated Financial Statements

(Unaudited)

Three and six months ended June 30, 2007

Responsibility for Consolidated Financial Statements

The accompanying unaudited interim consolidated financial statements for Advanced Explorations Inc. have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the audited December 31, 2006 consolidated financial statements. Only changes in accounting information have been disclosed in these unaudited interim consolidated financial statements. These unaudited interim consolidated financial statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of these unaudited interim consolidated financial statements, management is satisfied that these unaudited interim consolidated financial statements have been fairly presented.

The independent auditor of Advanced Explorations Inc. has not performed a review of the unaudited interim consolidated financial statements for the three and six months ended June 30, 2007 and June 30, 2006.



**ADVANCED EXPLORATIONS INC.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)**

	June 30, 2007	December 31, 2006
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	5,727,977	-
Amounts receivable	237,198	-
Prepaid expenses	776,681	-
	6,741,856	-
Mineral property (Note 3)	12,308,460	-
Deferred cost (Note 9)	25,000	-
	19,075,316	-
LIABILITIES		
Current liabilities		
Bank indebtedness (Note 11)	50,000	50,000
Accounts payable and accrued liabilities	1,375,484	227,905
Loans payable (Note 10)	35,000	161,457
Promissory note (Note 11)	-	358,980
	1,460,484	798,342
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	12,380,289	2,492,152
Contributed surplus	420,296	236,941
Rights (Note 3)	7,874,098	-
Warrants (Note 6)	1,733,008	-
Deficit	(4,792,859)	(3,527,435)
	17,614,832	(798,342)
	19,075,316	-

See accompanying notes to consolidated financial statements

Basis of presentation and nature of operations (Note 1)

Subsequent events (Note 12)



ADVANCED EXPLORATIONS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Expenses				
Business development	81,895	-	81,895	-
Professional fees	83,889	13,819	160,335	19,969
Consulting fees	106,358	-	138,878	1,500
Shareholder information and filing fees	45,910	6,652	60,481	10,199
Interest and bank charges	43,553	14,011	56,723	30,115
Stock option compensation	176,016	-	186,677	-
Travel	36,598	13,235	39,669	16,407
Office and general	14,527	897	14,527	4,965
Fair value of bonus shares issued (Note 4(b)(iv))	526,239	-	526,239	-
	1,114,985	48,614	1,265,424	83,155
Net loss and comprehensive loss	(1,114,985)	(48,614)	(1,265,424)	(83,155)
Basic and diluted loss per share	(0.09)	(0.01)	(0.11)	(0.01)
Weighted average number of shares outstanding	12,606,222	8,867,307	11,054,408	8,880,677

See accompanying notes to consolidated financial statements



ADVANCED EXPLORATIONS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Share capital				
Balance, beginning of period	2,655,178	2,390,760	2,492,152	2,390,760
Private placements	11,090,750	-	11,290,750	-
Fair value of warrants issued	(1,384,469)	-	(1,421,443)	-
Exercise of options	5,100	-	5,100	-
Fair value of options exercised	3,322	-	3,322	-
Exercise of warrants	12,500	-	12,500	-
Fair value of warrants exercised	1,849	-	1,849	-
Bonus shares issued	526,239	-	526,239	-
Debt for shares settlement	368,454	101,392	368,454	101,392
Finders' fee for the Roche Bay Project	180,774	-	180,774	-
Cost of issue: non-cash (securities issued)	(313,414)	-	(313,414)	-
Cost of issue: cash	(765,994)	-	(765,994)	-
Balance, end of period	12,380,289	2,492,152	12,380,289	2,492,152
Contributed Surplus				
Balance, beginning of period	247,602	236,941	236,941	236,941
Fair value of options granted	176,016	-	186,677	-
Fair value of options exercised	(3,322)	-	(3,322)	-
Balance, end of period	420,296	236,941	420,296	236,941
Rights				
Balance, beginning of period	-	-	-	-
Fair value of rights granted	7,874,098	-	7,874,098	-
Balance, end of period	7,874,098	-	7,874,098	-
Warrants				
Balance, beginning of period	36,974	-	-	-
Fair value of warrants issued	1,697,883	-	1,734,857	-
Fair value of warrants exercised	(1,849)	-	(1,849)	-
Balance, end of period	1,733,008	-	1,733,008	-

See accompanying notes to consolidated financial statements



ADVANCED EXPLORATIONS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deficit				
Balance, beginning of period	(3,677,874)	(3,330,861)	(3,527,435)	(3,296,320)
Net loss for period	(1,114,985)	(48,614)	(1,265,424)	(83,155)
Balance, end period	(4,792,859)	(3,379,475)	(4,792,859)	(3,379,475)

See accompanying notes to consolidated financial statements



ADVANCED EXPLORATIONS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash Provided By (Used In)				
Operations				
Net loss for the period	(1,114,985)	(48,614)	(1,265,424)	(83,155)
Items not involving cash:				
Stock option compensation	176,016	-	186,677	-
Fair value of bonus shares issued	526,239	-	526,239	-
Interest accrued	3,405	11,414	16,913	26,470
	(409,325)	(37,200)	(535,595)	(56,685)
Changes in non-cash working capital				
Amounts receivable	(237,198)	-	(237,198)	70,000
Prepaid expenses	(776,681)	-	(776,681)	-
Accounts payable and accrued liabilities	1,152,203	15,687	1,147,579	(8,909)
	(271,001)	(21,513)	(401,895)	4,406
Investing				
Mineral property expenditures	(4,253,588)	-	(4,253,588)	-
Deferred cost	(25,000)	-	(25,000)	-
	(4,278,588)	-	(4,278,588)	-
Financing				
Proceeds from loans payable (Note 10)	2,631,195	-	2,631,195	-
Repayment of loans payable	(2,734,191)	-	(2,765,091)	-
Issue of share capital	11,108,350	-	11,308,350	-
Cost of issue	(765,994)	-	(765,994)	-
	10,239,360	-	10,408,460	-
Net change in cash	5,689,771	(21,513)	5,727,977	4,406
Cash, beginning of period	38,206	26,355	-	436
Cash, end of period	5,727,977	4,842	5,727,977	4,842

See accompanying notes to consolidated financial statements



ADVANCED EXPLORATIONS INC.
CONSOLIDATED STATEMENT OF MINERAL PROPERTY
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,		Cumulative from inception of Project
	2007	2006	2007	2006	
	\$	\$	\$	\$	\$
Roche Bay Magnetite Project, Nunavut, Canada					
(i) Acquisition costs (Note 3)					
Beginning balance	-	-	-	-	-
Acquisition costs	250,000	-	250,000	-	250,000
Rights offering	7,874,098	-	7,874,098	-	7,874,098
Finders' fees	180,774	-	180,774	-	180,774
Government fees	1,300	-	1,300	-	1,300
Total acquisition costs during the period	8,306,172	-	8,306,172	-	8,306,172
Ending balance	8,306,172	-	8,306,172	-	8,306,172
(ii) Exploration expenditures					
Beginning balance	-	-	-	-	-
Salaries	189,886	-	189,886	-	189,886
Mobilization/Demobilization	838,113	-	838,113	-	838,113
Air transportation	1,081,834	-	1,081,834	-	1,081,834
Helicopter support	549,251	-	549,251	-	549,251
Fuel	43,659	-	43,659	-	43,659
Transportation	77,061	-	77,061	-	77,061
Camp costs	451,085	-	451,085	-	451,085
Miscellaneous	190,695	-	190,695	-	190,695
Drilling	412,313	-	412,313	-	412,313
Environmental	160,481	-	160,481	-	160,481
Technical studies	7,910	-	7,910	-	7,910
Total expenditures during the period	4,002,288	-	4,002,288	-	4,002,288
Ending balance	4,002,288	-	4,002,288	-	4,002,288
Total	12,308,460	-	12,308,460	-	12,308,460

See accompanying notes to consolidated financial statements



ADVANCED EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Three and six months ended June 30, 2007

1. BASIS OF PRESENTATION AND NATURE OF OPERATIONS

Advanced Explorations Inc. (the "Company" or "Advanced") was previously a provider of customer relationship management software and services. Effective June 1, 2007, the TSX Venture Exchange has accepted for filing the Company's Change of Business, which involves the Company's acquisition of a 50.1% interest in certain leases (the "Roche Bay Magnetite Project") pursuant to an option agreement between Advanced and Roche Bay Plc. ("Roche Bay") dated January 29, 2007, as amended.

The Company, which is in the development stage, is engaged in the acquisition, exploration and development of properties within the resource sector. The Company is in the process of exploring its resource properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The recovery of the amounts shown for the mineral properties is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the exploration, and upon future profitable production.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. The recoverability of the carrying value of exploration properties and the Company's continued existence is dependent upon the preservation of its interest in the underlying properties, the discovery of economically recoverable reserves, the achievement of profitable operations, or the ability of the Company to raise alternative financing, if necessary, or alternatively upon the Company's ability to dispose of its interests on an advantageous basis. Changes in future conditions could require material write-downs of the carrying values.

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

As at June 30, 2007, the Company had cash of \$5,727,977 and working capital of \$5,281,372. Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing twelve months as they fall due. The Company's ability to continue operations and fund its exploration property expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2007 may not necessarily be indicative of the results that may be expected for the year ending December 31, 2007.



ADVANCED EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Three and six months ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended December 31, 2006, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2006.

Financial instruments

Effective January 1, 2007, the Company adopted the new recommendations of CICA Handbook Section 3855, "Financial Instruments - Recognition and Measurement", and Section 3861, "Financial Instruments - Disclosure and Presentation". Under the new standards all financial instruments are classified into one of the following five categories: held for trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are included on the balance sheet and are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Held for trading financial instruments are subsequently measured at fair value and all gains and losses are included in net income in the period which they arise. Available-for-sale financial instruments are subsequently measured at fair value with revaluation gains and losses included in other comprehensive income until the instrument is derecognized or impaired.

As a result of adoption of these standards, the Company has classified its cash and cash equivalents as held-for-trading, which is measured at fair value. Bank indebtedness, accounts payable and accrued liabilities, loans payable and promissory note are classified as other financial liabilities which are measured at amortized cost. The Company had neither available-for-sale, nor held-to-maturity instruments during the three and six months ended June 30, 2007.

Comprehensive income and equity

Effective January 1, 2007, the Company adopted the new recommendations of CICA Handbook Section 1530, "Comprehensive Income", and Section 3251, "Equity". These sections establish standards for reporting and presenting certain gains and losses normally not included in net earnings or losses, such as unrealized gains and losses related to available-for-sale investments, in a statement of comprehensive income.

The Company had no other comprehensive income transactions during the three and six months ended June 30, 2007 and no opening or closing balances for accumulated other comprehensive income, and as such, comprehensive income is equal to net income. Accordingly, Section 1530 has had no effect on the Company's interim consolidated financial statements.

Non-monetary transactions

Effective January 1, 2007, the Company adopted the new recommendations of CICA Handbook Section 3831, "Non-Monetary Transactions", prospectively. This standard requires all nonmonetary transactions to be measured at fair value unless they meet one of four very specific criteria. Commercial substance replaces culmination of the earnings process as the test for fair value measurement. A transaction has commercial substance if it causes an identifiable and measurable change in the economic circumstance of the entity. Commercial substance is a function of the cash flows expected by the reporting entity. The adoption of this standard had no impact on the Corporation's interim consolidated financial statements.



ADVANCED EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Three and six months ended June 30, 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral property

Mineral properties including deferred exploration expenditures are carried at cost until they are brought into production, at which time they are depleted on a unit-of-production basis. The cost of mining properties abandoned or sold and the deferred exploration expenditures relating to the mining claims on these properties are charged to operations in the current year. Should a mineral property become impaired as evidenced by unfavourable exploration results, or a decision to discontinue further work, the acquisition cost and related deferred exploration and development expenditures will be expensed. Effective January 1, 2007, the Company has adopted this policy.

Flow-through financing

The Company has financed a portion of its exploration activities through the issue of flow-through shares which transfer the tax deductibility of exploration expenditures to the investor. Proceeds received on the issue of such shares have been credited to share capital and the related exploration costs have been charged to mining and resource properties. When the renunciation is made, the tax value of the renunciation is recorded as a liability and charged against share capital. Where the Company has a valuation allowance, which reduces future income tax assets, the valuation allowance is reduced and an income tax recovery is recorded in the statement of operations. Effective January 1, 2007, the Company has adopted this policy.

3. MINERAL PROPERTY

On a quarterly basis, management of the Company review exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization.

Specific changes to mineral property that occurred from January 1, 2007 to June 30, 2007 are as follows:

During the period, the Company acquired a 50.1% interest in the Roche Bay Magnetite Project located near Roche Bay, on the eastern Melville Peninsula, within the District of Franklin, Nunavut Territory from Roche Bay pursuant to an option agreement ("Agreement") between Advanced and Roche Bay dated January 29, 2007, as amended.

Under the Agreement, Advanced paid Roche Bay \$250,000 and issued rights (the "Rights") to Roche Bay as to 8,000,000 Rights at an exercise price of \$0.35 per Right. The Company will issue 2,000,000 Rights at an exercise price of \$0.60 per Right upon completion of 15,000 meters of drilling, and 2,000,000 Rights at an exercise price of \$1.00 per Right upon the completion of both (a) a total of 30,000 meters of drilling and (b) a NI 43-101 compliant pre-feasibility study based on an envisioned minimum 6 million tonne per year mining operation containing a resource estimate of at least 750,000,000 tonnes on iron ore in the aggregate among the "measured" and "indicated" categories.

Each Right will entitle the holder to purchase one common share of the Issuer within a period of 3 years after the date of issue.

In addition, finder's fees are payable to the following arm's length parties: (1) 48,206 shares issued to 834689 Ontario Ltd. and (2) 96,413 shares issued to John Moses. The fair value assigned to these shares amounted to \$180,774.



ADVANCED EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Three and six months ended June 30, 2007

3. MINERAL PROPERTY (continued)

The issued Rights have been assigned a fair value of \$7,874,098. The following assumptions were used to calculate the fair value attributable to the issued Rights: dividend yield of 0%; risk free interest rate of 2.98%; expected stock volatility of 75%; and expected life of 3 years.

4. SHARE CAPITAL

(a) Authorized capital

The number of authorized common shares is unlimited

(b) Issued common shares

	No. of Shares	Amount
		\$
Balance, January 1, 2007	8,880,677	2,492,152
Private placement (i)	1,000,000	200,000
Fair value of warrants issued (i)	-	(36,974)
Finders' fee for the Roche Bay Magnetite Project (Note 3)	144,619	180,774
Private placement (ii)	8,683,333	11,090,750
Fair value of warrants issued (ii)	-	(1,384,469)
Cost of issue - non-cash (ii)	-	(313,414)
Cost of issue - cash	-	(765,994)
Debt for shares settlement (iii)	294,763	368,454
Fair value of bonus shares issued (iv)	420,591	526,239
Exercise of stock options	10,000	5,100
Fair value of stock options exercised	-	3,322
Exercise of warrants	50,000	12,500
Fair value of warrants exercised	-	1,849
Balance, June 30, 2007	19,483,983	12,380,289

(i) On January 17, 2007, the Company closed a private placement of 1,000,000 units at a price of \$0.20 per unit. Each unit consists of one common share and one share purchase warrant entitling the holder to purchase an additional share at \$0.25 for a period of one year from date of distribution. The warrants have been assigned a fair value of \$36,974. The following assumptions were used to calculate the fair value attributable to the warrants: dividend yield of 0%; risk free interest rate of 2.93%; expected stock volatility of 75%; and expected life of 1 year.



ADVANCED EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Three and six months ended June 30, 2007

4. SHARE CAPITAL (continued)

(b) Issued common shares (continued)

(ii) On June 6, 2007, Advanced announced the completion of a private placement. D&D Securities Company ("D&D") and Octagon Capital Corporation (the "Agents") sold a total of 1,774,000 units (the "Units") at a price of \$1.25 per Unit and 613,000 flow-through shares (the "FT Shares") for gross proceeds of \$3,137,000 (the "Offering"). Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable into one common share for two years from the closing date (the "Closing Date") at an exercise price of \$2.00.

Concurrent with the Offering, the Company also completed a private placement of 5,963,000 Units and 333,333 FT Shares for gross proceeds of \$7,953,750 (the "Concurrent Offering").

The Company paid a total cash commission of \$250,960 in connection with Offering to the Agents. In addition, as a commission for the sale of the Units under the Offering, the Agents were granted compensation options which will entitle the Agents to purchase 141,920 common shares of the Company at an exercise price of \$1.25 per common share. As a commission for the sale of the FT Shares under the Offering, the Agents were granted compensation options which will entitle the Agents to purchase 49,040 common shares of the Company at an exercise price of \$1.50 per common share. All compensation options granted to the Agents will have an exercise period which expires 2 years from the Closing Date.

In connection with the Concurrent Offering, the Company paid a cash commission of \$298,150 to Parolini Marketing Services Ltd. In addition, the Company paid Limited Market Dealer Inc. a cash commission of \$28,500 and compensation warrants which will entitle Limited Market Dealer Inc. to purchase 13,333 common shares of the Company, at an exercise price of \$1.50 per common share and have an exercise period which expires 2 years from the Closing Date.

For providing advisory and due diligence services to the Company in connection with the Concurrent Offering, D&D received a payment of \$111,500. In addition, D&D was granted compensation options which will entitle the Agents to purchase 475,000 common shares of the Company at an exercise price of \$1.25 per common share and 13,334 common shares of the Company at an exercise price of \$1.50 per common shares. All of the compensation options will have an exercise period which expires 2 years from the Closing Date.

The fair value of 3,868,500 warrants was calculated using the Black-Scholes pricing model based on the following assumptions: dividend yield: 0%; expected volatility: 75%; risk-free interest rate: 2.98% and an expected life: 2 years. As a result, the fair value was determined to be \$1,384,469.

The fair value of 616,920 compensation options exercisable at \$1.25 per option was calculated using the Black-Scholes pricing model based on the following assumptions: dividend yield: 0%; expected volatility: 75%; risk-free interest rate: 2.98% and an expected life: 1.5 years. As a result, the fair value was determined to be \$284,062.

The fair value of 75,707 compensation options exercisable at \$1.50 per option was calculated using the Black-Scholes pricing model based on the following assumptions: dividend yield: 0%; expected volatility: 75%; risk-free interest rate: 2.98% and an expected life: 1.5 years. As a result, the fair value was determined to be \$29,352.



ADVANCED EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Three and six months ended June 30, 2007

4. SHARE CAPITAL (continued)

(b) Issued common shares (continued)

(iii) During the period, the Company issued 294,763 common shares to 2053068 Ontario Ltd. (non-related) to settle outstanding debt for \$368,454 (Note 11(b)).

(iv) During the period, in consideration of entering into certain Non-Recourse Loan Agreements with the Company, the Company issued an aggregate of 420,591 common shares as bonus shares to certain lenders. The following insider is one of the lenders receiving the following amount of bonus shares: John Gingerich, 160,000 (via Geotechnical Business Solutions Inc.) and 64,000 (via Gingerich Family Trust) (Note 10).

5. STOCK OPTIONS

The following table reflects the continuity of stock options for the six months ended June 30, 2007:

	Number of Stock options	Weighted average exercise price (\$)
Balance, January 1, 2007	460,000	0.51
Granted (1)(2)	1,185,000	1.17
Exercised	(10,000)	(0.51)
Forfeited	(100,000)	(0.51)
Balance, June 30, 2007	1,535,000	1.02

(1) In January 2007, the Company granted an aggregate of 85,000 incentive stock options to an officer of the Company at an exercise price of \$0.20 per share. The options are exercisable for a period of five years. The fair value of each option was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 75%; risk-free interest rate of 2.93% and an expected average life of 5 years. The options vest on the date of grant. The estimated impact on 2007 earnings is \$10,661.

(2) In June 2007, the Company granted an aggregate of 1,100,000 incentive stock options to officers, employees and consultants of the Company that are exercisable at a price of \$1.25 per share. The options are exercisable for a period of five years. The fair value of the options have been estimated using the Black-Scholes pricing option model. The assumptions used for the valuation of the respective options were: dividend yield 0%, expected volatility 75%, risk-free interest rate of 2.98% and an expected life of 5 years. The value assigned to the 1,100,000 options is \$862,923. The options vest pursuant to terms of the Company's stock option plan and contracts between employees and officers of the Company and Advanced. The estimated impact on 2007 earnings is \$176,016.



ADVANCED EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Three and six months ended June 30, 2007

5. STOCK OPTIONS (continued)

The following table reflects the actual stock options issued and outstanding as of June 30, 2007:

Expiry Date	Exercise price	Fair Value (a)(b) per Option	Black-Scholes Value	Number of Options Granted	Number of Options Vested
	\$	\$	\$		
March 2010	0.51	0.33	116,261	350,000	350,000
January 2012	0.20	0.13	10,661	85,000	85,000
June 2012	1.25	0.78	862,923	1,100,000	165,000
			989,845	1,535,000	600,000

(a) Fair value is based on the Black-Scholes option pricing model. The weighted average fair value per option is \$0.42.

(b) Option pricing models require the input of highly subjective assumptions including the expected volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

6. WARRANTS

The following table reflects the continuity of warrants for the six months ended June 30, 2007:

	Number of Warrants	Weighted average exercise price	Value of Warrants
		\$	\$
Balance, January 1, 2007	-	0.00	-
Issued (Note 4(b)(i)(ii))	5,561,127	1.59	1,734,857
Exercised	(50,000)	(0.25)	(1,849)
Balance, June 30, 2007	5,511,127	1.61	1,733,008



ADVANCED EXPLORATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Three and six months ended June 30, 2007

6. WARRANTS (continued)

The following table reflects the actual warrants outstanding as of June 30, 2007:

Expiry Date	Number of warrants	Exercise price (\$)	Black-Scholes Value (\$)
January 2008	950,000	0.25	35,125
June 2009	3,868,500	2.00	1,384,469
June 2009	75,707	1.50	29,352
June 2009	616,920	1.25	284,062
	5,511,127		1,733,008

7. RELATED PARTY TRANSACTIONS

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

8. SEGMENTED INFORMATION

The Company's operations comprise a single reporting operating segment engaged in mineral exploration in Canada. As the operations comprise a single reporting segment, amounts disclosed in the consolidated financial statements for statements of operations and comprehensive loss and changes in shareholders' equity for the period also represent segment amounts.

9. DEFERRED COST

The Company has signed a Memorandum of Understanding (MOU) in which Advanced has entered into a partnership and option agreement with A Better Search Inc. ("Better Search") to pursue iron ore opportunities in Quebec.

The Company has a 4 month exclusive period to review all Better Search's holdings to identify projects to option. In addition, Better Search will collaborate with Advanced during the next 12 months to identify other iron ore projects to acquire. As part of the option and collaboration agreement, the Company will pay Better Search 200,000 common shares of the Company and \$25,000 (paid). For each project of merit optioned from Better Search during the 4 month exclusive period, the Company will provide an additional 300,000 shares and \$150,000. No additional compensation will be provided to Better Search for claims/projects acquired under the collaboration agreement. The MOU is subject to TSX approval.



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10. LOANS PAYABLE

On May 23, 2007, the Company completed \$2,631,195 of the \$3,000,000 debt financing sought in connection with the Roche Bay transaction. The non-recourse loans involve the payment of a bonus equal to 20% of the loan principal advanced to be paid in shares of the Company at the financing rate of \$1.25 per share. The loans bear interest at 10% per annum. Subsequent to June 30, 2007, the loan principals have been paid in full. Accrued interest as of June 30, 2007 amounted to \$30,798.

Demand and term loans from fiscal 2006 have also been paid in full as of June 30, 2007.

11. OTHER CURRENT LIABILITIES

(a) The bank indebtedness is due on demand, bears interest at prime plus 1%, and is guaranteed by an officer of the Company's subsidiary, Web Sights International Inc.

(b) On May 11, 2007, the Company entered into a settlement agreement with the promissory note holder whereby the holder agreed to settle the balance of their debt and any amounts owing in connection with the debt as at April 1, 2007 (the "Share Payment Cutoff Date") by way of shares of the Company at the rate of \$1.25 per share. Interest shall accrue from the Share Payment Cutoff date at the per diem rate of \$100. The shares will be subject to a 4 month hold period pursuant to the Securities Act (Ontario) and the TSX Venture Exchange regulations. The Company issued 294,763 common shares to 2053068 Ontario Ltd. (non-related) to settle outstanding debt for \$368,454.

12. SUBSEQUENT EVENTS

(i) On July 17, 2007, Advanced announced that the Company has entered into an Assignment and Assumption Agreement (the "Agreement") with PinPoint Xploration Inc. ("PinPoint") with respect to the License Agreement for laser exploration of petroleum resources between Advanced and Laser Diagnostic Instruments International Inc. (LDI3). Under this Assignment and Assumption Agreement, Advanced hereby assigns to PinPoint the License Agreement and all right, title and interest of Advanced to that agreement, with PinPoint assuming all obligations of Advanced under the License Agreement and performing all obligations of Advanced. PinPoint also agrees to release, discharge and indemnify and save Advanced harmless from and against all actions, suits, costs, losses, damages and expenses in respect of all such obligations arising from the agreement.

As partial consideration for this assignment and assumption, PinPoint agrees to allot and issue to Advanced 111,111 ordinary shares in the capital of PinPoint, which shares will represent, immediately following their issue to Advanced, 10% of the issued and outstanding ordinary shares in the capital of PinPoint. A certificate representing such shares will be delivered to Advanced. AEI will have the right to participate in any future financings to maintain its equity interest.



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12. SUBSEQUENT EVENTS (continued)

(ii) On July 9, 2007, Advanced announced that the Company will raise up to \$3,300,000 by way of private placement of up to 2,200,000 flow through Shares (the "Shares") at a price of \$1.50 per Share (the "Offering Price").

The Company has engaged Octagon Capital Corporation ("Octagon" or the "Agent") as exclusive agent of the Offering on a reasonable efforts basis. The Company will pay Octagon a commission of 8% cash and 8% broker warrants (the "Warrants"), with each Warrant being exercisable by the Agent at the Offering Price into one (1) Share of the Company for a period of up to two (2) years from the Closing Date.

(iii) Subsequent to June 30, 2007, \$17,000 was collected representing payment for the exercise of 85,000 options at \$0.20. The options have an expiry date of January 2012.

