WARATAH COAL INC.
(formerly Eaglestar Ventures Inc.)
(an Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

MARCH 31, 2007

WARATAH COAL INC.

NOTICE OF NO 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, the statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

signed "Peter Lynch"
Peter Lynch, Director

signed "Nick Mather"
Nick Mather, Director

May 30, 2007

WARATAH COAL INC.

Consolidated Balance Sheets
(Unaudited – prepared by Management)
(Expressed in Canadian dollars)

	March 31 2007	December 31 2006
ASSETS		
Current		
Cash	$2,388,704	$2,772,144
Receivables	207,984	195,919
Other current assets	1,153	-
Total current assets	2,597,841	2,968,063
Equipment (Note 4)	9,671	3,394
Exploration properties (Note 3)	342,270	260,947
Total assets	$2,949,782	$3,232,404
LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	$53,484	$38,292
Due to related parties (note 6)	33,556	2,451
Total current liabilities	87,040	40,743
Shareholders' equity (deficiency)		
Capital stock (note 5)	5,064,607	5,063,107
Contributed surplus (note 5)	1,139,867	929,244
Currency translation adjustment	87,543	39,561
Deficit	(3,429,275)	(2,840,251)
Total shareholders' equity (deficiency)	2,862,742	3,191,661
Total liabilities and shareholders' equity (deficiency)	$2,949,782	$3,232,404

Nature and continuance of operations (Note 1)
Subsequent events (Note 8)

On behalf of the Board:

signed "Peter Lynch"
Peter Lynch, Director

signed "Nick Mather"
Nick Mather, Director

The accompanying notes are an integral part of these consolidated financial statements.

WARATAH COAL INC.

Consolidated Statements of Operations and Deficit

(Unaudited – prepared by Management)
(Expressed in Canadian dollars)

	Three months ended March 31, 2007	Three months ended March 31, 2006
EXPENSES		
Employee benefits	$97,225	$-
Amortization	653	-
Legal	40,844	-
Administration	93,485	320
Stock-based compensation	210,623	-
Other	174,894	-
Loss before other items	617,724	320
OTHER ITEMS		
Interest income	(33,479)	(27)
Foreign exchange loss	4,779	-
	(28,700)	(27)
Net Loss for the period	589,024	293
Deficit, beginning of period	2,840,251	2,347
Deficit, end of period	$3,429,275	$2,640
Loss per share	**$0.018**	**$0.000**
Weighted average number of common shares outstanding	**32,013,167**	**12,617,838**

The accompanying notes are an integral part of these consolidated financial statements.

WARATAH COAL INC.

Consolidated Statements of Cash Flows

(Unaudited - prepared by Management)
(Expressed in Canadian dollars)

	Three months ended March 31, 2007	Three months ended March 31, 2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss for the period	$(589,024)	$(293)
Items not affecting cash:		
Amortization	653	-
Stock-based compensation	210,623	-
Changes in non-cash working capital items		
(Increase) / decrease in receivables	(7,400)	-
(Increase) / decrease in advances and prepaid expenses	(1,153)	-
Increase / (decrease) in accounts payable and accrued liabilities	55,336	872
Net cash used in operating activities	(330,965)	579
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on mineral properties	(95,027)	(2,682)
Acquisition of property and equipment	(6,930)	-
Net cash used in investing activities	(101,957)	(2,682)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares, for cash	1,500	6,152
Currency translation adjustments	47,982	-
Net cash used in financing activities	49,482	6,152
Change in cash and cash equivalents during the period	(383,440)	4,049
Cash and cash equivalents, beginning of period	2,772,144	17,208
Cash and cash equivalents, end of period	$2,388,704	$21,257

The accompanying notes are an integral part of these consolidated financial statements.

WARATAH COAL INC.

Notes to the Consolidated Financial Statements
First Quarter ended March 31, 2007
(Unaudited – prepared by Management)
(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Waratah Coal Inc. (formerly Eaglestar Ventures Inc.) (the "Company") is in the business of exploration and development of mineral properties. To date, the Company has not earned revenues and is considered to be in the exploration stage.

These consolidated financial statements have been prepared on a going-concern basis in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company's continuing operations as intended are dependent upon its ability to satisfy its liabilities as they become due, to raise adequate financing to complete the exploration and development of its mineral property interests, and to commence profitable mining operations in the future, or realize proceeds from their disposal. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going-concern. There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheet.

	March 31 2007	December 31 2006
Deficit	$(3,429,275)	$(2,840,251)
Working capital (deficiency)	$2,510,801	$2,927,320

2. SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies adopted by the Company are as follows:

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant inter-company balances and transactions have been eliminated upon consolidation.

(b) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with original maturities of three months or less.

(c) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over their estimated useful lives at the following annual rates:

Computer Equipment	33.3 %
Office Equipment	25.0 %

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(d) Exploration properties

Costs related to the acquisition, exploration and development of exploration properties are capitalized by property until the commencement of commercial production. If commercially profitable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

(e) Asset retirement obligations

The Company recognizes an estimate of the liability associated with an asset retirement obligation (“ARO”) in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. As at March 31, 2007 and December 31, 2006, there were no material asset obligations.

(f) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period.

Significant estimates include the rate of amortization of equipment, the recoverable amount of investments in and expenditures on mineral properties, the variables used to calculate the fair value of stock based compensation, the fair value of asset retirement obligations, the determination of the valuation allowance for future income tax assets and the fair value of assets and liabilities in acquisition of the accounting subsidiary. While management believes the estimates are reasonable, actual results could differ from these estimates and would impact future results of operations and cash flows.

(g) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method for calculating diluted loss per share. However, diluted loss per share is not presented where the effects of various conversions and exercise of options and warrants would be anti-dilutive. Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

(h) Foreign currency translation

The Company's operations and activities are conducted principally in Australia; hence the Australian dollar is the functional currency. The Company translates financial statements into the functional currency as follows: Non-monetary assets and liabilities are translated at historical rates and monetary assets and liabilities are translated at exchange rates, in effect at the end of the period. Income statement accounts are translated at average rates for the period. Gains and losses from translation of foreign currency financial statements into the functional currency are included in current results of operations. Gains and losses resulting from foreign currency transactions are also included in current results of operations.

The Company's reporting currency is the Canadian dollar. The Company translates financial statements into the reporting currency as follows: assets and liabilities are translated at the rates of exchange on the balance sheet date, and revenues and expenses are translated at average rates of exchange during the period. The resulting translation adjustments are recorded and included as part of "Currency Translation Adjustment".

(i) Stock-based compensation

The Company accounts for stock-based compensation expense using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this standard, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus under shareholders' equity. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

(j) Income taxes

Future income taxes are recorded using the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and their respective tax basis (temporary differences). Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially assured. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

(Expressed in Canadian dollars)

3. MINERAL PROPERTIES

The Company currently has 7 granted mineral tenements for the exploration of coal located in Queensland and New South Wales, Australia, and has submitted a further 11 tenement applications in Queensland and in the Northern Territory, Australia, all for the exploration of coal.

The cumulative costs of the Company's interest in its Australian Exploration properties are as follows:

	Three months ended March 31, 2007 $	Six months ended December 31, 2006 $
Balance, beginning of period	$260,947	$116,692
Wages and consultants	8,125	73,936
Tenement costs	23,561	58,128
Geology	5,512	12,191
Drilling	41,315	-
Corporate	2,810	-
	81,323	144,255
Balance, end of period	$342,270	$260,947

4. EQUIPMENT

	March 31, 2007			December 31, 2006		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$8,301	$1,390	$6,911	$4,121	$727	$3,394
Office equipment	2,770	10	2,760	-	-	-
	$11,071	$1,400	$9,671	$4,121	$727	$3,394

5. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares, without par value.

(b) Issued and outstanding

	Notes	Number of common shares	Share Capital	Contributed Surplus
Balance, December 31, 2006		32,000,000	$5,063,107	$929,244
Stock options exercised		15,000	1,500	-
Special payment warrants exercised		1,250,000	-	-
Incentive options		-	-	125,082
Investor relations options		-	-	85,541
Balance, March 31, 2007		33,265,000	$5,064,607	$1,139,867

(Expressed in Canadian dollars)

5. CAPITAL STOCK (Continued)

(c) Stock options

The Company has a stock option plan in place 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 as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest immediately.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Three months ended March 31, 2006		Year ended December 31, 2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	2,495,000	$0.59	-	$0.00
Options of Eaglestar transferred on RTO	-	$-	650,000	$0.10
Granted to accounting parent principals	-	$-	5,000,000	$8.99
Exchanged for payment warrants on RTO	-	$-	(5,000,000)	$(8.99)
Special options granted	-	$-	1,250,000	$0.00
Exchanged for special payment warrants on RTO	-	$-	(1,250,000)	$(0.00)
Granted	400,000	$0.80	2,345,000	$0.62
Exercised	(15,000)	$0.10	(500,000)	$0.10
Outstanding, end of period	2,880,000	$0.62	2,495,000	$0.59
Options exercisable, end of period	2,730,000	$0.61	2,295,000	$0.57

Stock options outstanding at March 31, 2007 are as follows:

	Number of options	Exercise price	Expiry date
Stock options	135,000	$0.10	May 12, 2011
Incentive options	2,145,000	$0.60	January 30, 2011
Investor relations options	200,000	$0.88	December 12, 2011
Incentive options	400,000	$0.80	January 30, 2011

(Expressed in Canadian dollars)

5. CAPITAL STOCK (Continued)

(d) Stock-based compensation

During the period ended March 31, 2007, the Company granted 400,000 incentive options with a fair value of $125,082.

The following weighted average assumptions were used for the Black-Scholes option pricing model valuation of incentive options granted during the period:

Risk-free interest rate	4.12%
Expected life of options	4 years
Annualized volatility	77.128%
Dividend rate	0.00%

The weighted average fair value of incentive options granted was $0.63 per option.

(e) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Three months ended March 31, 2006		Year ended December 31, 2006	
	Number of warrants	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	9,673,300	$0.52	-	$-
Granted in exchange for accounting parent Special options	-	$-	1,250,000	$0.00
Granted in exchange for cancellation of accounting parent options	-	$-	5,000,000	$0.50
Granted as part of financing	-	$-	3,423,300	$0.75
Warrants converted	(1,250,000)	$-	-	$-
Outstanding, end of period	8,423,300	$0.60	9,673,300	$0.52
Warrants exercisable, end of period	8,423,300	$0.60	9,673,300	$0.52

Warrants outstanding at March 31, 2007 are as follows:

	Number of warrants	Exercise price	Expiry date
Payment warrants	5,000,000	$0.50	December 6, 2008
Placement warrants	3,000,000	$0.75	June 6, 2008
Finders warrants	323,300	$0.75	June 6, 2008
Agents warrants	100,000	$0.75	June 6, 2008

6. RELATED PARTY TRANSACTIONS

The Company incurred the following expenses (excluding director fees) with contractors and consulting firms that have associations with certain directors, an officer and a former director:

	Three months ended March 31, 2007	Year ended December 31, 2006
Legal fees	$-	$73,612
Consulting fees	$14,319	$41,645
Accounting and administration fees	$20,005	$26,317
Options issued for investor relations fees *	$85,541	$16,540
Rent	$2,975	$4,088

* On December 12, 2006, 200,000 options were granted to purchase 200,000 common shares of the capital stock of the Company at a price of $0.88 per share until December 12, 2011 vesting 25% every three months from the date of grant. This amount is the expense charged to the accounts for the period.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At March 31, 2007, the Company owed an amount of $24,578 (period ended December 31, 2006 - $2,451) to entities associated with directors, officers and consultants of the Company, for the payment of certain exploration expenditure, rent, legal, consulting, accounting and administration and investor relations fees.

7. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying values of cash and cash equivalents, receivables, accounts payable and accrued liabilities, and due to related parties approximate their fair values because of the short-term maturity of these financial instruments.

(b) Credit risk

The Company's financial assets that are exposed to credit risk consist of cash and cash equivalents and receivables. This risk is minimized to the extent that cash and cash equivalents are placed with major financial institutions.

(c) Currency risk

The Company is exposed to foreign currency fluctuations to the extent expenditures incurred by the Company are not denominated in Canadian dollars. As at March 31, 2007, the Company had investments in mineral properties that require the Company to make payments and satisfy work commitments in Australian dollars. The Company's ability to make these payments to satisfy its obligations for work commitments will be affected by foreign currency rate fluctuations. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

8. SUBSEQUENT EVENTS

The following events occurred subsequent to March 31, 2007:

(a) 100,000 warrants were converted to purchase 100,000 common shares in the Company at a price of $0.75, raising $75,000.

(b) 135,000 options were exercised to purchase 135,000 common shares in the Company at a price of $0.10, raising $13,500.

(c) 50,000 options were issued with an exercise price of $1.31 per option, expiring May 25, 2012.