



(a development stage company)

**Third Quarter Report**

**September 30, 2007**

## **Date**

The following discussion is management's assessment and analysis of the results of operations and financial conditions ("MD&A") of Crescent Resources Corp. (the "Company" or "Crescent") and should be read in conjunction with the accompanying unaudited interim consolidated financial statements and related notes thereto for the nine months ended September 30, 2007 and the most recent audited consolidated annual financial statements for the year ended December 31, 2006 which are also available at the SEDAR website at [www.sedar.com](http://www.sedar.com).

The financial information in this MD&A is derived from the Company's financial statements prepared in accordance with Canadian generally accepted accounting principles and all dollar amounts are expressed in Canadian dollars unless otherwise indicated.

The effective date of this report is November 26, 2007.

## **Overview**

### **General**

Crescent is a mineral exploration and development company with a defined growth strategy of adding value through discovery and rapid project advancement through exploration. This fiscal year Crescent has been focused on exploring and earning up to a 70% interest in the Oviedo uranium property located in Paraguay. In 2006 Crescent was focused on the exploration of the Matupá gold project in Mato Grosso State, Brazil and the Boulder Lake uranium project in northern Manitoba. Crescent can earn 100% of these projects. All of these projects were acquired based on management's belief that they have the potential for further discovery and growth.

The Company's stock trades on Tier 2 of the TSX Venture Exchange under the trading symbol "CRC".

### **Qualified Person**

All data, as disclosed in this MD&A have been verified by the Company's Qualified Person, Michael Hopley, President and Chief Executive Officer.

### **The Oviedo uranium project, Paraguay**

On June 11, 2007 Crescent executed a definitive agreement with Coronel Oviedo Mining Company SA ("Coronel") whereby Crescent can earn up to a 70% interest in the Oviedo uranium property located in Paraguay (the "Property") and the Property has been issued an Exploration permit.

To November 25, 2007 Crescent has advanced US\$2,800,000 well in advance of the timing defined in the agreement. Coronel will be the operator of the joint-venture programs until US\$5,000,000 has been spent at which point Crescent has the right to become the operator, however, upon having spent US\$2,500,000 Crescent now has technical control of the exploration programs.

In late August 2007 a 20,000 metre drilling program commenced. On November 15, 2007 Crescent announced results from the first eleven drill holes completed to date. Management of the Company considers these initial drill results to be very encouraging as all holes intersected uranium mineralization, of which four holes (TC-1004, TC-1009, TC-1011 and TC-1013) intersected mineralization that exceeds a minimum G/T (grade/thickness factor) of 0.3 ft% eU<sub>3</sub>O<sub>8</sub>, similar to uranium deposits currently being mined by in-situ recovery methods. The holes are spaced at approximately 100 metre intervals within a corridor approximately 300 metres wide by 600 metres long on the southern part of this large 504,000 hectare property. The uranium mineralization is open in all directions and the drilling will continue with the

objective to further expand this mineralized zone and to delineate other known mineralized areas on the property.

These results are consistent with drill results from the Yuty Uranium Project currently being drilled by Cue Capital of Vancouver, B.C. (see Cue's news release of November 7th 2007). Cue is working to confirm a historical uranium resource outlined in the 1980's by the Anschutz Corporation. The Yuty Project is located approximately 150 kilometres to the south of the Oviedo Project in the same geological formation, permo-carboniferous age continental sandstones in the Paraná Basin.

Previous drilling on +5 to >10 kilometre centers by the Anschutz Corporation during 1980-1982 on the Oviedo property discovered significant uranium mineralization exceeding 0.05% eU<sub>3</sub>O<sub>8</sub> within the Permo-Carboniferous sandstone host along at least a 50 kilometre interpreted reduction-oxidation boundary. No offsets to these mineralized drill holes which lie approximately 15 and 35 kilometres north of the present drill area have yet been completed. During the next phase of drilling these and other targets will be drill tested with the objective to further expand the mineralized zone.

The Oviedo property covers over 504,000 hectares in central Paraguay that was subject to extensive uranium exploration between 1976 and 1983. This activity was centered on a large belt of Permo-Carboniferous age continental sandstones that represent the western flank of the Paraná Basin. In neighboring Brazil these same sandstones contain numerous uranium occurrences including the Figueira Mine that reportedly hosts approximately 19 million pounds of U<sub>3</sub>O<sub>8</sub>. Most of the uranium occurrences in this environment are "roll-front" type deposits similar to those being currently exploited by low-cost in-situ leach methods in the western United States. Exploration activity on the Oviedo property ceased in 1983 due to low uranium prices.

The uranium grade referred to above is reported as equivalent uranium (eU<sub>3</sub>O<sub>8</sub>) as determined by downhole radiometric logging equipment. The logging was performed using equipment purchased from Mount Sopris Instruments of Golden, Colorado. Quality control and quality assurance is being provided by Dr. Bernie Schmeling, a contract geophysicist.

#### **Matupá gold project – Brazil**

On May 4, 2005 the Company acquired an option to purchase 100% of the Matupá gold project. The property covers an area of approximately 6,000 hectares in northern Mato Grosso State, Brazil and has excellent infrastructure and a year round operating climate. It is located about 250 kilometres south of BrazMin's São Jorge exploration gold project (explored by Rio Tinto in the 1990's) and Brazauro Resources Tocantinzinho in the Tapajos District of Para State. Government records show that the northern Mato Grosso State area is estimated to have produced approximately 5 million ounces of gold between 1982 and 1995. The majority of this production was from shallow surface working by artisanal miners.

The Company's 2006 initial 23 hole, 4,000 metre, diamond drill program at Matupá was designed to verify some of the better Rio Tinto drill intercepts as well as to test other drill targets on the property, particularly in the areas where there are several large artisanal miner's open pits, with an objective of increasing defined gold mineralization. The results of this drilling program confirmed the existence of zones of disseminated gold mineralization but were not able to verify the wider intercepts reported by Rio Tinto in its work from the late 1990s. However, the Company's results from 3 drill holes in a new area called Serrinha 1 showed the potential for a new, near surface zone of disseminated gold mineralization. In addition, 2 holes on a quartz vein target called Filao de Capim showed the potential for higher gold grades over narrower widths. Further work is required to fully evaluate these mineralized areas.

The Company plans to reevaluate some of the past drill results and plans further exploration in 2008.

**The Boulder Lake uranium project, Canada**

On October 17, 2007 Crescent announced it had assigned all of its rights, title and interest in the Boulder Lake Property, Manitoba, to Longview Capital Partners Incorporated ("Longview"). Under the terms of the agreement Longview has the right to assign all the rights and interests to a "Newco" within 30 days. On the assignment of the Boulder Lake Property to Newco and Newco completing a qualifying transaction within a further 90-days Crescent will be issued 2,000,000 common shares of Newco.

**Results of Operations**

***Results of Operations for the nine months ended September 30, 2007 and September 30, 2006***

The Company incurred a net loss for the nine months ended September 30, 2007 of \$696,955 (2006: \$349,879) after reflecting interest in both periods.

Total expenses for the nine months ended September 30, 2007 amounted to \$754,951 (2006: \$377,733).

The more significant differences in comparing the two periods include:

Foreign Exchange loss:	\$145,646 (2006: \$17,847 ) increase of \$127,798 The Company began the year with a cash balance that included the Canadian equivalent of a US dollar cash balance of \$751,061 at an exchange rate of 1.1654. The Canadian dollar strengthened significantly from April to September 2007. By the time the Company utilized this cash its purchasing power had declined to \$0.9948 resulting in a net foreign exchange loss of \$145,646. The Company maintains its cash treasury in Canadian dollars and transfers funds to its subsidiaries on an as needed basis. However the Company also has a significant amount of deposits advanced to contractors in Paraguay that are denominated in US dollars and the Company can expect to incur foreign exchange losses on these deposits as well.
Professional fees:	\$43,988 (2006: \$26,800) increase of \$17,188 The Company's legal expenses for the nine month period ending September 30, 2007 include the acquisition documents for the Oviedo project.
Stock based compensation:	\$249,514 (2006: \$3,538) increase of \$245,976 The fair value of 900,000 stock options granted in the first quarter ending March 31, 2007 was \$234,523, of which \$214,979 was recognized in the net loss and \$19,544 was capitalized to mineral interests as were the corresponding consulting fees for the optionee. The \$34,535 fair value of 200,000 stock options granted in the third quarter ending September 30, 2007 was recognized as stock based compensation.

**Summary of Quarterly Results**

	<b>Sept 30 2007</b>	<b>June 30 2007</b>	<b>Mar 31 2007</b>	<b>Dec 31 2006</b>	<b>Sept 30 2006</b>	<b>June 30 2006</b>	<b>Mar 31 2006</b>	<b>Dec 31 2005</b>
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss	(249,293)	(124,965)	(322,697)	(118,899)	(122,168)	(152,020)	(75,691)	(234,226)
Net loss per share basic and diluted	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)

The Company is an exploration company. At this time any issues of seasonality or market fluctuations have no impact. The Company currently defers its mineral interest acquisition and exploration costs. The Company expenses its project investigation and general and administration costs and these amounts are included in the net loss for each quarter. The Company's treasury determines the levels of exploration.

**Liquidity**

Historically the Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements. The Company has issued common share capital in each of the past two years, pursuant to private placement financings and the exercise of warrants. There can be no assurance of continued access to any equity funding.

The Company began the 2007 year with cash of \$4,865,679. Cash expended on operations in the period, net of working capital changes was \$430,683. The Company incurred \$4,846 on equipment, \$1,970,154 cash costs on mineral interests, \$726,204 advances paid to contractors for the Oviedo drill program and net of accounts payable at September 30, 2007. The Company incurred non-cash costs of \$592,500 being the fair value of shares issued for mineral interests and \$1,827 for amortization of field equipment and \$19,544 stock based compensation expense for a consultant working on the Oviedo project. The Company received \$23,400 pursuant to the exercise of 60,000 stock options and recovered net cash costs of \$207 associated with the shares issued for mineral interests. The Company had cash of \$1,757,399 at September 30, 2007.

On November 19, 2007 the Company announced that it proposes to raise up to \$3,500,000 by way of a non-brokered private placement through the issuance of up to 10,000,000 units at a price of \$0.35 per unit (the "Unit"). Each Unit will consist of one common share and one-half of one common share purchase warrant, with each whole warrant entitling the subscriber to purchase one additional common share in the capital of the Company at a price of \$0.50 for the first year and \$0.70 for the second year from closing of the private placement. The Company may pay finder's fees allowable under the TSX Venture Exchange policies. The private placement is subject to compliance with applicable securities laws and to receipt of regulatory approval.

Proceeds of this private placement will primarily be used for continued exploration and drilling on the Oviedo Uranium Property in Paraguay and the Matupa Gold Property in Brazil, as well as general corporate purposes.

There can be no assurance, however, that such financing will be available to the Company or, if it is, that it will be available on terms acceptable to the Company and will be sufficient to fund cash needs until the Company acquires an operating business or achieves positive cash flow. If the Company is unable to obtain the financing necessary to support its operations, it may be unable to continue as a going concern. The Company currently has no commitments for any credit facilities such as revolving credit agreements or lines of credit that could provide additional working capital. The Company has no long term debt, capital lease obligations, operating leases or any other long term obligations.

### **Capital Resources**

The Company has a total of 3,914,550 share purchase warrants outstanding that expire on December 12, 2007. If the Company's shares increase above the exercise price of \$0.75 prior to expiry it would be expected that the warrants might be exercised. In addition the Company has longer term stock options that if exercised would raise additional capital.

The Company's commitments for material capital expenditures as of September 30, 2007 relating to the Company's three mineral interests are described in Note 4 of the Financial Statements.

As at the date of this MD&A, other than as described herein and in the Financial Statements the Company has no other arrangement for sources of financing.

### **Transactions with Related Parties**

The following amounts were paid or accrued to directors, officers or companies controlled by directors and officers of the company for services provided:

<b>Related party</b>	<b>Nine months ended September 30, 2007</b>	<b>Nine months ended September 30, 2006</b>	<b>Services provided to the Company</b>
Michael Hopley	\$72,000	\$72,000	Geological consulting services
524124 B.C. Ltd. a company controlled by Don Halliday, Director and Vice President Corporate Development	\$72,000	\$72,000	Investor relations and corporate development consulting services
Golden Oak Corporate Services Ltd., a company controlled by Doris Meyer, Chief Financial Officer and Corporate Secretary	\$39,000	\$27,000	Bookkeeping, accounting, financial reporting, corporate compliance and administrative services
Sunridge Gold Corp. a company with common directors and officers	\$39,078	\$51,100	Shared office rent and support costs

The Company's arrangements with its directors and officers require not more than 90 days notice of cancellation.

### **Disclosure of Outstanding Share Data**

The Company's has unlimited authorized common shares and issued and outstanding share capital at the date of this MD&A is:

**Crescent Resources Corp.**  
**Nine months ended September 30, 2007**  
**Management's Discussion and Analysis**

**Form 51-102F1**

	<b>Common Shares Issued and Outstanding</b>	<b>Common Share Purchase Warrants</b>	<b>Common Share Purchase Options</b>
Balance September 30, 2007 and November 26, 2007	26,855,597	3,914,550	2,670,000

### **Additional Disclosure for Venture Issuers without Significant Revenue**

The components of deferred exploration costs are described in Note 4 to the financial statements for the nine months ended September 30, 2007.

### **Changes in Accounting Policy and Presentation**

Effective January 1, 2007 the Company has adopted the new Canadian Institute of Chartered Accountants handbook section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; Section 3865, Hedges and Section 1530, Comprehensive Income.

The adoption of the new standards had no material impact on the Company's financial statements on or before December 31, 2006, on transition at January 1, 2007 or in the nine-month period ended September 30, 2007.

### **Forward-Looking Statements**

This discussion includes certain statements that may be deemed "forward-looking statements". All statements in this discussion, other than statements of historical facts, that address future exploration activities and events or developments that the Company expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploration successes, and continued availability of capital and financing and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual result or developments may differ materially from those projected in the forward-looking statements.

### **Risks**

Mineral exploration is subject to a high degree of risk, which a combination of experience, knowledge, and careful evaluation may fail to overcome. Exploration activities seldom result in the discovery of a commercially viable mineral resource. Exploration activities are also expensive. The Company will therefore require additional financing to carry on its business and such financing may not be available when it is needed.

### **Disclosure and Internal Controls and Procedures**

Management is responsible for establishing and maintaining disclosure controls and procedures for the Company. Based on an evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this MD&A, management believes such controls and procedures are effective in providing reasonable assurance that material items requiring disclosure are identified and reported in a timely manner.

The Chief Executive Officer and Chief Financial Officer have designed the internal controls over financial reporting, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Management has not identified any material uncorrected weaknesses in internal controls during the course of the preparation of these interim financial statements.

### **Corporate Governance**

Management of the Company is responsible for the preparation and presentation of the consolidated financial statements and notes thereto, MD&A and other information contained in this interim report. Additionally, it is Management's responsibility to ensure the Company complies with the laws and regulations applicable to its activities.

The Company's management is held accountable to the Board of Directors ("Directors"), each member of which is elected annually by the shareholders of the Company. The Directors are responsible for reviewing and approving the annual audited financial statements and MD&A. Responsibility for the review and approval of the Company's quarterly unaudited interim consolidated financial statements and MD&A is delegated by the Directors to the Audit Committee, which is comprised of three directors, two of whom are independent of management. Additionally, the Audit Committee pre-approves audit and non-audit services provided by the Company's auditors.

The auditors are appointed annually by the shareholders to conduct an audit of the financial statements in accordance with generally accepted auditing standards. The external auditors have complete access to the Audit Committee to discuss the audit, financial reporting and related matters resulting from the annual audit as well as assist the members of the Audit Committee in discharging their corporate governance responsibilities.

### **Other Information**

Additional information relating to the Company is available for viewing on SEDAR at [www.sedar.com](http://www.sedar.com) and at the Company's web site [www.crescentresourcescorp.com](http://www.crescentresourcescorp.com).

**Approved by the Board of Directors**

**November 26, 2007**



**(a development stage company)**

**Interim Financial Statements**  
(unaudited and prepared by Management)

**September 30, 2007**

Notice to Reader

These interim financial statements of Crescent Resources Corp. have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these interim financial statements, notes to financial statements and the related quarterly Management Discussion and Analysis.

**CRESCENT RESOURCES CORP.**  
**Consolidated Interim Balance Sheets**  
(unaudited)

	September 30, 2007 (unaudited)	December 31, 2006
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,757,399	\$ 4,865,679
Other receivable	19,404	18,677
Prepaid expense	19,864	-
Advances to contractors	726,204	50,507
	<u>2,522,871</u>	4,934,863
Equipment (note 3)	11,356	8,822
Mineral interests (note 4)	4,439,993	1,812,271
Deferred cost (note 4)	-	9,282
	<u>\$ 6,974,220</u>	<u>\$ 6,765,238</u>

**LIABILITIES**

**Current liabilities**

Accounts payable and accrued liabilities	\$ 81,688	\$ 51,634
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**SHAREHOLDERS' EQUITY**

Share capital (note 5)	16,443,482	15,826,666
Contributed surplus (note 5)	657,045	397,978
Deficit	(10,207,995)	(9,511,040)
	<u>6,892,532</u>	<u>6,713,604</u>
	<u>\$ 6,974,220</u>	<u>\$ 6,765,238</u>

Nature and Continuance of Operations (note 1)

Subsequent events (note 4)

Approved by the Board of Directors:

“Michael Hopley”  
Director

“Ross McDonald”  
Director

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

**CRESCENT RESOURCES CORP.**  
**Consolidated Interim Statements of Operations, Comprehensive Loss and Deficit**  
**For the three and nine months ended September 30, 2007**  
(unaudited)

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
<i>For the period ended:</i>				
<b>General expenses</b>				
Amortization	\$ 243	\$ -	\$ 485	\$ -
Consulting fees	73,858	68,005	199,486	198,718
Foreign exchange loss (gain)	88,015	(4,106)	145,646	17,848
Office and general	4,266	3,010	15,620	12,609
Professional fees	38,487	13,108	43,988	26,800
Regulatory and filing fees	3,484	1,200	15,332	17,595
Rent	10,829	9,035	26,597	21,139
Shareholder relations	7,330	32,568	57,306	63,835
Stock based compensation	34,535	-	249,514	3,538
Travel	289	8,482	977	15,651
	261,336	131,302	754,951	377,733
<b>Other income</b>				
Interest income	12,043	9,134	57,996	27,854
<b>Net loss and comprehensive loss</b>	(249,293)	(122,168)	(696,955)	(349,879)
<b>Deficit, beginning of period</b>	-	(9,269,973)	(9,511,040)	(9,042,262)
<b>Deficit, end of period</b>	\$ (249,293)	\$ (9,392,141)	\$ (10,207,995)	\$ (9,392,141)
<b>Basic and diluted loss per share</b>	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.02)
<b>Weighted average number of shares outstanding</b>	26,835,380	17,804,679	26,165,674	17,486,917

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

**CRESCENT RESOURCES CORP.**  
**Consolidated Interim Statements of Cash Flows**  
**For the three and nine months ended September 30, 2007**  
(unaudited)

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
<i>For the period ended:</i>				
<b>Cash provided from (used for)</b>				
<b>Operating activities</b>				
Net loss and comprehensive loss	\$ (249,293)	\$ (122,168)	\$ (696,955)	\$ (349,879)
Amortization	243	-	485	-
Stock based compensation	34,535	-	249,514	3,538
	(214,515)	(122,168)	(446,956)	(346,341)
Changes in non-cash working capital				
Accounts receivable	(5,613)	1,198	(727)	14,004
Prepaid expense	3,475	36,817	30,643	(78,637)
Accounts payable and accrued liabilities	(19,855)	(27,238)	(13,643)	4,716
	(236,508)	(111,391)	(430,683)	(406,258)
<b>Investing activities</b>				
Property and equipment	-	-	(4,846)	(1,782)
Advances to contractors	66,454	-	(726,204)	-
Mineral interests	(720,686)	(142,495)	(1,970,154)	(979,574)
	(654,232)	(142,495)	(2,701,204)	(981,356)
<b>Financing activities</b>				
Shares issued for cash	23,400	-	23,400	458,858
Share issuance cost recovery	-	-	207	-
	23,400	-	23,607	458,858
<b>Decrease in cash</b>	<b>(867,340)</b>	<b>(253,886)</b>	<b>(3,108,280)</b>	<b>(928,756)</b>
<b>Cash, beginning of period</b>	<b>2,624,739</b>	<b>1,670,274</b>	<b>4,865,679</b>	<b>2,345,144</b>
<b>Cash, end of period</b>	<b>\$ 1,757,399</b>	<b>\$ 1,416,388</b>	<b>\$ 1,757,399</b>	<b>\$ 1,416,388</b>
Supplementary cash flow:				
Shares issued for mineral interest	\$ -	\$ -	\$ 592,500	\$ -
Accounts payable and accrued liabilities included in mineral interests	33,198	-	43,697	-
Amortization included in mineral interests	609	520	1,827	1,560
Stock based compensation included in mineral interests	-	-	19,544	-

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

**CRESCENT RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2007**  
(a development stage company)  
(Unaudited – prepared by Management)

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**1. Nature and Continuance of Operations**

Crescent Resources Corp. (the “Company”) is in the business of acquiring and exploring mineral properties in Brazil, Paraguay and Canada and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts spent for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise additional funds to continue operations 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. Significant Accounting Policies**

These interim consolidated financial statements for the Company have been prepared in accordance with generally accepted accounting principles in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. The interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements including the notes thereto for the year ended December 31, 2006 which may be found on [www.sedar.com](http://www.sedar.com).

The accounting policies followed by the Company are set out in note 2 to the audited consolidated financial statements for the year ended December 31, 2006 and have been consistently followed in the preparation of these consolidated interim financial statements except that the Company has adopted the following Canadian Institute of Chartered Accountants guidelines effective for the Company’s first quarter commencing January 1, 2007:

- a) Section 3855 – Financial Instruments - Recognition and Measurement. Section 3855 requires that all financial assets, except those classified as held to maturity, and derivative financial instruments, must be measured at fair value. All financial liabilities must be measured at fair value when they are classified as held for trading; otherwise, they are measured at cost. Investments classified as available-for-sale are reported at fair market value (or marked to market) based on quoted market prices with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. Investments subject to significant influence are not adjusted to fair market value.
- b) Section 3861 Financial Instruments – Disclosure and Presentation. Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures would not be restated.
- c) Section 3865 Hedges – Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item. The Company currently does not have any hedges.
- d) Section 1530 – Comprehensive Income. Comprehensive income is the change in a company’s net assets that results from transactions, events and circumstances from sources other than the company’s shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. For the period ending September 30, 2007, the Company did not have other comprehensive income or loss, therefore the comprehensive loss for the period was equal to the net loss for the period.
- e) Transition adjustment to opening balances: The adoption of Sections 1530 and 3855 does not impact, either on a gross or net-of-tax basis, the opening consolidated balance sheet of the company.

**CRESCENT RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2007**  
(a development stage company)  
(Unaudited – prepared by Management)

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**2. Significant Accounting Policies – continued**

The adoption of the new standards had no material impact on the Company's financial statements on or before December 31, 2006, on transition at January 1, 2007 or in the nine month period ended September 30, 2007.

**3. Equipment**

	September 30, 2007		
	Cost	Accumulated amortization	Net book value
Furniture & equipment	\$ 4,846	\$ 485	\$ 4,361
Field equipment	12,182	5,187	6,995
	<u>\$ 17,028</u>	<u>\$ 5,672</u>	<u>\$ 11,356</u>

	December 31, 2006		
	Cost	Accumulated amortization	Net book value
Field equipment	<u>\$ 12,182</u>	<u>\$ 3,360</u>	<u>\$ 8,822</u>

**CRESCENT RESOURCES CORP.**  
**Notes to the Consolidated Financial Statements**  
**For the three and nine months ended September 30, 2007**  
(a development stage company)  
(Unaudited – prepared by Management)

**4. Mineral Interests**

	Acquisition costs		Exploration costs		For the nine months ended September 30, 2007	For the nine months ended September 30, 2006
<b>Brazil</b>						
<b>Matupa prospect</b>						
Acquisition and tenure	\$	-	\$	-	\$	94,164
Amortization		-		267	267	-
Assays		-		-	-	36,668
Contracting		-		479	479	70,913
Drilling		-		-	-	587,058
Earth moving		-		-	-	-
Field support		-		(2,117)	(2,117)	36,916
Geological consulting		-		1,248	1,248	92,105
Travel		-		9,149	9,149	61,750
		-		9,026	9,026	979,574
Balance, beginning of period		465,440		1,043,546	1,508,986	447,160
Balance, end of period		465,440		1,052,572	1,518,012	1,426,734
<b>Canada</b>						
<b>Boulder Lake prospect</b>						
Acquisition and tenure		109,333		-	109,333	-
Amortization		-		1,560	1,560	1,560
		109,333		1,560	110,893	1,560
Balance, beginning of period		84,750		60,783	145,533	143,453
Balance, end of period		194,083		62,343	256,426	145,013
<b>Paraguay</b>						
<b>Oviedo prospect</b>						
Acquisition and tenure		763,453		-	763,453	-
Expended cash advances		-		(19,570)	(19,570)	-
Camp and field costs		-		43,831	43,831	-
Drilling		-		185,186	185,186	-
Geological consulting		-		542,113	542,113	-
Ground transport		-		183	183	-
Legal fees		155,390		-	155,390	-
Operator fees		-		179,382	179,382	-
Permit fees		-		553,991	553,991	-
Paraguay IVA		-		265	265	-
Travel		-		103,579	103,579	-
		918,843		1,588,960	2,507,803	-
Balance, beginning of period		50,933		106,819	157,752	-
Balance, end of period		969,776		1,695,779	2,665,555	-
<b>Mineral Interests</b>						
Change in period		1,028,176		1,599,546	2,627,722	981,134
Balance, beginning of period		601,123		1,211,148	1,812,271	590,613
Balance, end of period	\$	1,629,299	\$	2,810,694	\$ 4,439,993	\$ 1,571,747

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**4. Mineral Interests – continued**

Matupa gold project, Brazil

Aurora Gold Corporation (“Aurora”) had an option to purchase the Matupa gold project located in northern Mato Grosso State, Brazil by an agreement dated February 14, 2005 with Mineracao Bom Futuro Ltda. (the “Aurora Purchase Agreement”). In 2005, the Company paid Aurora US\$100,000 and issued 355,000 common shares to assume Aurora’s position and assume the obligations of the Aurora Purchase Agreement.

The Company must now complete the following payment schedule to Mineracao Bom Futuro Ltda (the “Vendor”):

			Payment in US dollars
1	on signing	Contract legalized May 5, 2005 (paid)	\$ 20,000
2	four month anniversary	September 5, 2005 (paid)	50,000
3	nine month anniversary	February 5, 2006 (paid)	80,000
4	eighteen month anniversary	November 5, 2006 (as amended and paid)	50,000
5	thirty month anniversary	November 5, 2007 (as amended and paid)	50,000
6	forty-two month anniversary	November 5, 2008	800,000
7	fifty-four month anniversary	November 5, 2009	1,000,000
8	sixty-six month anniversary	November 5, 2010	1,300,000
<b>Total</b>			<b>\$ 3,350,000</b>

The Vendor retained a 2.25% net smelter return royalty and will be entitled to minimum advance royalty payments of US\$240,000 per year beginning in the year following the sixty-sixth month anniversary of the agreement. The Aurora Purchase Agreement can be terminated at any time after a thirty-day notice is given.

Boulder Lake uranium property, Canada

On May 18, 2005 the Company entered into a mineral license purchase agreement with W.S. Ferreira Ltd. (“Ferreira”) to purchase 100% of three mineral exploration licenses covering 21,875 hectares in northwest Manitoba. Pursuant to the definitive mineral license purchase agreement to retain the option to purchase the property the Company must pay, or relinquish the property, to Ferreira:

		Cash Payments	Common Shares of the Company
1	on execution	May 18, 2005 (paid)	\$ 10,000 75,000
2	two year anniversary	May 18, 2007 (paid)	33,333 100,000
3	three year anniversary	May 18, 2008	33,333 100,000
4	four year anniversary	May 18, 2009	33,334 200,000
<b>Total</b>		<b>\$ 110,000</b>	<b>475,000</b>

To retain the option to purchase the property the Company must complete expenditures totaling \$1,000,000 over the four year period with expenditures of \$250,000 on or before each of the second and third year anniversaries of the closing date and \$500,000 before the four year anniversary of the closing date. On January 10, 2007 the Company and Ferreira agreed to extend the time to complete its \$250,000 expenditure requirement from May 18, 2007 to October 31, 2007 in consideration of the issue of 50,000 common shares. On January 19, 2007 the Company issued Ferreira 50,000 shares at a value of \$23,000.

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**4. Mineral Interests – continued**

On May 22, 2007 the Company paid Ferreira \$33,333 and issued 100,000 shares at a value of \$53,000 to satisfy the two year anniversary obligation.

Ferreira retained a 2% net smelter return royalty. The Company has the option to purchase half of the royalty for \$1,000,000.

On October 17, 2007 the Company announced that it assigned all of its rights, title and interest in the Boulder Lake Property to Longview Capital Partners Incorporated (“Longview”). Under the terms of the agreement Longview has the right to assign all the rights and interests to a “Newco” within 30 days. On the assignment of the Boulder Lake Property to Newco and Newco completing a qualifying transaction within a further 90-days Crescent will be issued 2,000,000 common shares of Newco.

Oviedo uranium property, Paraguay

The Company entered into a letter agreement with Coronel Oviedo Mining Company SA (“Coronel”), a Paraguay corporation on November 1, 2006 which sets out the terms of an agreement whereby the Company has an option to earn up to a 70% interest in the Oviedo uranium property (the “Property”) in Paraguay. The Company has the option to earn an initial undivided 50% interest in the Property by (a) funding an aggregate of US\$5,000,000 of expenditures on the Property within a period of three years and (b) making an aggregate of US\$750,000 in cash payments and issuing an aggregate of 3,500,000 common shares to Coronel within two years (the “Option”). The effective date relates to the date from which Coronel has received regulatory acceptance of the Coronel application for the Property and the parties have entered into a formal agreement (the “Effective Date”). The Exploration Permits were issued to Coronel on May 16<sup>th</sup>, 2007 and on June 8, 2007 the Company issued the first tranche of 800,000 common shares at a fair value of \$400,000.

Pursuant to the Option to earn a 50% interest in the Property the Company must complete following:

	Cash to Coronel (US dollars)	Common Shares to Coronel	Expenditures on Property (US dollars)
1 November 1, 2006 (paid)	\$ 25,000	-	\$ -
2 May 16, 2007 (paid)	175,000	800,000	-
3 May 16, 2008	250,000	1,200,000	2,000,000
4 May 16, 2009	300,000	1,500,000	2,500,000
5 May 16, 2010	-	-	500,000
<b>Total</b>	<b>\$ 750,000</b>	<b>3,500,000</b>	<b>\$ 5,000,000</b>

In addition to the above, on or before May 16, 2010, the Company is required to fund an additional US\$2,500,000 in exploration expenditures and property maintenance costs in order to maintain its 50% interest in the Property, provided that the Company has the option of extending the deadline for funding these expenditures to May 16, 2011 by paying US\$500,000 in cash or shares on or before May 16, 2010. In the event the Company fails to satisfy its funding obligation, the Company shall lose its 50% interest.

The Company has the exclusive additional right and option at the Company’s sole discretion to acquire a further 20% interest in the Property (the “Additional Option”) for an aggregate interest of 70% by funding or completing a pre-feasibility study (the “Pre-feasibility Study”) on the Property on or before May 16, 2011 (the “the Company Option Period”), provided the Company has the option of extending the deadline for funding the Pre-feasibility Study to May 16, 2012 by paying US\$500,000 in cash or shares to Coronel on or before May 16, 2011.

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**4. Mineral Interests – continued**

If the Company earns an initial 50% interest in the Property but does not exercise the Additional Option by completing the Pre-feasibility Study within the Company Option Period then the Company will have acquired a 50% interest in the Property.

Following the exercise by the Company of its option to earn a 50% interest in the Property or its Additional Option to earn a 70% interest, the Company and Coronel shall form a joint venture for further exploration and development of the Property.

Finder's Fee on Effective Date

On June 8, 2007 the Company paid a finder's fee pursuant to a finder's fee agreement dated August 11, 2006 for this acquisition in a combination of \$60,000 cash and 211,818 common shares at a fair value of \$116,500.

**5. Share Capital**

Authorized: An unlimited number of common shares without par value.

a) Issued and outstanding:

	Shares	Value	Contributed Surplus
Balance at December 31, 2006	25,633,779	\$ 15,826,666	\$ 397,978
Change during period:			
Shares for properties <sup>(1)</sup>	1,161,818	592,500	-
Stock based compensation	-	-	269,058
Options exercised	60,000	33,391	(9,991)
Share issue costs	-	(9,075)	-
Balance at September 30, 2007	26,855,597	\$ 16,443,482	\$ 657,045

<sup>(1)</sup> As described in Note 4, the Company issued 50,000 shares at a value of \$23,000 and 100,000 shares at a value of \$53,000 to Ferreira.

The Company issued 800,000 common shares at a fair value of \$400,000 to Coronel and 211,818 common shares to a finder at a fair value of \$116,500.

b) As at September 30, 2007 share purchase warrants were outstanding as follows:

Expiry date	Number of Warrants	Exercise Price
December 12, 2007	3,914,550	\$ 0.75

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**5. Share Capital – continued**

Warrant transactions are summarized as follows:

	Number of warrants	Weighted average exercise price \$
Outstanding at December 31, 2006	10,949,550	0.75
Expired	(7,035,000)	0.60
<u>Outstanding at September 30, 2007</u>	<u>3,914,550</u>	<u>0.75</u>

c) The Company has an incentive share option plan (the “Plan”) that allows it to grant incentive stock options to its officers, directors, employees and consultants. The Plan permits the Company’s directors to grant incentive stock options for the purchase of shares of the Company to persons in consideration for services. Stock options must be non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to stock options may not exceed 10% of the issued shares of the Company at the time of granting and may not exceed 5% to any individual (maximum of 2% to any consultant). The exercise price of stock options is determined by the board of directors at the time of grant and may not be less than the closing price of the Company’s shares on the trading day immediately preceding the date on which the option is granted. Options have a maximum term of five years and terminate 90 days following the termination of the optionee’s employment, except in the case of death or disability, in which case they terminate one year after the event. Options vest immediately upon being granted and are exercisable at any time.

As at September 30, 2007 stock options were outstanding, enabling holders to acquire shares as follows:

Expiry date	Number of options	Exercise price
August 9, 2010	805,000	\$ 0.39
September 28, 2010	650,000	\$ 0.55
May 23, 2011	15,000	\$ 0.55
November 14, 2011	100,000	\$ 0.50
February 21, 2012	900,000	\$ 0.55
September 9, 2012	200,000	\$ 0.42
	<u>2,670,000</u>	

All of the stock options are exercisable at September 30, 2007.

Stock option transactions are summarized as follows:

	Number of options	Weighted average exercise price \$
Outstanding at December 31, 2006	1,630,000	0.46
Granted	1,100,000	0.53
Exercised	(60,000)	0.39
<u>Outstanding at September 30, 2007</u>	<u>2,670,000</u>	<u>0.49</u>

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**5. Share Capital – continued**

d) Stock based compensation

During the nine month period ended September 30, 2007, the Company granted 1,100,000 stock options and based on the estimated fair value at the grant dates, recorded stock-based compensation of \$269,058, of which \$249,514 was recognized in the statement of operations and \$19,544 was capitalized to mineral interests with the offsetting credit to contributed surplus (2006 - \$3,538).

The fair value of each option grant was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

<b>Weighted average assumptions:</b>	<b>2007</b>	<b>2006</b>
Expected life in years	two	two
Annualized volatility	85%	102%
Expected dividend yield	none	none
Risk free interest rate	4.00%	3.98%
Fair value of options granted	\$0.24	\$0.27

**6. Related Parties**

Included in the determination of net loss for the period, at their exchange amounts, are the following items paid or payable to related parties:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>	<b>September 30,</b>
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
i) consulting fees to an officer and director	<b>24,000</b>	24,000	<b>72,000</b>	72,000
ii) consulting fees for public relations to an officer and director	<b>24,000</b>	24,000	<b>72,000</b>	72,000
iii) fees for corporate and financial compliance services to an officer	<b>15,000</b>	9,000	<b>39,000</b>	27,000
iv) shared office costs to a company managed by common directors and officers	<b>14,882</b>	21,366	<b>39,078</b>	51,100

Amounts owed to related parties at September 30, 2007 of \$11,156 (September 30, 2006: \$7,698) were in the normal course of business and were paid shortly after September 30, 2007.

All of the above noted transactions have been in the normal course of business and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

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**7. Commitments**

During 2004, for consideration of US\$5,000, the Company entered into a finder's fee agreement with an individual to assist the Company in acquiring certain mineral claims in Utah, USA. If successful, the Company will issue 250,000 common shares over a period of 3 years from the date of acquisition.

The Company is obligated to make cash payments, issue shares and incur exploration expenditures in connection with mineral interest agreements as disclosed in note 4.

**8. Segmented Disclosures**

	Canada	Brazil	Paraguay	Total
	\$	\$	\$	\$
September 30, 2007				
Net loss	(603,521)	(44,049)	(49,385)	(696,955)
Total assets	2,790,653	1,518,012	2,665,555	6,974,220
September 30, 2006				
Net loss	(303,371)	(46,508)	-	(349,879)
Total assets	1,665,264	1,426,734	-	3,091,998