

PUGET VENTURES INC.

FINANCIAL STATEMENTS

For the six months ended OCTOBER 31, 2007

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PUGET VENTURES INC.

STATEMENT OF OPERATIONS AND DEFICIT
FOR THE PERIOD ENDED OCTOBER 31, 2007
(Unaudited)

	Three-Month	Six-Month
Interest revenue	\$ 339	\$ 339
EXPENSES		
Rent	\$ 2,700	\$ 5,400
Office overhead	12,242	13,320
Professional fees	4,087	5,513
Travel	262	1,086
Filing and registration fees	3,582	3,582
Loss, for the period and end of period	\$ (22,534)	\$ (28,562)
Basic and diluted loss per common share	\$ (0.007)	\$ (0.010)
Weighted average number of common shares outstanding	3,190,293	2,819,071

PUGET VENTURES INC.

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED OCTOBER 31, 2007
(Unaudited)

	Three-Month	Six-Month
Cash flows from operating activities		
Loss for the period	\$ (22,534)	\$ (31,862)
Changes in non-cash working capital items:		
Prepaid expenses	19,898	(375)
GST recoverable	(3,417)	(4,340)
Accounts payable and accrued liabilities	41,043	29,253
	34,990	(7,324)
Cash flows from investing activities		
Incorporation costs	-	-
CASH FLOWS FROM FINANCING ACTIVITY		
Capital stock issued for cash	173,657	208,506
Increase (Decrease) in cash	\$ 208,647	\$ 201,182
Cash, Beginning of Period	96,224	103,689
Cash, end of period	\$ 304,871	\$ 304,871
Cash paid during the period for interest	\$ -	\$ -
Cash paid during the period for income taxes	\$ -	\$ -

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED OCTOBER 31, 2007

1. INCORPORATION

The Company was incorporated under the “*Business Corporations Act*” (British Columbia) on March 9, 2007 and is classified as a capital pool corporation defined in the TSX Venture Exchange (“TSX-V”) Policy 2.4. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

2. GOING CONCERN

The Company's ability to continue as a going-concern is dependent upon the Company's ability to identify, evaluate and complete a qualifying transaction. Until completion of a qualifying transaction, the Company will not carry on any business other than the identification and evaluation of businesses or assets with a view to completing a potential qualifying transaction. With the consent of the Exchange, the Company may raise additional funds in order to finance an acquisition. These financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities, which might be necessary should the Company be unable to identify or complete a suitable qualifying transaction within the time frame prescribed by the CPC policy of the Exchange.

3. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to 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. Actual results could differ from these estimates.

Income taxes

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 of existing assets and liabilities and their respective tax basis. 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 recognized in income in the period that enactment or substantive enactment occurs. 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.

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 in the period the option vests or when the awards or rights are granted with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred to capital stock.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per common share is calculated using the weighted-average number of shares outstanding during the period.

4. CAPITAL STOCK

	Number of Shares	Amount
Authorized		
Unlimited common shares, without par value		
Issued		
Shares issued and allotted – private placement	5,730,000	\$ 411,500
Less: issue costs		(90,993)
Issued as at October 31, 2007	5,730,000	\$ 320,507

During the period ended October 31, 2007, the Company issued 3,490,000 common shares pursuant to a private placement and an initial public offering, respectively 990,000 at a price of \$0.05 per common share for total proceeds of \$49,500, and 2,500,000 at a price of \$0.10 per common share for total proceeds of \$250,000. The private placement common shares will be held in escrow and will be released pro-rata to the shareholders as to 10% of the escrow shares upon issuance of notice of final acceptance of a qualifying transaction by the TSX-V and as to the remainder in six equal tranches of 15% every six months thereafter for a period of 36 months. These escrow shares may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

If the Company does not complete a qualifying transaction, the shares will not be released from escrow and if the Company is de-listed, the shares will be cancelled.

The initial public offering shares will have no trading restrictions.

PUGET VENTURES INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED OCTOBER 31, 2007

4. CAPITAL STOCK (cont'd...)

Stock option plan

The Company adopted a stock option plan (the "Plan") whereby it can grant options to directors, officers, employees and technical consultants of the Company. The maximum number of shares may not exceed 573,000, which is limited to 10% of the issued common shares of the Company prior to completion of a qualifying transaction and after the closing of the Company's initial public offering. Vesting will be determined by the board of directors. Options have been granted under the Plan during the period ended October 31, 2007 for 425,000 shares at \$0.10 per share. The options are exercisable for a period of up to five years at a price of \$0.10 per share.

The Company granted to the Agent (Canaccord Capital Corporation) a non-transferable option to acquire up to 10% of common shares, issued in the public offering, for a period of 24 months from the date the Company's shares are listed for trading on the TSX Exchange, at an exercise price of \$0.10.

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, prepaids, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

6. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

Loss for the period	\$ (31,862)
Expected income tax savings (at 34%)	\$ 10,833

The significant components of the Company's future income taxes assets are as follows:

Future income tax assets:	
Non-capital loss carry forwards April 30, 2007	\$ 4,637
Current year non capital loss carry forwards	10,833
Valuation allowance	(15,470)
	\$ 0

The Company has available for deduction against future taxable income non-capital losses of approximately \$45,500. These losses, if not utilized, will expire in 2028. Future tax benefits that may arise as a result of these non-capital losses have not been recognized in these financial statements and have been offset by a valuation allowance due to the uncertainty of their realization.