ARMISTICE RESOURCES CORP.

(A DEVELOPMENT STAGE ENTERPRISE)

INTERIM FINANCIAL STATEMENTS

THREE MONTH PERIOD ENDED SEPTEMBER 30, 2007

Responsibility for Interim Financial Statements

The accompanying unaudited interim financial statements for Armistice Resources Corp. 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 June 30, 2007 financial statements. Only changes in accounting information have been disclosed in these unaudited interim financial statements. These unaudited interim 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 judgement. Recognizing that the Company is responsible for both the integrity and objectivity of these unaudited interim financial statements, management is satisfied that these unaudited interim financial statements have been fairly presented.

The independent auditor of Armistice Resources Corp. has not performed a review of the unaudited interim financial statements for the three months ended September 30, 2007.

ARMISTICE RESOURCES CORP.

(A DEVELOPMENT STAGE ENTERPRISE)

INTERIM BALANCE SHEET

AS AT SEPTEMBER 30, 2007 AND JUNE 30, 2007

	SEPTEMBER 30 2007	JUNE 30 2007
ASSETS		
CURRENT ASSETS		
Cash	**$ 387,195**	$ 344,227
Investments (Note 4)	**419,978**	878,904
Restricted investment (Note 4)	**1,738,528**	2,421,096
Sundry assets	**108,014**	100,170
	2,653,715	3,744,397
MINERAL PROPERTY (Note 5)	**11,385,679**	10,681,506
PLANT AND EQUIPMENT (Note 7)	**37,109**	34,917
RECLAMATION DEPOSIT (Note 10)	**410,400**	-
	$ 14,486,903	$ 14,460,820
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note 11)	**$ 899,838**	$ 742,540
	899,838	742,540
MINE CLOSURE PROVISION (Note 6)	**188,052**	184,365
	1,087,890	926,905
SHAREHOLDERS' EQUITY		
Capital stock (Note 8)	**41,791,243**	41,791,243
Contributed surplus	**810,750**	810,750
Warrants (Note 8b)	**451,646**	451,646
Deficit	**(30,556,722)**	(30,421,820)
Options	**902,096**	902,096
	13,399,013	13,533,915
	$ 14,486,903	$ 14,460,820

ON BEHALF OF THE BOARD:

"Greg Smith"
DIRECTOR

"Todd J. Morgan"
DIRECTOR

See accompanying notes.

ARMISTICE RESOURCES CORP.

(A DEVELOPMENT STAGE ENTERPRISE)

INTERIM STATEMENT OF OPERATIONS AND DEFICIT

THREE MONTH PERIODS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
EXPENSES		
Accounting and audit fees	**$ 14,271**	$ 9,765
Amortization	**1,433**	1,334
Consulting (Note 11)	**39,000**	30,000
Insurance	**20,108**	1,251
Interest and bank charges	**3,685**	6,749
Directors meeting expense	**4,178**	-
Legal fees	**28,383**	46,600
Office	**20,280**	6,640
Shareholder relations	**3,006**	55,172
Repairs and maintenance	**4,225**	3,674
Tax on unspent flow-through	**29,004**	-
Accretion expense	**3,687**	-
	171,260	161,185
INTEREST INCOME	**36,358**	10,708
NET LOSS FOR THE PERIOD	**(134,902)**	(150,477)
DEFICIT, BEGINNING OF PERIOD	**(30,421,820)**	(30,267,934)
DEFICIT, END OF PERIOD	**$ (30,556,722)**	$ (30,418,411)
Weighted average number of common shares outstanding	**45,364,905**	40,678,846
BASIC AND DILUTED LOSS PER SHARE (Note 9)	**$(0.01)**	$(0.01)

See accompanying notes.

ARMISTICE RESOURCES CORP.

(A DEVELOPMENT STAGE ENTERPRISE)

INTERIM STATEMENT OF CASH FLOWS

THREE MONTH PERIODS ENDED SEPTEMBER 30, 2007 AND 2006

	2007	2006
OPERATING ACTIVITIES		
LOSS	**$ (134,902)**	$ (150,477)
ADD ITEMS NOT		
REQUIRING A CASH OUTLAY		
Amortization	**1,433**	1,334
Accretion expense	**3,687**	-
DECREASE (INCREASE):		
Sundry assets	**(7,844)**	(17,302)
INCREASE (DECREASE):		
Accounts payable	**157,298**	(539,324)
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES	**19,672**	(705,769)
INVESTING ACTIVITIES		
Investment in mineral property	**(704,170)**	(77,026)
Restricted investment	**682,568**	-
Acquisition of property, plant and equipment	**(3,628)**	-
Reclamation deposit	**(410,400)**	-
CASH FLOWS USED IN INVESTING ACTIVITIES	**(435,630)**	(77,026)
FINANCING ACTIVITIES		
Repayment of note payable	**-**	(150,000)
Proceeds from issuance of capital stock	**-**	6,679,131
Share issue costs	**-**	(605,509)
Proceeds from issuance of warrants	**-**	183,119
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES	**-**	6,106,741
CHANGE IN CASH DURING THE PERIOD	**(415,958)**	5,323,946
CASH, beginning of period	**1,223,131**	102,909
CASH, end of period	**$ 807,173**	$ 5,426,855
CASH CONSISTS OF:		
Cash	**$ 387,195**	$ 290,855
Short-term investments	**419,978**	5,136,000
	$ 807,173	$ 5,426,855
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest paid	**$ 3,685**	**$ 6,749**

See accompanying notes.

1. DESCRIPTION OF BUSINESS

Armistice Resources Corp.'s (the "Company") activities are directed toward developing a mining property in Virginiatown, Ontario. To date, the Company has not earned significant revenue and is considered to be "an Enterprise in the Development Stage", as defined in accounting guidline number eleven.

2. CONTINUING OPERATIONS

The accompanying unaudited interim financial statements are prepared in accordance with generally accepted accounting principals ("GAAP") in Canada. They do not include all of the information and disclosures required by Canadian GAAP for annual audited financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements.

These unaudited interim financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The company's existence is dependent upon its ability to secure financing necessary to meet its obligations, finance development expenditures and to obtain profitable operations. Should the Company be unable to secure such financing, it may have to, at any time, cease its operations.

Accordingly, readers are cautioned that these unaudited interim financial statements do not reflect adjustments that would be necessary if the "going concern" basis were not appropriate. Changes in future conditions could require material write downs of the carrying value of certain assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited interim financial statements for Armistice Resources Corp. 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 June 30, 2007 financial statements. Only changes in accounting information have been disclosed in these unaudited interim financial statements. These unaudited interim 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 judgement. Recognizing that the Company is responsible for both the integrity and objectivity of these unaudited interim financial statements, management is satisfied that these unaudited interim financial statements have been fairly presented.

<u>Mineral Property and Deferred Expenditures</u>
Mining property acquisition costs and expenditures for plant, equipment, exploration and development, less recoveries, are deferred until the property is placed into production. These net costs will be amortized when the property is developed to the stage of commercial production using the unit of production method based on the expected economic life of the property, or written off if the property is abandoned or the carrying value is determined to be in excess of possible recoverable amounts.

Where the Company's exploration agreements for a property are with a third party, the proceeds of any option payments under such agreements will be applied to the property to the extent of costs incurred. The excess, if any, will be credited to income.

The amounts shown for the mineral property represent costs to date and do not necessarily reflect present or future values except when there is a permanent decline in value or an abandonment of a mining property. Future development of the mineral property, recovery of related costs and the ability to meet financial commitments on existing claims will depend upon the development of commercially viable reserves, capital financing arrangements, mineral market conditions, environmental considerations and general economic conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

On a quarterly basis, the Company reviews the carrying values of deferred mineral property acquisition and exploration expenditures to assess whether there has been an impairment in value. The Company recognizes write-downs for impairment where the carrying value of the mineral property exceeds its estimated long term net recoverable value. Recoverable value is estimated based upon current exploration results, project economics and management's assessment of future probability of positive cash flows from the property or from its ultimate disposition.

Flow-through Shares

The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers.
When expenditures are renounced to the subscribers and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.
If the Company has sufficient unused tax losses and deductions ("losses") to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

Financial Instruments, Comprehensive Income (Loss) and Hedges

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments - Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective November 1, 2006.

a) Financial instruments - recognition and measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

b) Comprehensive income (loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

d) Impact upon adoption of sections 1530, 3855, and 3865

The Company has evaluated the impact of the adoption of Sections 1530, 3855 and 3865 on its unaudited interim financial statements and determined that no adjustments are currently required.

Future Accounting Changes

a) Capital Disclosures and Financial Instruments - Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments - Disclosures, and Handbook Section 3863, Financial Instruments - Presentation. These new standards will be effective for us on November 1, 2007.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

Based on the analysis completed to date, net loss is not expected to change significantly as a result of the new accounting requirements.

4. SHORT TERM INVESTMENTS

The short term investments represent bankers acceptances bearing interest at 4.1% per annum maturing monthly. The Company has investments totaling $2,568,906 of which an amount of $1,738,528 is restricted to be spent on qualifying Canadian exploration expenses and $410,400 is required to be on deposit for the letter of credit (Note 10).

5. MINERAL PROPERTY

		SEPTEMBER 30 2007		JUNE 30 2007
Exploration and development expenditures:				
Balance, beginning of period		**16,364,493**		15,036,720
Diamond drilling		**139,463**		343,151
De-watering		**465,018**		714,190
Professional services		**72,412**		23,655
Environmental		**5,705**		76,069
Present value of mine closure costs				170,708
Balance, end of year		**17,047,091**		16,364,493
Property acquisition costs:				
Balance, beginning of period		**6,067,013**		5,973,924
Royalty payments		**21,574**		93,089
		6,088,587		6,067,013
Write-down of deferred expenditures		**(11,750,000)**		(11,750,000)
Total mineral property, end of period	**$**	**11,385,678**	$	10,681,506

The Company has an undivided 75% interest in 31 mining claims and 3 licenses of occupation in the McGarry Township within the Larder Lake Mining Division of Ontario . See (Note 10)(a).

6. MINE CLOSURE PROVISION

The Company's asset retirement obligation relates to the dismantling of the Armistice Mine in McGarry Township. The estimate of future site removal and restoration costs depends on the development of environmentally acceptable mine closure plans. In accordance with the Ontario Ministry of Northern Development and Mines, the Company developed a closure plan for the Company's McGarry project.
A summary of the changes in the provision for reclamation liabilities is set out below.

		2007		2006
Balance, beginning of period	**$**	**184,365**	$	-
Accretion expense for the period		**3,687**		-
Balance, end of period	**$**	**188,052**	$	-

The mine closure provision liability is based upon numerous estimates and assumptions, as follows:

a) Total undiscounted amount of future retirement costs was determined to be $410,400;
b) Weighted average risk-free interest rate at 8%;
c) Expected timing of cash outflows required to settle the obligation are for the full amount to be paid in 2021;
d) Inflation over the period from 2006 to 2021 was determined to be 2% per annum.

7. PLANT AND EQUIPMENT

	COST	ACCUMULATED AMORTIZATION	Net **SEPTEMBER 30 2007**	JUNE 30 2007
Buildings	$ 35,000	$ 13,116	**$ 21,884**	$ 22,105
Furniture and fixtures	12,288	8,948	**3,340**	-
Computers	16,872	13,042	**3,830**	4,103
Motor vehicles	20,520	12,465	**8,055**	8,709
Totals	$ 84,680	$ 47,571	**$ 37,109**	$ 34,917

Depreciation expense for the period amounted to $1,433 (2006 - $1,334).

8. CAPITAL STOCK

a) i) Authorized

The Company is authorized to issue an unlimited number of common shares.

ii) Issued

	Number of Shares	Amount
Balance, beginning and end of period	46,615,898	$ 41,791,243

b) Warrants

	Number of Warrants	Amount	Weighted Average Exercise Price
Balance, beginning and end of period	10,175,230	$ 451,646	$ 0.76

i) Each of the original 9,000,000 warrants is exercisable for one common share at an exercise price of $0.80 per share until August 18, 2007 and thereafter at $1.00 per share until August 18, 2008. The new 1,187,730 brokers warrants are exercisable for one common share at a price of $0.50 per share expiring in January 2008.

The fair value the warrants at the dates of issue were estimated using the Black-Scholes option-pricing model with the following assumptions:

Expected life of warrants	1-1.5 year
Risk-free interest rate	3.22% - 4.04%
Expected stock price volatility	60% -70%
Expected dividend yield	0%
Weighted-average fair value of warrants	$0.008 - $0.15

Option pricing models require the input of highly subjective assumptions including the expected price 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 warrants.

8. CAPITAL STOCK (CONT'D)

c) Stock Options

During 2005, the Company adopted a new stock option plan. The purpose of the plan is to provide incentives to directors, officers, employees and consultants of the Company. The maximum number of common shares reserved for issuance upon exercise of the options is 10%. The Board of Directors may designate the recipients of options and determine the number of common shares covered by each option, its exercise price (which may not be less than closing market price of the common shares on the trading day prior to the grant) and its expiry date. The stock option will vest immediately on the date of the grant. The term of the options shall not exceed five years from the date of grant.

The change in stock options issued during the period ended September 30, 2007 are as follows:

	Number of shares	Weighted average exercise price
Options outstanding - beginning and end of period	2,950,000	$ 0.71

The following table summarizes information about stock options outstanding and exercisable at September 30, 2007:

Exercise price	**Options outstanding**	**Options exercisable**	Outstanding options weighted average remaining life (years)	Exercisable options weighted average remaining life (years)
$ 0.68	**2,200,000**	**2,200,000**	1.59	1.59
0.68	**300,000**	**300,000**	0.23	0.23
0.68	**150,000**	**150,000**	0.12	0.12
0.95	**300,000**	**300,000**	0.27	0.27
$ 0.71	**2,950,000**	**2,950,000**	2.21	2.21

The Company grants all employee stock options with an exercise price equal to the market value of the underlying common shares on the day previous to the date of grant. Compensation costs for all grants under the employee stock option plan have been determined by the fair value method. Compensation expense recorded for the period ended September 30, 2007 was $NIL.

The fair value of each option at the date of grant was estimated using the Black-Scholes option-pricing model.

	SEPTEMBER 30 2007
Expected life of options	**3 years**
Risk-free interest rate	**3.95%**
Expected stock price volatility	**60%**
Expected dividend yield	**0%**

Option pricing models require the input of highly subjective assumptions including the expected price 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.

9. BASIC AND DILUTED LOSS PER SHARE

	SEPTEMBER 30 2007	SEPTEMBER 30 2006
Numerator: Net loss for the period/year	$ (134,902)	$ (150,477)
Denominator:		
Weighted avg. number of common shares outstanding	$ 45,364,905	$ 40,678,846
Basic and diluted loss per share	$ (0.01)	$ (0.01)

The determination of the weighted average number of shares outstanding for the calculation of diluted loss per share does not include the effect of outstanding warrants since they are anti-dilutive.

10. COMMITMENTS AND CONTINGENCIES

(a) Sheldon-Larder, the owner of the remaining undivided 25% ownership interest in the mining claims is entitled to the greater of: (i) a Net Smelter Return Royalty of 2% for periods when the price of gold is less than U.S. $500 per troy ounce; 3% when such price is U.S. $500 or more and less than U.S. $800 per troy ounce and 4% when such price is U.S. $800 per troy ounce or more; (ii) $1.00 per short ton of ore derived from the properties; (iii) an advance royalty payment of $21,574 per quarter year.

Royalty expense capitalized during the period related to this agreement amounted to $21,574.

(b) The Company had a letter of credit outstanding at period end in the amount of $410,400. As security the company must leave the amount of $410,400 on deposit.

11. RELATED PARTY TRANSACTIONS

One officer is a partner in a legal firm that provides legal services to the Company and another officer is a partner in an accounting firm that supplies non-audit services to the company. The payments made to these firms during the quarter ended September 30, 2007 were $32,793 (2006 - $131,697).

During the quarter, the Company paid the Chief Executive Officer, who is also a director, for project management and administrative services in the amount of $39,000 (2006 - $30,000). At September 30, 2007 $170,155 (2006 - $195,130) was owing to directors and related parties.

These transactions are 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.

12. SUBSEQUENT EVENTS

Subsequent to the period end, an additional 300,000 options were granted to an advisor to the board of directors with an exercise price of $0.69. The options expire on October 26, 2010.