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AUDITORS' REPORT

To the Members of
Canadian Federation of Earth Sciences / Fédération canadienne des sciences de la Terre

We have audited the balance sheet of Canadian Federation of Earth Sciences / Fédération canadienne des sciences de la Terre as at March 31, 2007 and the statements of revenue, expenditures and surplus and of cash flows for the year then ended. These financial statements are the responsibility of the Federation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Federation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada

September 18, 2007

CANADIAN FEDERATION OF EARTH SCIENCES FÉDÉRATION CANADIENNE DES SCIENCES DE LA TERRE

Balance Sheet

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Cash	\$ 49,176	\$ 58,647
Accounts receivable	52,000	-
GST recoverable	1,032	1,536
	102,208	60,183
Investments (note 3)	93,091	139,294
	\$ 195,299	\$ 199,477
Liabilities and Surplus		
Accounts payable	\$ 2,988	\$ 4,073
Surplus	192,311	195,404
	\$ 195,299	\$ 199,477

See accompanying notes to financial statements.

Approved on behalf of the Board:

_____ Director

_____ Director

CANADIAN FEDERATION OF EARTH SCIENCES FÉDÉRATION CANADIENNE DES SCIENCES DE LA TERRE

Statement of Revenue, Expenditures and Surplus

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Natural Resources Canada block funding	\$ 50,000	\$ 50,000
Society dues	13,000	16,200
Interest	4,420	4,473
Provincial government grants	2,400	1,600
	<u>69,820</u>	<u>72,273</u>
Expenditures:		
Operating:		
Business Manager's Office	22,030	26,523
Executive travel	16,214	9,892
Financial Director's Office	4,317	3,104
Administrative Director's Office	1,595	2,301
Memberships	1,000	1,000
Career booklets and other publications	-	200
	<u>45,156</u>	<u>43,020</u>
Natural Resources Canada funded:		
International Geological Correlation Project:		
Activities	6,698	10,633
Administration costs	-	1,100
International Union of Geological Sciences:		
Membership	11,059	7,247
	<u>17,757</u>	<u>18,980</u>
Committees/studies/projects:		
EdGeo	5,000	5,000
Canadian Geoscience Educational Network	5,000	-
Miscellaneous	-	927
	<u>10,000</u>	<u>5,927</u>
	<u>72,913</u>	<u>67,927</u>
Excess (deficiency) of revenue over expenditures	(3,093)	4,346
Surplus, beginning of year	195,404	191,058
Surplus, end of year	<u>\$ 192,311</u>	<u>\$ 195,404</u>

See accompanying notes to financial statements.

**CANADIAN FEDERATION OF EARTH SCIENCES
FÉDÉRATION CANADIENNE DES SCIENCES DE LA TERRE**

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenditures	\$ (3,093)	\$ 4,346
Accrual of interest on investments, an item not involving cash	(3,797)	(4,376)
Changes in non-cash operating accounts:		
Accounts receivable	(51,496)	40,120
Accounts payable	(1,085)	(1,633)
	(59,471)	38,457
Investments:		
Proceeds from sale of investments	100,330	48,694
Purchase of investments	(50,330)	(48,694)
	50,000	-
Increase (decrease) in cash	(9,471)	38,457
Cash, beginning of year	58,647	20,190
Cash, end of year	\$ 49,176	\$ 58,647

See accompanying notes to financial statements.

CANADIAN FEDERATION OF EARTH SCIENCES FÉDÉRATION CANADIENNE DES SCIENCES DE LA TERRE

Notes to Financial Statements

Year ended March 31, 2007

1. Operations:

The Federation is a non-profit organization chartered under the provisions of part II of the Canada Corporation Act as Canadian Geoscience Council - Conseil Géoscientifique Canadien, which changed its name effective March 26, 2007 to Canadian Federation of Earth Sciences / Fédération canadienne des sciences de la Terre. Its principal activities include promoting scientific awareness and education, providing expert advice concerning the earth sciences, attending and participating in related international conferences, and providing liaison between various levels of government and companies involved in geological activities.

2. Significant accounting policies:

(a) Fund accounting:

The Council follows the restricted fund method of accounting for contributions.

(b) Investments:

Investments are carried at cost plus accrued interest.

(c) Revenue recognition:

The Council recognizes revenue on an accrual basis, whereby amounts granted relating to the current fiscal year, but not received until after year-end, are recognized as revenue.

3. Investments:

	Maturity	Interest	Carrying value
Industrial Alliance Pacific Life			
- Guaranteed Interest Certificate	August 31, 2007	3.3%	\$ 41,752
- Guaranteed Interest Certificate	August 31, 2008	3.5%	51,339
			<hr/>
			\$ 93,091

The fair value of investments is estimated by management to approximate their carrying value.