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

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian dollars)

MARCH 31, 2008

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 29, 2008

WARATAH COAL INC.

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

	March 31 2008	December 31 2007
ASSETS		
Current		
Cash	$5,730,376	$5,772,970
Funds held in trust	37,509,351	
Receivables	173,505	224,709
Other current assets	619	568
Total current assets	43,413,851	5,998,247
Deposits	107,954	27,851
Equipment (Note 6)	56,599	51,336
Investment in and expenditures on mineral properties (Note 5)	5,722,874	4,116,083
Total assets	$49,301,278	$10,193,517
LIABILITIES AND SHAREHOLDERS EQUITY (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities	$374,362	$327,896
Due to related parties (note 8)	44,096	13,229
Total current liabilities	418,458	341,125
Shareholders' equity (deficiency)		
Capital stock (note 7)	51,103,759	13,201,690
Contributed surplus (note 7)	3,311,277	2,075,568
Accumulated other comprehensive income	326,683	(464,553)
Deficit	(5,858,899)	(4,960,313)
Total shareholders' equity	48,882,820	9,852,392
Total liabilities and shareholders' equity	$49,301,278	$10,193,517

Nature and continuance of operations (Note 1)
Subsequent events (Note 9)

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, 2008	Three months ended March 31, 2007
EXPENSES		
Employee benefits	$279,908	$97,225
Amortization	3,752	653
Legal	82,971	40,844
Administration	117,992	93,485
Stock-based compensation	377,805	210,623
Other	193,454	174,894
Loss before other items	1,055,882	617,724
OTHER ITEMS		
Interest income	(78,211)	(33,479)
Foreign exchange loss	(79,085)	4,779
	(157,296)	(28,700)
Net Loss for the period	898,586	589,024
Deficit, beginning of period	4,960,313	2,840,251
Deficit, end of period	$5,858,899	$3,429,275
Loss per share	**$0.022**	**$0.018**
Weighted average number of common shares outstanding	**40,560,234**	**32,013,167**

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, 2008	Three months ended March 31, 2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss for the period	$(898,586)	$(589,024)
Items not affecting cash:		
Amortization	3,752	653
Stock-based compensation	377,805	210,623
Changes in non-cash working capital items		
(Increase) / decrease in receivables	51,204	(7,400)
(Increase) / decrease in advances and prepaid expenses	(51)	(1,153)
Increase / (decrease) in accounts payable and accrued liabilities	88,191	55,336
Net cash used in operating activities	(377,685)	(330,965)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on mineral properties	(1,698,250)	(95,027)
Acquisition of property and equipment	(8,517)	(6,930)
Net cash used in investing activities	(1,706,767)	(101,957)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares, for cash	41,306,540	1,500
Share issue costs	(2,546,567)	-
Currency translation adjustments	791,236	47,982
Net cash generated from financing activities	39,551,209	49,482
Change in cash and cash equivalents during the period	37,466,757	(383,440)
Cash and cash equivalents, beginning of period	5,772,970	2,772,144
Cash and cash equivalents, end of period	5,730,376	2,388,704
Funds held in trust, end of period	37,509,351	-
	$43,239,727	$2,388,704

Supplemental disclosures with respect to cash flows		
Cash paid during the period for interest	**$-**	**$-**
Cash paid during the period for income taxes	**$-**	**$-**

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

(Expressed in Canadian dollars)

1. NATURE AND CONTINUANCE OF OPERATIONS

Waratah Coal Inc. (formerly Eaglestar Ventures Inc.) (the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on January 19, 2006. The Company was set up as a Capital Pool Corporation under Exchange Policy 2.4 of the TSX Venture Exchange (the "Exchange"), and was listed for trading on the Exchange on May 29, 2006. Following the closing of the transaction constituting its Qualifying Transaction under the Policies of the Exchange on December 7, 2006, and the change of the Company's name to Waratah Coal Inc. on December 5, 2006, the principal business activity of the Company became the exploration and development of mineral properties (note 5). To date, the Company has not earned revenues and is considered to be in the exploration stage.

2. GOING-CONCERN

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 continue to raise adequate financing and to commence profitable operations in the future. 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 2008	December 31 2007
Deficit	$(5,858,899)	$(4,960,313)
Working capital (deficiency)	$42,995,393	$5,657,121

3. 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 integrated subsidiary, Waratah Coal Pty Ltd., an Australian corporation. All significant intercompany balances and transactions have been eliminated upon consolidation.

(b) Cash and cash equivalents

Cash and cash equivalents include highly liquid investments that can be converted to known amounts of cash and 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 the estimated useful lives at the following annual rates:

Computer equipment	33.3%
Office furniture & equipment	10 – 25%

(d) Mineral properties

Costs related to the acquisition, exploration and development of mineral properties are capitalized by property until the commencement of commercial production. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. 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. All deferred mineral property expenditures are reviewed, at least annually, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. 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, 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. These costs will be depleted over the useful lives of the properties upon commencement of commercial production, or written-off if the properties are abandoned or the claims allowed to lapse.

(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, 2008 and December 31, 2007, there were no material asset retirement 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 rates 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.

(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 other comprehensive income (loss)(note 4(b)).

(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.

4. FINANCIAL INSTRUMENTS

(a) Financial instruments

Effective January 1, 2007, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, "financial instruments – recognition and measurement", which establishes standards for recognizing and measuring financial assets, financial liabilities and nonfinancial derivatives. The Company classifies its debt and investments into held-to-maturity, trading, or available-for-sale categories. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Debt securities for which the Company does not have the intent or ability to hold to maturity are classified as available-for-sale. Held-to-maturity securities are recorded as either short-term or long-term on the balance sheet based on the contractual maturity date and are stated at amortized cost.

Investments that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value, with unrealized gains and losses recognized in earnings. Debt and investments not classified as held-to-maturity or as trading are classified as available-for-sale and carried at fair value, with the unrealized gains and losses, net of tax, included in the determination of other comprehensive income (loss) and reported in shareholders' equity.

On the date of adoption, the Company re-measured its financial assets and liabilities as appropriate. Any adjustment of the previous carrying amount is recognized as an adjustment of the balance of retained earnings at the beginning of the fiscal year, except when a financial asset is classified as available-for-sale.

(b) Comprehensive income

Effective January 1, 2007, the Company adopted the CICA Handbook Section 1530, "comprehensive income", which establishes standards for presentation and disclosure of comprehensive income. Comprehensive income (loss) is the overall change in the net assets of the Company for a period, other than changes attributable to transactions with shareholders and includes foreign currency translation gains and losses of self-sustaining foreign subsidiaries. It is made up of net income and other comprehensive income (loss). The historical make up of net income has not changed. Other comprehensive income (loss) includes gains or losses, which GAAP requires to be recognized in a period, but excluded from net income for that period.

On the date of adoption, the Company adjusted the beginning balances of the "Cumulative Translation Adjustment" and "Accumulated Other Comprehensive Income (Loss)" accounts to reflect this change. Accordingly, the Company now reports other comprehensive income (loss) in the statement of shareholders' equity and includes the account "Accumulated Other Comprehensive Income (Loss)" in the shareholders' equity section of the consolidated balance sheet.

(c) 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.

(d) 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 and receivables consists of accrued interest on deposits held with a financial institution.

(e) Currency risk

The Company is exposed to foreign currency fluctuations to the extent expenditures incurred by the Company are not denominated in Australian dollars. As at March 31, 2008, the Company had liabilities that require the Company to make payments in Canadian dollars. The Company's ability to make these payments to satisfy these liabilities will be affected by foreign currency rate fluctuations. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As at March 31, 2008, the Company had cash on hand of $535,212 (December 31, 2007 - $291,931) held in Canadian funds.

(Expressed in Canadian dollars)

5. MINERAL PROPERTIES

As at March 31, 2008, the Company had 19 granted mineral tenements located in Queensland and New South Wales, Australia, and had submitted a further 18 tenement applications in Queensland and in the Northern Territory, Australia, all for the exploration of coal. Subsequent to March 31, 2008, a further three tenement applications were granted and a further 12 tenement applications submitted, in Queensland.

The cumulative costs of the Company's interest in its mineral tenements are as follows:

	Three months ended March 31, 2008 $	Year ended December 31, 2007 $
Balance, beginning of period	$4,116,083	$260,947
Wages and consultants	452,036	466,910
Tenement costs	154,005	275,523
Geology	274,702	930,094
Drilling	702,048	2,002,584
Corporate	24,000	180,025
	1,606,791	3,855,136
Balance, end of period	$5,722,874	$4,116,083

(a) Title to Mineral Property Interests

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

(b) Realization of Assets

The investment in and expenditures on mineral properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Resource exploration and development is highly speculative and involves inherent risks. While the rewards if an ore body is discovered can be substantial, few properties that are explored are ultimately developed into producing mines. There can be no assurance that current exploration programs will result in the discovery of economically viable quantities of ore.

(c) Environmental

Environmental legislation is becoming increasingly stringent and costs and expenses of regulatory compliance are increasing. The impact of new and future environmental legislation on the Company's operations may cause additional expenses and restrictions.

If the restrictions adversely affect the scope of exploration and development on the mineral properties, the potential for production on the property may be diminished or negated.

The Company is subject to the laws and regulations relating to environmental matters in all jurisdictions in which it operates, including provisions relating to property reclamation, discharge of hazardous material and other matters. The Company may also be held liable should environmental problems be discovered that were caused by former owners and operators of its properties and properties in which it has previously had an interest. The Company conducts its mineral exploration activities in compliance with applicable environmental protection legislation. The Company is not aware of any existing environmental problems related to any of its current or former properties that may result in material liability to the Company.

(Expressed in Canadian dollars)

6. EQUIPMENT

	March 31, 2008			December 31, 2007		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$48,355	$10,015	$38,340	$44,334	$6,005	$38,329
Office equipment	18,950	691	18,259	13,266	259	13,007
	$67,305	$10,706	$56,599	$57,600	$6,264	$51,336

7. CAPITAL STOCK

(a) Authorized

Unlimited number of common shares, without par value.

(b) Issued and outstanding

	Number of common shares	Share Capital	Contributed Surplus
Balance, December 31, 2007	39,515,500	$13,201,690	$2,075,568
Common shares issued for cash			
Exercise of warrants	1,093,506	920,203	-
Exercise of options	550,000	386,000	-
Private placement, net of share issue costs	12,698,413	36,595,866	857,904
Stock-based compensation	-	-	377,805
Balance, March 31, 2008	53,857,419	$51,103,759	$3,311,277

(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, 2008		Year ended December 31, 2007	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	4,420,000	$1.14	2,495,000	$0.59
Granted	260,000	$2.55	2,250,000	$1.64
Exercised	(550,000)	$0.70	(325,000)	($0.37)
Outstanding, end of period	4,130,000	$1.29	4,420,000	$1.14
Options exercisable, end of period	2,395,000	$0.87	2,820,000	$1.01

(Expressed in Canadian dollars)

Stock options outstanding at March 31, 2008 are as follows:

	Number of options	Exercise price	Expiry date
Incentive options	1,620,000	$0.60	December 7, 2011
Incentive options	400,000	$0.80	January 30, 2011
Incentive options	50,000	$1.31	May 25, 2012
Incentive options	100,000	$1.19	June 30, 2011
Incentive options	450,000	$1.21	December 31, 2010
Incentive options	450,000	$1.87	February 1, 2011
Incentive options	800,000	$2.24	December 10, 2012
Incentive options	100,000	$2.55	February 15, 2012
Incentive options	150,000	$2.55	January 1, 2011
Incentive options	10,000	$2.55	December 31, 2009

(d) Stock-based compensation

During the period ended March 31, 2008, the Company granted 260,000 (year ended December 31, 2007 – 2,250,000) incentive options with a fair value of $314,581. During the period ended March 31, 2008 the Company incurred additional stock-based compensation expense of $63,225 which related to options granted in the year ended December 31, 2007.

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	3.04 - 3.29%
Expected life of options	1.88 - 4 years
Annualized volatility	87.605 – 110.303%
Dividend rate	0.00%

The weighted average fair value of incentive options granted was $1.76 per option.

(e) Warrants

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

	Three months ended March 31, 2008		Year ended December 31, 2007	
	Number of warrants	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	10,282,700	$1.02	9,673,200	$0.52
Granted	7,111,111	$4.36	2,800,000	$2.18
Exercised	(1,093,506)	$0.84	(2,190,500)	($0.32)
Outstanding, end of period	16,300,305	$2.49	10,282,700	$1.02
Warrants exercisable, end of period	16,300,305	$2.49	10,282,700	$1.02

(Expressed in Canadian dollars)

Warrants outstanding at March 31, 2008 are as follows:

	Number of warrants	Exercise price	Expiry date
Payment warrants	4,785,294	$0.50	December 6, 2008
Placement warrants	1,563,200	$0.75	June 6, 2008
Finders warrants	163,200	$0.75	June 6, 2008
Agents warrants	45,000	$0.75	June 6, 2008
Placement warrants	2,482,500	$2.25	February 9, 2009
Agents warrants	150,000	$1.60	February 9, 2009
Placement warrants	6,349,207	$4.50	March 28, 2010
Brokers warrants	761,904	$3.15	March 28, 2010

8. 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, 2008	**Year ended December 31, 2007**
Legal fees	$83,807	$93,705
Consulting fees	$8,556	$40,229
Accounting and administration fees	$24,143	$86,770
Investor relations fees	$30,395	$136,342
Options issued for investor relations fees	$-	$134,890
Rent	$82,810	$37,014

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, 2008, the Company owed an amount of $44,096 (year ended December 31, 2007 - $13,229) 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.

9. SUBSEQUENT EVENTS

The following events occurred subsequent to March 31, 2008:

(a) 129,000 warrants were converted to purchase 129,000 common shares in the Company at a price of $2.25, raising $290,250.

(b) 1,334,500 warrants were converted to purchase 1,334,500 common shares in the Company at a price of $0.75, raising $1,000,875.

(c) Three mineral tenements were granted to the Company.