

SKYGOLD VENTURES LTD.

**Audited Financial Statements
December 31, 2005 and 2004**

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MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of Skygold Ventures Ltd. are the responsibility of the Company’s management. The financial statements are prepared in accordance with accounting principles generally accepted in Canada and reflect management’s best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company’s assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control through an audit committee, which is comprised primarily of non-management directors. The Audit Committee reviews the results of the audit and the annual financial statements prior to their submission to the Board of Directors for approval.

The financial statements have been audited by Smythe Ratcliffe, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the audited financial statements.

“Douglas A. Fulcher”

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Douglas A. Fulcher
President

April 10, 2006

AUDITORS' REPORT

TO THE SHAREHOLDERS OF SKYGOLD VENTURES LTD.

We have audited the balance sheets of Skygold Ventures Ltd. as at December 31, 2005 and 2004 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"Smythe Ratcliffe" (signed)

Chartered Accountants

Vancouver, British Columbia
April 10, 2006

SKYGOLD VENTURES LTD.
Balance Sheets
December 31

	2005	2004
Assets		
Current		
Cash	\$ 120,905	\$ 4,271
Term deposit (note 3)	858,242	0
Due from related party (note 7(b))	28,810	0
Due from joint venturer (note 4 (a))	150,955	0
Accounts receivable	62,963	23,900
Prepaid expenses	0	380
	1,221,875	28,551
Mineral Properties (note 4)	2,152,508	845,074
Equipment	5,351	0
Deposit for Reclamation	5,000	0
	\$ 3,384,734	\$ 873,625
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 29,095	\$ 114,962
Shareholders' Equity		
Capital Stock (note 5)	4,631,028	1,505,294
Contributed Surplus (note 5(c))	455,463	170,091
Deficit	(1,730,852)	(916,722)
	3,355,639	758,663
	\$ 3,384,734	\$ 873,625

Nature of Operations (note 1)
 Subsequent Events (note 9)

Approved by the Board:

"Douglas A. Fulcher"
 Director
 Douglas A. Fulcher

"John P. McGoran"
 Director
 John P. McGoran

SKYGOLD VENTURES LTD.
Statements of Operations and Deficit
Years Ended December 31

	2005	2004
Expenses		
Stock-based compensation	\$ 309,690	\$ 93,412
Investor relations	132,357	65,834
Consulting fees	90,715	0
Interest (note 5(f))	85,770	0
Contract wages	78,310	0
Legal	66,934	16,725
Transfer agent and filing fees	35,549	17,911
Rent	30,592	2,654
Accounting and audit	21,870	12,788
Management fees	18,000	3,800
Administration	17,961	18,300
Office and miscellaneous	2,647	1,806
Expense recoveries	(464)	(397)
Amortization	944	0
	890,875	232,833
Less: Interest income	(11,235)	(1,174)
Loss Before Income Tax	879,640	231,659
Future Income Tax Recovery (note 6)	(65,510)	0
Net Loss for Year	814,130	231,659
Deficit, Beginning of Year	916,722	685,063
Deficit, End of Year	\$ 1,730,852	\$ 916,722
Basic and Diluted Loss Per Share	\$ 0.04	\$ 0.01
Weighted Average Number of Shares Outstanding	22,501,557	16,592,807

SKYGOLD VENTURES LTD.
Statements of Cash Flows
Years Ended December 31

	2005	2004
Operating Activities		
Loss for year	\$ (814,130)	\$ (231,659)
Items not involving cash		
Stock-based compensation	309,690	93,412
Amortization	944	0
Future income tax recovery	(65,510)	0
Loan consideration fee	75,000	0
Operating Cash Flow	(494,006)	(138,247)
Changes in Non-Cash Working Capital		
Term deposit	(858,242)	0
Due from related party	(28,810)	0
Accounts receivable	(190,018)	(8,421)
Prepaid expenses	380	0
Accounts payable and accrued liabilities	(85,867)	101,390
	(1,162,557)	92,969
Cash Used in Operating Activities	(1,656,563)	(45,278)
Financing Activity		
Shares issued for cash, net of issue costs	2,995,426	254,737
Investing Activities		
Mineral property costs	(1,210,934)	(571,121)
Purchase of equipment	(6,295)	0
Reclamation bonds	(5,000)	0
Cash Used in Investing Activities	(1,222,229)	(571,121)
Increase (Decrease) in Cash	116,634	(361,662)
Cash, Beginning of Year	4,271	365,933
Cash, End of Year	\$ 120,905	\$ 4,271

Supplemental Cash Flow Information

During the year ended December 31, 2005, the Company issued 545,918 common shares valued at \$96,500 for mineral property interests (2004 - 75,000 common shares valued at \$9,000 for mineral property interests) and 305,881 common shares valued at \$75,000 for loan consideration (2004 - \$Nil).

Other Cash Flow Information

Interest received	\$ 11,235	\$ 1,174
Interest paid	\$ 10,770	\$ 0
Income tax paid	\$ 0	\$ 0

1. NATURE OF OPERATIONS

Skygold Ventures Ltd. (the "Company") is a junior resource exploration company incorporated under the *Alberta Business Corporation Act* and continued into British Columbia under the *Business Corporations Act* during 2004. These financial statements have been prepared on the basis of accounting principles applicable to "going-concerns", which assumes that the Company will continue operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. However, the Company is in the exploration stage, has no current source of revenue, and as at December 31, 2005 has working capital of \$1,192,780 and an accumulated deficit of \$1,730,852. The continued operations of the Company will depend on its ability to raise sufficient capital to complete its exploration projects and establish profitable future operations or realize proceeds from disposition of the properties.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Mineral Properties

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. 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. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect present or future values. These costs are 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.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received. Option payments received are credited against mineral property costs until all costs are recovered then they are taken into income.

(b) Stock-Based Compensation

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Section 3870, *"Stock-Based Compensation and Other Stock-Based Payments"*, for accounting for stock-based compensation expense whereby all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock, call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments, granted on or after January 1, 2004, are accounted for using the fair value based method, and are recorded as an expense in the period the stock-based payments are vested or the awards or rights are granted, and a corresponding increase in contributed surplus. When stock options are exercised the corresponding fair value is transferred to capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Capital Stock

Capital stock issued for non-monetary consideration is recorded at fair market value on the dates of issuance pursuant to the agreement to issue shares as determined by the Board of Directors of the Company based on the trading price of the shares on the TSX Venture Exchange (the "Exchange"). The proceeds from shares issued for cash. Costs incurred for the issue of shares are deducted from capital stock.

(d) Loss Per Share

Loss per share amounts have been calculated and presented in accordance with the treasury stock method. Diluted loss per share amounts have not been presented as the effect of outstanding options and warrants are anti-dilutive.

(e) Financial Instruments

The carrying values of cash, term deposit, accounts receivable, and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these instruments.

The Company is exposed to credit risk with respect to its cash. Cash and term deposit have been placed with a major Canadian financial institution.

(f) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations, impairment of mineral claims and deferred exploration expenditures, rate for amortization, stock-based compensation and future income taxes. Actual results could differ from those estimates.

(g) Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on the declining-balance basis at an annual rate 30% from the date of acquisition.

(h) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income 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. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Asset Retirement Obligations

The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which a reasonable estimate of such costs can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is also adjusted to reflect period-to-period changes in the liability resulting from passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at December 31, 2005, the Company did not have any asset retirement obligations.

(j) Flow-Through Shares

The Company follows the CICA accounting pronouncement EIC-146, relating to flow-through shares. Under the terms of Canadian flow-through share legislation, the tax attributes of qualifying expenditures are renounced to the subscribers. The tax impact to the Company of the renunciation is recorded on the date that the renunciation is filed with taxation authorities, through a decrease in capital stock and the recognition of a future tax liability.

3. TERM DEPOSIT

The Company has a term deposit with a book value of \$850,000 and accrued interest of \$8,242, accrued at a rate of 2.4%, for a fair value of \$858,242. The term deposit matures on August 23, 2006.

SKYGOLD VENTURES LTD.
Notes to Financial Statements
Years Ended December 31, 2005 and 2004

4. MINERAL PROPERTIES

At December 31, 2005, expenditures incurred on mineral properties are as follows:

Balance, December 31, 2003	\$ 264,953
Additions during the year	
Acquisition costs	26,000
Deferred exploration costs	
Geological consulting	206,077
Drilling	100,140
Assay	97,551
Equipment rental	63,849
Travel and accommodation	48,403
Camp and field supplies	38,101
	554,121
Total additions during the year	580,121
Balance, December 31, 2004	845,074
Additions during the year	
Acquisition costs	117,500
Deferred exploration costs	
Drilling	585,431
Geological consulting	312,036
Assay	170,336
Travel and accommodation	97,693
Camp and field supplies	52,054
Equipment rental	22,727
Recording fees	1,237
Expense recoveries	(51,580)
	1,189,934
Total additions during the year	1,307,434
Balance, December 31, 2005	\$ 2,152,508

4. MINERAL PROPERTIES (Continued)

(a) Spanish Mountain, Cariboo Mining Division, British Columbia

In January 2003, the Company entered into an option agreement to earn a 70% interest in the 14-mineral claim (103 unit) Spanish Mountain property. On March 29, 2005, the option was deemed to have been exercised subject to the formalization of a joint venture agreement. The consideration details are as follows:

(i) Cash Payments to Underlying Vendors

- \$9,000 upon signing the agreement (paid);
- \$3,000 on July 20, 2003 (paid);
- \$9,000 on January 20, 2004 (paid);
- \$3,000 on July 20, 2004 (paid);
- \$11,000 on January 20, 2005 (paid);
- \$5,000 on July 20, 2005 (paid);
- \$19,000 on January 20, 2006 (\$10,000 paid on December 12, 2005);
- \$10,000 on July 20, 2006;
- \$24,000 on January 20, 2007;
- \$15,000 on July 20, 2007; and
- \$55,000 on January 20, 2008.

(ii) Share Issuances

- \$23,000 (203,000 shares) upon signing the agreement (issued);
- \$9,000 (75,000 shares) on January 20, 2004 (issued); and
- \$96,500 (545,918 shares) on January 20, 2005 (issued).

(iii) Share or Cash Issuances to Underlying Vendors

- \$21,000 each year from January 20, 2006 to January 20, 2008 and \$35,700 each year from January 20, 2009 to January 20, 2012 which may be satisfied in either cash or shares.

(iv) Exploration Expenses

The Company must incur exploration expenses as follows:

- \$100,000 before January 20, 2004 (expended);
- An additional \$100,000 before January 20, 2005 (expended);
- An additional \$100,000 before January 20, 2006 (expended);
- An additional \$200,000 before January 20, 2007 (expended); and
- An additional \$200,000 before January 20, 2008 (expended).

4. MINERAL PROPERTIES (Continued)

(b) 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.

(c) Realization of Assets

The investment in and expenditures on resource 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 obtaining of permits, the satisfaction of governmental requirements and possible aboriginal claims, 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.

5. CAPITAL STOCK

(a) Authorized

- (i) An unlimited number of common voting shares without nominal or par value
- (ii) Unlimited number of first preferred shares
- (iii) Unlimited number of second preferred shares

The first and second preferred shares may be issued in one or more series and the directors are authorized to fix the number in each series and to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

SKYGOLD VENTURES LTD.
Notes to Financial Statements
Years Ended December 31, 2005 and 2004

5. CAPITAL STOCK (Continued)

(b) Issued

	Number of Common Shares	Amount
Balance, December 31, 2003	15,441,500	\$ 1,241,557
Issued during the year		
Private placements, for cash (net of issue costs)	2,100,000	248,497
Exercise of warrants, for cash	52,000	6,240
Mineral property interests (note 4(a)(ii))	75,000	9,000
	2,227,000	263,737
Balance, December 31, 2004	17,668,500	1,505,294
Issued for cash		
Private placements (net of issue costs)	6,066,169	2,095,636
Exercise of warrants	6,979,200	872,390
Exercise of options	140,000	27,400
Issued for other consideration		
Bonus shares	305,881	75,000
Mineral property interest (note 4(a)(ii))	545,918	96,500
Income tax effect on flow-through share renouncement	0	(65,510)
Exercise of stock options, stock-based compensation	0	24,318
	14,037,168	3,125,734
Balance, December 31, 2005	31,705,668	\$ 4,631,028

(c) Contributed Surplus

	2005	2004
Balance, beginning of year	\$ 170,091	\$ 76,679
Stock-based compensation	309,690	93,412
Reallocated to capital stock	(24,318)	0
Balance, end of year	\$ 455,463	\$ 170,091

(d) Private Placements

- (i) On August 9, 2005, the Company completed a private placement and issued 3,673,285 non-flow-through units for gross proceeds of \$1,285,650 and 2,260,250 flow-through shares for gross proceeds of \$904,100. Each non-flow-through unit comprised one common share and one-half purchase warrant entitling the holder to acquire an additional common share at \$0.50 per share for each full warrant held on or before August 9, 2007. The Company issued 132,634 units and 448,594 warrants as a finder's fee and incurred share issue costs in the amount of \$94,114 in connection with the private placement. Each unit issued as a finder's fee had the same components as the non-flow-through private placement units. The warrants issued as a finder's fee have an expiry of two years and are exercisable at \$0.40 in year one and at \$0.55 in year two.

SKYGOLD VENTURES LTD.
Notes to Financial Statements
Years Ended December 31, 2005 and 2004

5. CAPITAL STOCK (Continued)

(d) **Private Placements (Continued)**

- (ii) On March 3, 2004, the Company completed a private placement and issued 1,250,000 units for gross proceeds of \$150,000. Each unit comprised one common share and one share purchase warrant entitling the holder to acquire an additional common share at \$0.12 to March 3, 2005, or at \$0.14 before March 3, 2006.
- (iii) On November 22, 2004, the Company completed a private placement and issued 850,000 units for gross proceeds of \$102,000. Each unit comprised one common share and one-half share purchase warrant entitling the holder to acquire an additional common share at \$0.15 per share for each full warrant held on or before November 22, 2005. An additional 41,700 agent's warrants were issued on the same terms.

The 2004 private placements included proceeds from the issue of flow-through shares in the amount of \$192,000 with the tax benefits of the exploration expenditures incurred renounced to investors (note 5(e)).

(e) **Renounced Exploration Expenditures**

In February 2005, the Company renounced \$192,000 of exploration expenditures under its flow-through share program, resulting in a future tax liability of \$65,510, which was deducted from capital stock. The Company subsequently reduced the future income tax liability by recognizing previously unrecorded future income tax assets equal to the amount of the future tax liability. This decrease in the valuation allowance has resulted in a future income tax recovery of \$65,510 disclosed on the statement of operations under future income taxes (note 6).

(f) **Bonus Shares**

During the year ended December 31, 2005, the Company arranged two private loans for a total of \$375,000. The Company agreed to pay bonus shares of 205,881 at a deemed price of \$0.17 and 100,000 bonus shares at a deemed price of \$0.40 as consideration for the loan. The loans had a term of one year bearing interest at a rate of 12% per annum compounded monthly resulting in total interest expense of \$85,770. Both loans have been repaid at December 31, 2005.

(g) **Stock Options**

Options to purchase common shares have been granted to directors, employees and consultants at exercise prices determined by reference to the market value on the date of the grant. As at December 31, 2005, the Company had stock options outstanding to directors and employees for the purchase of up to 2,470,000 common shares exercisable as follows:

Number of Shares	Exercise Price	Expiry Date
670,000	\$0.10	April 1, 2006
400,000	\$0.12	January 15, 2007
200,000	\$0.10	December 23, 2009
200,000	\$0.23	January 27, 2010
1,000,000	\$0.42	July 22, 2010
2,470,000		

SKYGOLD VENTURES LTD.
Notes to Financial Statements
Years Ended December 31, 2005 and 2004

5. CAPITAL STOCK (Continued)

(g) Stock Options (Continued)

A summary of the status of the Company's stock options as at December 31, 2005 and changes during the year then ended is as follows:

	Shares	Weighted Average Exercise Price
Outstanding, December 31, 2003	970,000	\$ 0.10
Granted	1,000,000	\$ 0.12
Exercised	0	\$ 0.00
Cancelled / expired	(300,000)	\$ 0.10
Outstanding, December 31, 2004	1,670,000	\$ 0.11
Granted	1,300,000	\$ 0.22
Exercised	(140,000)	\$ 0.17
Cancelled	(360,000)	\$ 0.11
Outstanding, December 31, 2005	2,470,000	\$ 0.15

(h) Share Purchase Warrants

As at December 31, 2005, the Company has share purchase warrants outstanding entitling the holders to acquire common shares as follows:

Exercise Price	Expiry Date	Outstanding, December 31, 2004	Issued	Exercised	Expired	Outstanding, December 31, 2005
\$0.12	October 31, 2005	5,983,000	0	5,983,000	0	0
\$0.12 / \$0.14	March 3, 2005 / 2006	500,000	0	500,000	0	0
\$0.14	March 3, 2006	750,000	0	0	0	750,000
\$0.15	November 22, 2005	466,700	0	466,200	500	0
\$0.50	August 9, 2007	0	1,902,959	30,000	0	1,872,959
\$0.40 / \$0.55	August 9, 2006 / 2007	0	448,594	0	0	448,594
		7,699,700	2,351,553	6,979,200	500	3,071,553

(i) Stock-Based Compensation

The fair value of stock options granted to directors and employees that vested during 2005, in the amount of \$309,690, has been recorded as an expense during the year and included in contributed surplus.

The fair value of stock options used to calculate compensation expense was estimated using the Black-Scholes option pricing model with the following assumptions:

	2005	2004
Risk-free interest rate	2.75% - 4.04%	3.00% - 4.04%
Expected dividend yield	0	0
Expected stock price volatility	75% - 158%	141% - 158%
Expected option life in years	3 - 5	3

SKYGOLD VENTURES LTD.
Notes to Financial Statements
Years Ended December 31, 2005 and 2004

5. CAPITAL STOCK (Continued)

(i) **Stock-Based Compensation (Continued)**

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 single measure of the fair value of the Company's stock options.

6. INCOME TAXES

The Company has accumulated losses for Canadian tax purposes of approximately \$1,197,000 that expire in various years to 2015 as follows:

2006	\$	57,000
2007		20,000
2008		122,000
2009		125,000
2010		104,000
2014		155,000
2015		614,000
	\$	1,197,000

Flow-through shares may be issued by a company that incurs certain resource expenditures and renounces them for tax purposes allowing the expenditures to flow-through to the subscriber who purchased the shares. Subscribers may in turn claim expenditures as a deduction on their income tax returns. The total amount of funds raised through the issuance of flow-through shares must be spent on qualified mineral exploration. The proceeds of flow-through financings are restricted in use for Canadian Exploration Expenditures under Canadian income tax legislation.

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of the balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2005	2004
	34.12%	35.62%
Income tax benefit computed at Canadian statutory rates	\$ 300,133	\$ 82,517
Temporary differences not recognized in year	15,056	(27,203)
Stock-based compensation	(105,666)	0
Unrecognized tax losses	(209,523)	(55,314)
Future income tax arising from flow-through share renouncement	65,510	0
Future income tax recovery	\$ 65,510	\$ 0

SKYGOLD VENTURES LTD.
Notes to Financial Statements
Years Ended December 31, 2005 and 2004

6. INCOME TAXES (Continued)

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2005	2004
Future income tax assets and liabilities		
Temporary differences in assets	\$ (187,171)	\$ (127,345)
Net tax losses carried forward	408,416	219,987
	221,245	92,642
Valuation allowance for future income tax assets	(221,245)	(92,642)
Net future income tax assets	0	0
Future income tax liabilities	0	0
Future income tax assets, net	\$ 0	\$ 0

7. RELATED PARTY TRANSACTIONS

- (a) During the year, \$581 (2004 - \$9,228) for exploration consulting services was paid to a director of the Company.
- (b) The Company paid or accrued \$98,081 (2004 - \$19,700) for administrative and management services, \$798,439 (2004 - \$Nil) for exploration costs, \$30,592 (2004 - \$1,844) for rental of premises, and \$33,735 (2004 - \$12,395) for the reimbursement of general and administrative expenses to companies in which a director is a principal. As at December 31, 2005, \$3,707 (2004 - \$20,325) was owed to one of those companies and \$28,810 has been advanced to one of those companies to cover anticipated future expenditures.
- (c) The Company paid \$54,353 (2004 - \$16,341) in legal fees to a firm in which an officer is a principal.

8. SEGMENTED INFORMATION

The Company has one operating segment, mineral exploration, and all of its assets are located in Canada.

9. SUBSEQUENT EVENTS

- (a) The Company received proceeds of \$486,110 to issue 1,580,085 common shares on the exercise of share purchase warrants and \$161,000 to issue 1,270,000 common shares on the exercise of stock options.
- (b) The Company issued 27,633 common shares in satisfaction of a \$21,000 mineral property option payment.
- (c) The Company announced an offering of 5,480,000 units at a price of \$1.35 per unit and 4,040,000 flow-through units at a price of \$1.50 per share for gross proceeds of \$13,458,000. The closing of the offering is subject to receipt of all required approvals.