

UC RESOURCES LTD.

**Financial Statements
June 30, 2005 and 2004**

<u>Index</u>	<u>Page</u>
Auditors' Report to the Directors	1
Financial Statements	
Balance Sheets	2
Statements of Operations and Deficit	3
Statements of Cash Flows	4
Notes to Financial Statements	5 - 16

AUDITORS' REPORT

TO THE DIRECTORS OF UC RESOURCES LTD.

We have audited the balance sheet of UC Resources Ltd. as at June 30, 2005 and the statements of operations and deficit and cash flows for the year 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 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 Company as at June 30, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements for the year ended June 30, 2004 were reported on by another auditor without qualification in his report dated November 10, 2004.

"Smythe Ratcliffe" (signed)

Chartered Accountants

Vancouver, British Columbia
October 26, 2005

UC RESOURCES LTD.
Balance Sheets
June 30

	2005	2004
		(note 11)
Assets		
Current		
Cash and short-term deposits	\$ 35	\$ 256,893
Accounts receivable	11,243	4,108
Prepaid expenses	1,025	0
Share subscriptions receivable	0	43,000
Loan receivable (note 3)	3,000	3,000
	15,303	307,001
Investment (note 5)	1	1
Mineral Interests (note 4)	1,246,023	230,358
Equipment , net of amortization of \$15,329	23,840	13,598
	\$ 1,285,167	\$ 550,958
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 410,339	\$ 28,431
Loans payable (notes 7 and 12(d))	323,000	0
Due to related party (note 8)	41,206	4,143
	774,545	32,574
Shareholders' Equity		
Capital Stock (notes 6 and 12(a), (b), (d))	8,053,957	7,743,996
Option Compensation (notes 2(f) and 6(c))	213,673	69,991
Deficit	(7,757,008)	(7,295,603)
	510,622	518,384
	\$ 1,285,167	\$ 550,958

Nature of Operations and Going-Concern (note 1)
Subsequent Events (note 12)

Approved by the Board:

"Eugene Larabie" (signed)
..... Director

"Michael Cartmel" (signed)
..... Director

UC RESOURCES LTD.
Statements of Operations and Deficit
Years Ended June 30

	2005	2004
		(note 11)
Revenue		
Interest	\$ 369	\$ 370
Expenses		
Stock-based compensation	202,068	97,248
Consultants	84,856	17,000
Interest and bank charges	75,893	1,143
Investor relations and promotion	47,705	89,968
Office, rent and miscellaneous	32,482	35,348
Accounting and audit	24,220	9,783
Travel	22,824	13,128
Automobile	17,055	12,613
Directors' fees	14,500	10,000
Printing and shareholder information	8,049	13,558
Amortization	6,876	2,205
Listing and filing fees	6,533	12,456
Telephone	6,499	8,613
Transfer agent	6,264	6,053
Legal	5,950	11,408
Property evaluation	0	8,428
Bad debts	0	7,500
	561,774	356,452
Loss Before the Following	(561,405)	(356,082)
Recovery of oil and gas interests	0	123,575
Recovery of mineral interests	100,000	0
Write-down of investment	0	(113,796)
Mineral interests written-off	0	(391,450)
Net Loss for Year	(461,405)	(737,753)
Deficit, Beginning of Year	(7,295,603)	(6,557,850)
Deficit, End of Year	\$ (7,757,008)	\$ (7,295,603)
Basic and Diluted Loss Per Share	\$ (0.025)	\$ (0.052)
Weighted Average Number of Shares Outstanding	18,160,389	14,281,130

See notes to financial statements.

UC RESOURCES LTD.
Statements of Cash Flows
Years Ended June 30

	2005	2004
Operating Activities		
Net loss	\$ (461,405)	\$ (737,753)
Items not involving cash		
Amortization	6,876	2,205
Recovery of mineral interests	(100,000)	0
Non-cash interest expense	62,000	0
Write-down of investment	0	113,796
Mineral interests written-off	0	391,450
Stock-based compensation	202,068	97,248
Operating Cash Flow	(290,461)	(133,054)
Changes in Non-Cash Working Capital		
Accounts receivable	(7,135)	(1,798)
Prepaid expenses	(1,025)	0
Share subscriptions receivable	43,000	(43,000)
Loan receivable	0	(3,000)
Accounts payable and accrued liabilities	369,807	(10,218)
Interest payable	12,101	0
Due to related party	37,063	(3,962)
	453,811	(61,978)
Cash Provided by (Used in) Operating Activities	163,350	(195,032)
Financing Activities		
Loan proceeds	323,000	0
Capital stock issued for cash	171,735	697,415
Cash Provided by Financing Activities	494,735	697,415
Investing Activities		
Mineral property interests	(897,825)	(234,858)
Purchase of equipment	(17,118)	(11,611)
Cash Used in Investing Activities	(914,943)	(246,469)
Increase (Decrease) in Cash	(256,858)	255,914
Cash, Beginning of Year	256,893	979
Cash, End of Year	\$ 35	\$ 256,893

Supplemental disclosure with respect of cash flows:

- (a) During the year ended June 30, 2005, the Company issued 491,000 common shares valued at \$117,840 for mineral property interests and 377,776 common shares valued at \$62,000, as a bonus in consideration of loans to the Company.
- (b) During the year ended June 30, 2004, the Company issued 250,000 common shares valued at \$32,500 for mineral property interests.

1. NATURE OF OPERATIONS AND GOING-CONCERN

The Company is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties. The recovery of the Company's investment in mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development and the future proceeds from the disposition of those reserves.

At June 30, 2005, the Company had a working capital deficiency of \$760,242 and an accumulated deficit of \$7,757,008. The Company will require additional financing or outside participation, to undertake further exploration and subsequent development of its mineral properties. The Company's ability to continue as a going-concern is dependent on continued financial support from its shareholders, the ability of the Company to raise equity financing, and the attainment of profitable operations, external financings and further share issuances to meet the Company's liabilities as they become payable.

These financial statements have been prepared on a going-concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. These financial statements do not include any adjustments for 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.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting policies generally accepted in Canada and reflect the following policies.

(a) Mineral interests

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Mineral interests (Continued)

Although the Company has taken steps to ensure the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures may 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) Equipment

Equipment is recorded at cost and is amortized using a declining-balance method at an annual rate of 20% for office equipment, 20% for field equipment and 30% for computer equipment.

(c) Earnings (loss) per share

Earnings (loss) per share is calculated based on the weighted average number of shares outstanding during the year. The Company uses the treasury stock method for calculating diluted earnings per share.

(d) Foreign currency translation

The statements are presented in Canadian dollars whereby monetary items are translated at the rate of exchange in effect at the balance sheet date. All non-monetary items comprising equipment, mineral properties, deferred charges, and revenue and expense items are translated at historical exchange rates.

(e) Financial instruments

(i) Fair value

Unless otherwise stated, the carrying values of the Company's current assets and current liabilities at June 30, 2005 and 2004 approximate their fair values due to the relatively short-term periods to maturity of these instruments. The Company's financial instruments consist of cash, short-term deposits and accounts receivable, loan receivable, amounts due to related party, accounts payable and accrued liabilities and loans payable. The Company has not entered into foreign exchange derivative contracts.

(ii) Interest rate risk

Interest rate risk consists of two components:

- (a) To the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in prevailing market interest rates, the Company is exposed to interest rate cash flow risk.
- (b) To the extent that changes in prevailing market interest rates differ from the interest rates in the Company's monetary assets and liabilities, the Company is exposed to interest rate price risk.

The Company is not exposed to significant interest rate price risk due to the short-term maturity of its short-term monetary assets and liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial instruments (Continued)

(iii) Credit risk

The Company is exposed to credit risk with respect to its accounts receivable; however, this is minimized because the amounts are due from a government agency. The Company holds security against the loan receivable, which approximates the amount due.

(iv) Currency risk

The Company translates the results of its foreign operations, carried out in US currency, into Canadian currency using rates approximating the average exchange rate on a monthly basis. The exchange rate may vary from time to time.

(f) Stock-based compensation

The Company follows the accounting standard of the Canadian Institute of Chartered Accountants ("CICA"), Section 3870 "Stock-Based Compensation and Other Stock-Based Payments" for accounting for stock-based compensation. Under this standard, stock-based payments to non-employees, and employee 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 July 1, 2003 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.

(g) Income taxes

The Company uses 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 likely to be realized.

(h) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclose 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 and rate for depletion and amortization. Actual results could differ from those estimates.

UC RESOURCES LTD.
Notes to Financial Statements
Years Ended June 30, 2005 and 2004

3. LOAN RECEIVABLE

The Company advanced \$10,000 to a contract employee and received marketable securities as collateral against the loan. The relationship was terminated and the debt has been written down to \$3,000, the estimated recoverable value of the collateral.

4. MINERAL INTERESTS

At June 30, 2005, the Company's interest in mineral properties was comprised of the Copalquin property located in Durango, Mexico. Expenditures incurred on the property were as follows:

	Copalquin Mexico
Balance, June 30, 2004	\$ 230,358
Additions during the year	
Acquisition costs	198,731
Exploration costs	
Drilling	373,516
Aircraft and helicopter	162,579
Camp and support	84,019
Geological consulting	81,613
Field wages	50,066
Assays	36,384
Travel and accommodation	15,957
Geophysics	12,800
	1,015,665
Balance, June 30, 2005	\$ 1,246,023

UC RESOURCES LTD.
Notes to Financial Statements
Years Ended June 30, 2005 and 2004

4. MINERAL INTERESTS (Continued)

At June 30, 2004, the Company's mineral properties were comprised of properties located in Durango, Mexico, and Newfoundland and Quebec, Canada. Expenditures incurred on mineral properties were as follows:

	Copalquin Mexico	Gregory River	Botwood Basin	Raglan 1 and 2	Total
Balance, June 30, 2003	\$ 0	\$ 90,750	\$ 148,700	\$ 115,000	\$ 354,450
Additions during the year					
Acquisition costs	66,762	0	0	37,000	103,762
Exploration costs					
Drilling	9,200	0	0	0	9,200
Geological consulting	34,462	0	0	0	34,462
Camp and support	46,812	0	0	0	46,812
Travel and accommodation	6,450	0	0	0	6,450
Assays	1,897	0	0	0	1,897
Geophysics	9,400	0	0	0	9,400
Aircraft and helicopter	55,375	0	0	0	55,375
	230,358	0	0	37,000	267,358
Written-off					
	230,358	90,750	148,700	152,000	621,808
	0	(90,750)	(148,700)	(152,000)	(391,450)
Balance, June 30, 2004	\$ 230,358	\$ 0	\$ 0	\$ 0	\$ 230,358

(a) Copalquin Property, Mexico

The Company entered into an agreement to earn a 50% interest in a 7,005-hectare mineral property located in the Sierra Madre mineralogical belt of Durango, Mexico. To earn its interest, the Company must incur the following:

(i) Cash payments

- US \$25,000 on execution of the agreement (paid);
- US \$25,000 on completion of a due diligence review (paid); and
- US \$40,000 plus Mexican value added tax on or before July 13, 2004 (paid).

(ii) Exploration expenditures

- Not less than US \$250,000 to be incurred on or before July 13, 2004 (incurred); and
- An additional US \$500,000 to be incurred on or before July 13, 2005 (incurred).

4. MINERAL INTERESTS (Continued)

(a) Copalquin Property, Mexico (Continued)

(iii) Finder's fee

A finder's fee of 491,000 common shares at a deemed value of \$0.24 per share was issued in respect of an agreement, dated March 2, 2004 as a result of the Company entering into an option agreement with Minera Planet Exploration, S.A. de C.V. ("Minera").

(iv) Option

On June 30, 2005, the Company entered into an option to acquire 100% of the outstanding shares of Minera, the holder of an option to acquire the Copalquin mineral concessions and the optionor to the Company, of the 50% interest in the property as described above. The Company can acquire the shares of Minera by paying the optionors US \$50,000 by July 8, 2005 and by paying a further US \$500,000 by October 8, 2005 (both amounts were paid subsequent to the year-end). On the exercise of the option to acquire Minera the original option agreement would be cancelled.

The Company will become responsible for the payments due by Minera to the underlying concession titleholders as follows:

- On or before July 13, 2005 the amount of US \$50,000, plus value added tax (paid);
- On or before July 13, 2006 the amount of US \$50,000, plus value added tax;
- On or before January 13, 2007 the amount of US \$50,000, plus value added tax;
- On or before July 13, 2007 the amount of US \$50,000, plus value added tax;
- On or before January 13, 2008 the amount of US \$75,000, plus value added tax; and
- On or before July 13, 2008 the amount of US \$75,000, plus value added tax.

The property is subject to the following encumbrances to the titleholders:

- (i) A payment of US \$1 plus value added tax per ounce of measured recoverable gold and silver equivalent or other mineral based on a feasibility study;
- (ii) A 2.5% net smelter returns royalty of which 1.5% may be purchased for US \$1,000,000; and
- (iii) Advance royalty of US \$6,000 every three months subsequent to the assignment of the concessions.

(b) Gregory River Property, Newfoundland

By an agreement dated July 9, 2002, the Company acquired a 100% interest in 24 mineral claims. The Company has abandoned its interest and \$90,750 in acquisition costs was written off in 2004.

UC RESOURCES LTD.
Notes to Financial Statements
Years Ended June 30, 2005 and 2004

4. MINERAL INTERESTS (Continued)

(c) Botwood Basin Property, Newfoundland

The Company held a 100% interest in 166 mineral claims covering approximately 4,150 hectares. The Company has abandoned its interest and \$148,700 in acquisition costs was written off in 2004.

(d) Raglan 1 and Raglan 2 Claim Groups, Quebec

By two separate agreements dated March 24, 2003, the Company acquired the right to purchase a 100% interest in a 16-claim group and a 172-claim group covering over 18,000 acres in total. The Company has abandoned its interest and \$152,000 in acquisition costs was written off in 2004. During 2005, the 1,000,000 shares of the Company, valued at \$100,000 that were issued pursuant to these agreements, were returned to the Company's treasury.

5. INVESTMENT IN MINERAL PROPERTY SYNDICATE

The Company holds a 5.4% interest, represented by 153,194 shares of SVB Nickel Co. Ltd., in a mineral property syndicate holding mineral claims in the South Voisey Bay area of Newfoundland. The interest has been written down in prior years to a nominal carrying value of \$1.

6. CAPITAL STOCK

The authorized capital stock consists of 100,000,000 common shares without par value.

Issued and outstanding

	2005		2004	
	Number of Shares	Amount	Number of Shares	Amount
Balance, beginning of year	17,511,253	\$ 7,743,996	11,728,253	\$ 6,986,824
Issued during the year				
For cash				
Private placement	0	0	3,050,000	446,000
Exercise of options	1,167,000	158,085	1,133,000	116,415
Exercise of warrants	65,000	13,650	1,350,000	135,000
	1,232,000	171,735	5,533,000	697,415
Non-cash				
For option compensation	0	58,386	0	27,257
For mineral properties	491,000	117,840	250,000	32,500
For loan bonuses	377,776	62,000	0	0
Returned to treasury (note 4(d))	(1,000,000)	(100,000)	0	0
	1,100,776	309,961	5,783,000	757,172
Balance, end of year	18,612,029	8,053,957	17,511,253	7,743,996

UC RESOURCES LTD.
Notes to Financial Statements
Years Ended June 30, 2005 and 2004

6. CAPITAL STOCK (Continued)

(a) Stock options

A summary of the status of the Company's stock options at June 30, 2005 and the changes during the year then ended is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding as at June 30, 2004	1,167,000	\$ 0.120
Granted	1,909,000	\$ 0.203
Exercised	(1,167,000)	\$ 0.135
Expired	0	\$ 0.000
Outstanding and exercisable as at June 30, 2005	1,909,000	\$ 0.209

The following summarizes information about stock options outstanding at June 30, 2005:

Options Outstanding and Exercisable		
Number of Shares	Expiry Date	Exercise Price
684,000	November 8, 2006	\$0.135
1,225,000	November 22, 2006	\$0.250
1,909,000		

A summary of the status of the Company's stock options at June 30, 2004 and the changes during the year then ended is as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding as at June 30, 2003	600,000	\$ 0.100
Granted	1,700,000	\$ 0.150
Exercised	(1,133,000)	\$ 0.100
Expired	0	\$ 0.000
Outstanding and exercisable as at June 30, 2004	1,167,000	\$ 0.120

UC RESOURCES LTD.
Notes to Financial Statements
Years Ended June 30, 2005 and 2004

6. CAPITAL STOCK (Continued)

(b) Warrants

As at June 30, 2005, the Company had no outstanding warrants issued.

Exercise Price	Expiry Date	Outstanding at June 30, 2004	Issued	Exercised	Expired	Outstanding at June 30, 2005
\$0.210	April 15, 2005	1,525,000	0	65,000	1,460,000	0

(c) Stock-based compensation

Pursuant to the CICA standard of accounting for stock-based compensation (note 2(f)), the fair value of new stock options granted, in the amount of \$202,068, has been recorded as an expense in the year and \$58,386 was transferred to capital stock on the exercise of stock options.

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

Risk-free interest rate	3.20%
Expected dividend yield	0
Expected stock price volatility	77% - 88%
Expected option life in years	2

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.

7. LOANS PAYABLE

The Company received \$310,000 in operating funds in the form of loans from three lenders, including \$50,000 from a company related by a common director. The term of the loans was one year with interest at 8% per annum.

The Company's intention is to retire these loans upon the completion of a private placement. In consideration of the loans, the Company issued 377,776 common shares as a bonus at a deemed value of \$62,000, which has been charged to interest expense. An additional \$13,000 was loaned to the Company by way of direct payment of expenses on behalf of the Company. Subsequent to June 30, 2005, the Company has retired \$273,000 of the outstanding principal through cash payments and conversion of principal (as per the agreement) to common shares, through the private placement (note 12(d)).

UC RESOURCES LTD.
Notes to Financial Statements
Years Ended June 30, 2005 and 2004

8. RELATED PARTY TRANSACTIONS

During the year, the Company paid \$18,000 (2004 - \$18,000) for rent and administration, \$78,100 (2004 - \$12,000) for consulting, and \$13,580 for vehicle lease to companies controlled by the President and Vice-President. During the year, the Company paid other officers and directors a total of \$14,500 (2004 - \$10,000) for directors' fees.

A company related by a common director loaned the Company \$50,000, with interest at 8% per annum and paid a further \$13,000 in expenses on behalf of the Company. The Company issued 88,888 common shares valued at \$10,000 as a bonus in consideration of the loan.

9. INCOME TAXES

The components of the future income tax assets at statutory rates to the reported income tax provision are as follows:

	2005	2004
Income tax rate	35.62%	35.62%
Future income tax assets		
Tax loss carry forwards	\$ 688,535	\$ 716,097
Temporary differences on assets	1,379,030	1,412,201
Valuation allowance	(2,067,565)	(2,128,298)
Net future income tax assets	\$ 0	\$ 0

The valuation allowance reflects the Company's estimate that the tax assets more likely than not will not be realized. The Company has accumulated non-capital losses for income tax purposes of approximately \$1,933,000. The losses expire in the following years:

2007	\$ 721,000
2008	294,000
2009	134,000
2010	107,000
2011	328,000
2015	349,000
	\$ 1,933,000

UC RESOURCES LTD.
Notes to Financial Statements
Years Ended June 30, 2005 and 2004

9. INCOME TAXES (Continued)

The future benefits of these losses and deductions have not been recorded in the accounts. A reconciliation of income tax provision computed at statutory rates to the reported income tax provision is provided as follows:

	2005	2004
Income tax rate	35.62%	35.62%
Income tax benefit computed at Canadian statutory rates	\$ 179,180	\$ 292,298
Temporary differences not recognized in the year	(84,193)	(197,396)
Unrecognized tax losses	(94,987)	(94,902)
	\$ 0	\$ 0

10. SEGMENTED DISCLOSURE

As at June 30, 2005, the Company has one operating segment, resource property exploration and development. The Company's mineral interests are located in Mexico and its fixed assets are located in Canada. Assets by location are as follows

	2005	2004
Canada	\$ 39,144	\$ 320,600
Mexico	1,246,023	230,358
	\$ 1,285,167	\$ 550,958

11. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current year's presentation.

12. SUBSEQUENT EVENTS

(a) Stock options

Stock options to acquire 1,225,000 shares at \$0.25 per share, expiring November 22, 2006, were re-priced to \$0.11 per share.

The Company received \$124,500 and issued 1,075,000 common shares on the exercise of stock options issued to directors, employees and consultants.

The Company granted stock options to directors, officers, employees and consultants to issue up to 1,760,000 common shares at \$0.11 per share for a period of two years.

(b) Private placements

The Company received proceeds of \$1,809,500 for a private placement of 18,095,000 units and incurred expenses of \$139,160 in the form of finder's fees for net proceeds of \$1,670,340. Each unit consists of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.125 per share, on or before February 22, 2007.

(c) Company officers

The Company has appointed a new President and a new Vice-President of exploration.

(d) Loans payable

Loan principal in the amount of \$210,000 has been converted to a private placement of common shares. The lender company received 2,100,000 at \$0.10 per share in exchange for the principal balance and was part of the private placement announced June 27, 2005 that completed on August 25, 2005.

(e) Management contracts

The Company has entered into two consulting contracts, with the President and an employee, to provide services related to corporate development and exploration and development of resource properties, in the aggregate amount of \$12,000 per month.