

MOUNTAIN BOY MINERALS LTD.
REPORT AND FINANCIAL STATEMENTS
November 30, 2005 and 2004

AUDITORS' REPORT

To the Shareholders
Mountain Boy Minerals Ltd.

We have audited the balance sheets of Mountain Boy Minerals Ltd. as at November 30, 2005 and 2004 and the statements of loss 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 November 30, 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.

Vancouver, Canada
March 9, 2006

"AMISANO HANSON"
Chartered Accountants

MOUNTAIN BOY MINERALS LTD.
BALANCE SHEETS
November 30, 2005 and 2004

	<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Current			
Cash		\$ 40,862	\$ 160,387
Accounts receivable		104,905	3,438
Mining tax credit receivable		-	16,031
GST receivable		48,679	11,526
Prepaid expenses		<u>4,000</u>	<u>-</u>
		198,446	191,382
Deposits		24,873	24,873
Capital assets – Notes 3 and 6		43,702	34,136
Resource properties – Schedule I, Notes 4, 6, 7 and 9		2,114,732	1,658,319
Advance on resource property agreement – Note 4		<u>-</u>	<u>24,500</u>
		<u>\$ 2,381,753</u>	<u>\$ 1,933,210</u>

LIABILITIES

Current			
Accounts payable– Note 6		\$ 282,212	\$ 86,384
Due to related parties – Note 6		<u>100</u>	<u>11,400</u>
		<u>282,312</u>	<u>97,784</u>

SHAREHOLDERS' EQUITY

Share capital – Notes 5, 6 and 9	2,884,997	2,590,328
Obligation to issue shares – Notes 4 and 9	120,000	-
Contributed surplus	418,644	100,133
Deficit	<u>(1,324,200)</u>	<u>(855,035)</u>
	<u>2,099,441</u>	<u>1,835,426</u>
	<u>\$ 2,381,753</u>	<u>\$ 1,933,210</u>

Nature and Continuance of Operations – Note 1
Commitments – Notes 4 and 5
Subsequent Events – Notes 4 and 9

APPROVED BY THE DIRECTORS:

<u>“Martin Kasum”</u> Martin Kasum	Director	<u>“Randolph Kasum”</u> Randolph Kasum	Director
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SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
STATEMENTS OF LOSS AND DEFICIT
for the years ended November 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
General and Administrative Expenses		
Accounting and auditing fees	\$ 32,475	\$ 34,050
Amortization	15,591	9,685
Bank charges and interest	363	663
Consulting fees	1,525	12,570
Filing fees	12,421	6,694
Investor relations	21,819	-
Legal fees	22,435	44,034
Management fees – Note 6	24,000	24,000
Office and miscellaneous	18,829	21,782
Promotion and trade show	-	27,452
Stock-based compensation – Note 5	345,141	100,133
Telephone	5,752	5,758
Transfer agent fees	<u>6,738</u>	<u>11,249</u>
Loss before other items and income tax provision	(507,089)	(298,070)
Other items:		
Write-off of resource property costs – Note 4	-	(187,145)
Interest income	1,393	665
Drilling income	-	15,110
Settlement of lawsuit	<u>-</u>	<u>25,000</u>
Loss before income tax provision	(505,696)	(444,440)
Recovery of future income tax asset	<u>36,531</u>	<u>-</u>
Net loss for the year	(469,165)	(444,440)
Deficit, beginning of year	<u>(855,035)</u>	<u>(410,595)</u>
Deficit, end of year	<u>\$ (1,324,200)</u>	<u>\$ (855,035)</u>
Basic and diluted loss per share	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>
Weighted average number of shares outstanding	<u>15,276,785</u>	<u>12,625,462</u>

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
STATEMENTS OF CASH FLOWS
for the years ended November 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating Activities		
Net loss for the year	\$ (469,165)	\$ (444,440)
Add (deduct) items not affecting cash:		
Amortization	15,591	9,685
Stock-based compensation	345,141	100,133
Recovery of future income tax asset	(36,531)	-
Write-off of resource property costs	<u>-</u>	<u>187,145</u>
	(144,964)	(147,477)
 Changes in working capital items related to operations:		
Accounts receivable	(122,589)	(21,508)
Prepaid expenses	(4,000)	3,995
Accounts payable	195,828	(11,696)
Due to related parties	<u>(11,300)</u>	<u>(21,276)</u>
	<u>(87,025)</u>	<u>(197,962)</u>
 Financing Activities		
Issuance of shares for cash	230,070	680,942
Decrease in advances payable	<u>-</u>	<u>(17,500)</u>
	<u>230,070</u>	<u>663,442</u>
 Investing Activities		
Increase in deposits	-	(2,873)
Increase in resource property costs (net)	(261,913)	(258,390)
Advances on resource property agreements	24,500	(24,500)
Acquisition of capital assets	<u>(25,157)</u>	<u>(23,076)</u>
	<u>(262,570)</u>	<u>(308,839)</u>
 Increase (decrease) in cash during the year	 (119,525)	 156,641
Cash, beginning of the year	<u>160,387</u>	<u>3,746</u>
Cash, end of the year	<u>\$ 40,862</u>	<u>\$ 160,387</u>
 Non-cash Transactions – Note 7		

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERAL LTD.
SCHEDULE OF RESOURCE PROPERTIES
for the years ended November 30, 2005 and 2004

Schedule 1

	Year ended November 30, 2005					<u>Total</u>
	<u>Mountain Boy</u>	<u>MacKenzie</u>	<u>Silver Coin/FR Kansas/Indi</u>	<u>Slippery Willow</u>	<u>Other Properties</u>	
Acquisition costs						
Balance, beginning of the year	\$ 746,158	\$ 91,393	\$ 15,220	\$ -	\$ 125,590	\$ 978,361
Cash	50,000	-	24,500	-	-	74,500
Shares (including obligations to issue shares)	120,000	-	24,500	50,000	-	194,500
Staking	<u>-</u>	<u>11,176</u>	<u>5,220</u>	<u>-</u>	<u>4,870</u>	<u>21,266</u>
Balance, end of the year	<u>916,158</u>	<u>102,569</u>	<u>69,440</u>	<u>50,000</u>	<u>130,460</u>	<u>1,268,627</u>
Deferred exploration and development costs						
Balance, beginning of the year	<u>294,264</u>	<u>59,287</u>	<u>264,276</u>	<u>-</u>	<u>62,131</u>	<u>679,958</u>
Assaying	-	15,922	82,413	-	-	98,335
Drilling, blasting and trenching	14,115	-	698,139	-	-	712,254
Geological	-	-	124,307	-	-	124,307
Labour	-	3,201	9,339	-	-	12,540
Road clearing	-	-	226,692	-	-	226,692
Supplies and miscellaneous	-	-	111,572	-	100	111,672
Trucking	-	-	17,881	-	-	17,881
Travel and accommodation	-	-	38,355	-	-	38,355
Less: optionee reimbursements	<u>-</u>	<u>-</u>	<u>(1,175,889)</u>	<u>-</u>	<u>-</u>	<u>(1,175,889)</u>
Balance, end of the year	<u>14,115</u>	<u>19,123</u>	<u>132,809</u>	<u>-</u>	<u>100</u>	<u>166,147</u>
Balance, end of the year	<u>308,379</u>	<u>78,410</u>	<u>397,085</u>	<u>-</u>	<u>62,231</u>	<u>846,105</u>
Total costs, November 30, 2005	<u>\$ 1,224,537</u>	<u>\$ 180,979</u>	<u>\$ 466,525</u>	<u>\$ 50,000</u>	<u>\$ 192,691</u>	<u>\$ 2,114,732</u>

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SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERAL LTD.
SCHEDULE OF RESOURCE PROPERTIES
for the years ended November 30, 2005 and 2004

Schedule 1 – (cont'd)

	Year ended November 30, 2004					
	<u>Mountain Boy</u>	<u>Georgia River</u>	<u>MacKenzie</u>	<u>Silver Coin/FR Indi</u>	<u>Other Properties</u>	<u>Total</u>
Acquisition costs						
Balance, beginning of the year	\$ 745,338	\$ 35,809	\$ 88,613	\$ 3,740	\$ 69,230	\$ 942,730
Cash	-	-	-	8,000	-	8,000
Shares	-	-	-	-	50,750	50,750
Staking	820	809	7,780	3,480	5,610	18,499
Less: cash received pursuant to option agreement	-	-	(5,000)	-	-	(5,000)
Less: amounts written-off	-	(36,618)	-	-	-	(36,618)
Balance, end of the year	<u>746,158</u>	<u>-</u>	<u>91,393</u>	<u>15,220</u>	<u>125,590</u>	<u>978,361</u>
Deferred exploration and development costs						
Balance, beginning of the year	<u>294,264</u>	<u>157,315</u>	<u>29,396</u>	<u>51,238</u>	<u>62,131</u>	<u>594,344</u>
Assaying	-	-	5,423	54,704	-	60,127
Drilling and blasting	-	-	3,500	66,893	-	70,393
Geological	-	1,400	17,050	88,845	-	107,295
Labour	-	-	-	179,371	-	179,371
Road clearing	-	-	-	38,927	-	38,927
Supplies and miscellaneous	-	-	-	44,352	-	44,352
Trucking	-	-	-	34,793	-	34,793
Travel and accommodation	-	-	6,850	35,064	-	41,914
Less: optionee reimbursements	-	-	-	(325,000)	-	(325,000)
	<u>-</u>	<u>1,400</u>	<u>32,823</u>	<u>217,949</u>	<u>-</u>	<u>252,172</u>
Total before tax credits and amounts written off	294,264	158,715	62,219	269,187	62,131	846,516
Less: mining tax credit received	-	(8,188)	(2,932)	(4,911)	-	(16,031)
Less: amounts written-off	-	(150,527)	-	-	-	(150,527)
Balance, end of the year	<u>294,264</u>	<u>-</u>	<u>59,287</u>	<u>264,276</u>	<u>62,131</u>	<u>679,958</u>
Total costs, November 30, 2004	<u>\$ 1,040,422</u>	<u>\$ -</u>	<u>\$ 150,680</u>	<u>\$ 279,496</u>	<u>\$ 187,721</u>	<u>\$ 1,658,319</u>

SEE ACCOMPANYING NOTES

MOUNTAIN BOY MINERALS LTD.
NOTES TO THE FINANCIAL STATEMENTS
November 30, 2005 and 2004

Note 1 Nature and Continuance of Operations

The Company was incorporated under the laws of the Province of British Columbia on April 26, 1999 and is listed for trading on the TSX Venture Exchange.

The Company is in the development stage and is in the process of exploring and developing its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development of the resource properties and upon future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At November 30, 2005, the Company has a working capital deficiency of \$83,866, had not yet achieved profitable operations, has accumulated losses of \$1,324,200 since its inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Summary of Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates that have been made using careful judgement. Actual results may differ from these estimates.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Note 2 Summary of Accounting Policies – (cont'd)

a) Financial Instruments

The carrying values of cash, accounts receivable, accounts payable and due to related parties approximate their fair values due to the short maturity of those instruments. The carrying value of deposits also approximates their fair value. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

b) Capital Assets and Amortization

Capital assets are recorded at cost. The Company provides for amortization using the declining balance method at the rate of 30% per annum.

c) Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

d) Mining Tax Credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related deferred exploration expenditures.

Note 2 Summary of Accounting Policies – (cont'd)

e) Basic and Diluted Loss Per Share

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the “if converted” method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

f) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely than not that they can be realized.

g) Flow-through Shares

Under the terms of flow-through share agreements, the related expenditures are renounced to the subscribers of such shares. In March 2004, the CICA issued Emerging Issue Committee Abstract No. 146, Flow-through Shares, which clarifies the recognition of previously unrecorded future income tax assets caused by renouncement of expenditures relating to flow-through shares. For flow-through shares issued after March 19, 2004, the Company records the tax effect related to the renounced deductions as a reduction of income tax expense in the statement of operations on the date that the Company renounces the deductions for investors.

h) Stock-based Compensation

The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these 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 share purchase options.

Note 2 Summary of Accounting Policies – (cont'd)

i) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at November 30, 2005.

j) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At November 30, 2005, the Company cannot reasonably estimate the fair value of the resource properties' site restoration costs, if any.

Note 3 Capital Assets – Note 6

	2005		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Equipment	\$ 49,476	\$ 39,028	\$ 10,448
Vehicles	<u>50,757</u>	<u>17,503</u>	<u>33,254</u>
	<u>\$ 100,233</u>	<u>\$ 56,531</u>	<u>\$ 43,702</u>
	2004		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Equipment	\$ 49,476	\$ 34,550	\$ 14,926
Vehicles	<u>25,600</u>	<u>6,390</u>	<u>19,210</u>
	<u>\$ 75,076</u>	<u>\$ 40,940</u>	<u>\$ 34,136</u>

Note 4 Resource Properties – Note 7

a) Mountain Boy Property

The Company has a 100% interest in seven claims representing 41 units located in the Skeena Mining Division of British Columbia.

As at November 30, 2004, the Company had a 50% interest in the properties and pursuant to an option agreement dated January 12, 2004, an option to acquire the remaining 50% interest for consideration of \$237,500 (\$25,000 paid). However, pursuant to an agreement dated November 30, 2005, the Company agreed to purchase the remaining 50% interest for consideration of \$25,000 (paid) and the issue of 250,000 common shares of the Company (issued subsequent to November 30, 2005).

The property is subject to a 2% net smelter return which may be purchased for \$1,000,000, or one half of which may be purchased for \$500,000.

b) Georgia River Property

During the year ended November 30, 2004, management decided not to proceed further with an option agreement to acquire an interest in the property and accordingly, wrote-off total costs incurred of \$187,145.

c) MacKenzie Property

The Company has a 100% interest in the Mackenzie Property, a group of 95 mineral claims located in the Cariboo Mining Division of British Columbia which it acquired during the year ended November 30, 2003 for cash consideration of \$36,725 and the issue of 515,880 shares of the Company. During the year ended November 30, 2004, the Company granted an option to another company to conduct exploration tests for which the Company received \$5,000. The results of the testing were negative and the option agreement was terminated during the year ended November 30, 2004.

d) Silver Coin, FR, Indi and Kansas Properties

The Company has a 100% interest in the Silver Coin Property, a group of eight reverted Crown-granted claims located 25 kilometres north of Stewart, British Columbia. In addition, the Company staked 12 claims that are contiguous to the reverted Crown-granted claims.

Pursuant to an option agreement dated March 26, 2004, the Company acquired the right to earn an undivided 55% interest in four mineral claims known as the Indi property located in the Skeena Mining Division of British Columbia. To earn the 55% interest the Company paid \$8,000 upon signing the agreement and must carry out sufficient exploration and development work on the claims to keep them in good standing.

Note 4 Resource Properties – Note 7 – (cont'd)

d) Silver Coin, FR, Indi and Kansas Properties – (cont'd)

By an agreement dated July 29, 2004, the Company granted another company the option to earn up to 51% of the Company's interest in the Silver Coin, FR and Indi properties by incurring \$1,750,000 on exploration expenditures by the following dates:

- \$250,000 on or before October 15, 2004 (incurred);
- \$500,000 on or before October 15, 2005 (incurred);
- \$1,000,000 on or before October 16, 2006.

The Company has been acting as operator. Once the option has been fully earned, the Company and the optionee will form a joint venture for further development of the properties. In addition, the optionee has the right to earn an additional 9% interest in the properties by bringing one of the properties into production. Under the terms of the option agreement, if either the Company or the optionee acquires properties within 10 km of the Silver Coin properties, such additional properties will be part of the joint venture. The Kansas property subsequently acquired, as disclosed below, is included in properties to the option agreement.

By an agreement dated April 19, 2005, the Company entered into an agreement to acquire 49% of the vendor's 70% interest in the Kansas property, which consists of a Crown-granted claim that is contiguous to the Company's Silver Coin property. As consideration, the Company paid \$24,500 cash (which was advanced as of November 30, 2004) and issued 98,000 common shares of the Company. The vendor's 70% interest in the property is subject to an underlying option agreement requiring the vendor to incur \$1,000,000 in exploration expenditures over a four year period ending October 13, 2008.

e) Slippery Willow Property

By an agreement dated August 16, 2005, the Company entered into an agreement to acquire from a director a 100% interest in the Slippery Willow property, which consists of three mineral claims situated in the Skeena Mining Division in the Province of British Columbia. As consideration, the Company issued 200,000 common shares of the Company.

f) Other Properties

The Company has a 100% interest in 33 mineral claims located in the Skeena Mining Division of British Columbia consisting of the LRJ #6 Property, the FDR/Ben Ali Property, the Stro 1-3 and Dave Property. The LRJ #6 Property is subject to a 1% net smelter royalty to a maximum of \$500,000. During the year ended November 30, 2004 the Company staked an additional four claims, Big Red 1 – 4, and purchased the Abpal #1 claim for consideration consisting of 200,000 shares valued at \$50,000.

Note 5 Share Capital – Notes 6 and 9

Authorized:

Unlimited number of common shares without par value

Issued:

		<u>Number</u>	<u>Amount</u>
Balance, November 30, 2003		9,249,061	\$ 1,698,191
For debt settlements	- at \$0.11	1,465,410	161,195
For resource property acquisitions	- at \$0.25	200,000	50,000
For cash:			
Private placement	- at \$0.24	208,300	49,992
Private placement	- at \$0.30	343,000	102,900
Private placement	- at \$0.25	723,000	180,750
Private placement	- at \$0.18	834,778	150,260
Share issue costs		-	(5,000)
Exercise of share purchase options	- at \$0.10	120,000	12,000
Exercise of share purchase options	- at \$0.14	130,000	18,200
Exercise of share purchase warrants	- at \$0.10	185,000	18,500
Exercise of share purchase warrants	- at \$0.20	75,777	15,155
Exercise of share purchase warrants	- at \$0.25	302,778	75,695
Exercise of share purchase warrants	- at \$0.30	<u>208,300</u>	<u>62,490</u>
Balance, November 30, 2004		14,045,404	2,590,238
For cash:			
Pursuant to exercise of share purchase options	- at \$0.10	890,000	89,000
Pursuant to exercise of share purchase options	- at \$0.14	28,000	3,920
Pursuant to exercise of share purchase options	- at \$0.20	35,000	7,000
Pursuant to exercise of share purchase options	- at \$0.22	100,000	22,000
Pursuant to exercise of share purchase warrants	- at \$0.10	215,000	21,500
Pursuant to exercise of share purchase warrants	- at \$0.20	33,250	6,650
Pursuant to exercise of share purchase warrants	- at \$0.25	320,000	80,000
For resource property acquisitions		298,000	74,500
Transfer from contributed surplus on exercise of share purchase options		-	26,630
Recovery of future income tax asset		<u>-</u>	<u>(36,531)</u>
Balance, November 30, 2005		<u>15,964,654</u>	<u>\$ 2,884,997</u>

Note 5 Share Capital – Notes 6 and 9 – (cont'd)

Commitments:

Stock-based Compensation Plan

The Company has granted directors, employees and consultants common share purchase options. These options are granted with an exercise price equal to the market price of the Company's shares on the date of the grant. Under the stock option plan, 25% of the options vest when granted and 12½ % vest every three months thereafter.

A summary of the stock option plan is presented below:

	Years ended November 30,			
	2005		2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of the year	2,340,000	\$0.19	1,586,000	\$0.11
Granted	1,689,000	\$0.39	1,004,000	\$0.30
Exercised	(1,053,000)	\$0.12	(250,000)	\$0.12
Expired	<u>(100,000)</u>	\$0.22	<u>-</u>	
Outstanding, end of the year	<u>2,876,000</u>	\$0.32	<u>2,340,000</u>	\$0.19
Exercisable, end of the year	<u>1,836,378</u>	\$0.24	<u>1,624,625</u>	\$0.15

During the year ended November 30, 2005, stock-based compensation expense of \$322,252 (2004: \$100,133) was recorded. The weighted average fair value of share purchase options granted of \$0.28 (2004: \$0.19) per option has been determined using the Black-Scholes option pricing model with the following assumptions:

	<u>2005</u>	<u>2004</u>
Expected dividend yield	0.0%	0.0%
Expected volatility	88-110%	86-112%
Risk-free interest rate	2.48-3.71%	1.98-3.38%
Expected term in years	5 years	2-5 years

As at November 30, 2005, there are 2,876,000 director, employee and consultants share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Note 5 Share Capital – Notes 6 and 9 – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

<u>Number</u>	<u>Price</u>	<u>Expiry</u>
40,000	\$0.28	February 4, 2006
197,000	\$0.10	January 4, 2007
145,000	\$0.10	February 5, 2008
41,000	\$0.14	November 13, 2008
100,000	\$0.28	February 4, 2009
314,000	\$0.33	June 25, 2009
250,000	\$0.25	September 3, 2009
300,000	\$0.33	November 30, 2009
364,000	\$0.25	December 13, 2009
375,000	\$0.22	December 22, 2009
250,000	\$0.22	April 1, 2010
<u>500,000</u>	<u>\$0.69</u>	<u>September 1, 2010</u>
<u>2,876,000</u>		

Note 6 Related Party Transactions

The Company incurred the following charges with directors or companies with directors in common:

	Years ended November 30,	
	<u>2005</u>	<u>2004</u>
Acquisition of capital assets	\$ -	\$ 3,000
Resource properties		
Deferred exploration costs		
Field supplies	25,848	2,535
Geological	96,251	34,550
Labour	-	22,815
Management fees	<u>24,000</u>	<u>24,000</u>
	<u>\$ 146,099</u>	<u>\$ 86,900</u>

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

Note 6 Related Party Transactions – (cont'd)

The following amounts are owing to directors of the Company or to companies with directors in common:

	November 30,	
	<u>2005</u>	<u>2004</u>
Accounts payable	\$ 17,026	\$ 20,245
Due to related parties	<u>100</u>	<u>11,400</u>
	<u>\$ 17,126</u>	<u>\$ 31,645</u>

Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

During the year ended November 30, 2005, 914,000 common shares were issued to directors of the Company pursuant to stock options exercised at various prices from \$0.10 to \$0.14 per share and 100,000 common shares were issued to a director of the Company pursuant to warrants exercised at \$0.10 per share for total proceeds of \$102,360.

During the year ended November 30, 2005, 200,000 common shares were issued to a director of the Company pursuant to a resource property acquisition.

During the year ended November 30, 2004 the Company issued 1,076,320 common shares at \$0.11 per share to directors and officers and private companies with directors in common to settle accounts payable totalling \$118,395.

During the year ended November 30, 2004, included in private placements were 168,000 common shares at \$0.25 - \$0.30 per share issued to directors and/or private companies controlled by directors for total consideration of \$45,000.

Note 7 Non-Cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows:

For the year ended November 30, 2005:

- a) Pursuant to mineral property acquisition agreements, the Company issued 298,000 common shares valued at \$74,900 and at November 30, 2005, was obligated to issue 250,000 shares valued at \$120,000.

Note 7 Non-Cash Transactions – (cont'd)

- b) The Company transferred \$26,630 from contributed surplus to share capital on exercise of share purchase options.

For the year ended November 30, 2004:

- a) The Company issued 1,465,310 common shares at \$0.11 per share to settle accounts payable of \$121,195 and due to related parties of \$40,000.
- b) Pursuant to mineral property acquisition agreements the Company issued 200,000 common shares valued at \$50,000.

Note 8 Corporation Income Taxes

At November 30, 2005, the Company has accumulated Canadian Exploration and Development Expenses of \$2,109,204 and has accumulated non-capital losses totalling \$331,414, which are available to reduce taxable income of future years. The non-capital losses expire as follows:

2006	\$	5,742
2007		24,977
2010		151,604
2014		<u>149,091</u>
	\$	<u>331,414</u>

Canadian Exploration expenses of \$102,557 renounced to investors are not available for deduction by the Company. The significant components of the Company's future tax assets are as follows:

	<u>2005</u>	<u>2004</u>
Temporary differences – capital assets	\$ 19,786	\$ 14,329
Exploration and development expenses	(1,935)	108,421
Non-capital losses	<u>115,995</u>	<u>10,752</u>
	133,846	133,502
Valuation allowance	<u>(133,846)</u>	<u>(133,502)</u>
	<u>\$ -</u>	<u>\$ -</u>

Note 9 Subsequent Events

Subsequent to November 30, 2005:

- a) the Company issued 250,000 shares valued at \$120,000 pursuant to the obligation for the acquisition of a resource property.
- b) the Company issued 210,000 shares at \$0.33 per share and \$0.28 per share pursuant to the exercise of share purchase options for total proceeds of \$67,300.
- c) The Company granted two consultants of the Company share purchase options to purchase 200,000 shares of the Company at \$0.64 per share expiring February 9, 2008.
- d) The Company entered into an investor relation agreement and agreed to pay \$5,000 per month for a period of six months. In addition, the Company issued share purchase options to acquire 200,000 shares of the Company at \$0.64 per share exercisable to February 9, 2008.

Note 10 Comparative Figures

Certain comparative figures for the year ended November 30, 2004 had been reclassified to conform with the current year presentation.