

**MOUNTAIN BOY MINERALS LTD.**  
**REPORT AND FINANCIAL STATEMENTS**  
November 30, 2006 and 2005

**AUDITORS' REPORT**

To the Shareholders  
Mountain Boy Minerals Ltd.

We have audited the balance sheets of Mountain Boy Minerals Ltd. as at November 30, 2006 and 2005 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, 2006 and 2005 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 26, 2007

**"AMISANO HANSON"**  
Chartered Accountants

**MOUNTAIN BOY MINERALS LTD.**  
**BALANCE SHEETS**  
November 30, 2006 and 2005

|   | <u>ASSETS</u> | <u>2006</u>         | <u>2005</u>         |
|---|---------------|---------------------|---------------------|
| Current   |               |                     |                     |
| Cash and cash equivalents                             |               | \$ 1,306,124        | \$ 40,862           |
| Accounts receivable                                   |               | 12,884              | 104,905             |
| GST receivable  |               | 12,517              | 48,679              |
| Prepaid expenses                                      |               | <u>5,000</u>        | <u>4,000</u>        |
|   |               | 1,336,525           | 198,446             |
| Reclamation deposits                                  |               | 35,054              | 24,873              |
| Property and equipment – Note 3                       |               | 377,016             | 43,702              |
| Resource properties – Schedule 1, Notes 4, 6, 7 and 9 |               | <u>4,273,376</u>    | <u>2,114,732</u>    |
|   |               | <u>\$ 6,021,971</u> | <u>\$ 2,381,753</u> |

**LIABILITIES**

|   |  |                |                |
|---|--|----------------|----------------|
| Current   |  |                |                |
| Accounts payable and accrued liabilities – Note 6 |  | \$ 197,854     | \$ 282,212     |
| Due to related parties – Note 6                   |  | <u>-</u>       | <u>100</u>     |
|   |  | <u>197,854</u> | <u>282,312</u> |

**SHAREHOLDERS' EQUITY**

|                                     |                     |                     |
|-------------------------------------|---------------------|---------------------|
| Share capital – Notes 5 and 9       | 6,992,586           | 2,884,997           |
| Obligation to issue shares – Note 4 | -                   | 120,000             |
| Contributed surplus                 | 1,035,129           | 418,644             |
| Deficit                             | <u>(2,203,598)</u>  | <u>(1,324,200)</u>  |
|                                     | <u>5,824,117</u>    | <u>2,099,441</u>    |
|                                     | <u>\$ 6,021,971</u> | <u>\$ 2,381,753</u> |

Commitments – Notes 4 and 5  
Subsequent Events – Notes 4 and 9

APPROVED BY THE DIRECTORS:

|   |          |   |          |
|---|----------|---|----------|
| <u>“Frank Kamermans”</u><br>Frank Kamermans | Director | <u>“Randolph Kasum”</u><br>Randolph Kasum | Director |
|---|----------|---|----------|

SEE ACCOMPANYING NOTES

**MOUNTAIN BOY MINERALS LTD.**  
**STATEMENTS OF LOSS AND DEFICIT**  
for the years ended November 30, 2006 and 2005

|  | <u>2006</u>           | <u>2005</u>           |
|--|-----------------------|-----------------------|
| General and administrative expenses              |                       |                       |
| Accounting and audit fees                        | \$ 68,406             | \$ 32,475             |
| Amortization                                     | 23,054                | 15,591                |
| Consulting fees                                  | 10,000                | 1,525                 |
| Filing fees                                      | 24,075                | 12,421                |
| Investor relations                               | 63,856                | 21,819                |
| Legal fees                                       | 91,546                | 22,435                |
| Management fees – Note 6                         | 51,000                | 24,000                |
| Office and miscellaneous                         | 53,902                | 19,192                |
| Promotion and trade shows                        | 22,766                | -                     |
| Repairs and maintenance                          | 22,743                | -                     |
| Stock-based compensation – Note 5                | 418,357               | 345,141               |
| Telephone  | 11,316                | 5,752                 |
| Transfer agent fees                              | <u>9,000</u>          | <u>6,738</u>          |
| Loss before other items and income tax provision | (870,021)             | (507,089)             |
| Other items:                                     |                       |                       |
| Interest income                                  | 21,028                | 1,393                 |
| Fines and penalties                              | (29,166)              | -                     |
| Write-down of resource property costs – Note 4   | (33,479)              | -                     |
| Drilling income                                  | <u>32,240</u>         | <u>-</u>              |
| Loss before income tax provision                 | (879,398)             | (505,696)             |
| Recovery of future income tax asset              | <u>-</u>              | <u>36,531</u>         |
| Net loss for the year                            | (879,398)             | (469,165)             |
| Deficit, beginning of the year                   | <u>(1,324,200)</u>    | <u>(855,035)</u>      |
| Deficit, end of the year                         | <u>\$ (2,203,598)</u> | <u>\$ (1,324,200)</u> |
| Basic and diluted loss per share                 | <u>\$ (0.05)</u>      | <u>\$ (0.03)</u>      |
| Weighted average number of shares outstanding    | <u>19,289,536</u>     | <u>15,276,785</u>     |

SEE ACCOMPANYING NOTES

**MOUNTAIN BOY MINERALS LTD.**  
**STATEMENTS OF CASH FLOWS**  
for the years ended November 30, 2006 and 2005

|   | <u>2006</u>         | <u>2005</u>      |
|---|---------------------|------------------|
| <b>Operating Activities</b>                             |                     |                  |
| Net loss for the year                                   | \$ (879,398)        | \$ (469,165)     |
| Add (deduct) items not affecting cash:                  |                     |                  |
| Amortization  | 23,054              | 15,591           |
| Stock-based compensation                                | 418,357             | 345,141          |
| Recovery of future income tax asset                     | -                   | (36,531)         |
| Write-down of resource property costs                   | <u>33,479</u>       | <u>-</u>         |
|   | (404,508)           | (144,964)        |
| Changes in working capital items related to operations: |                     |                  |
| Accounts receivable                                     | 92,021              | (85,436)         |
| GST receivable  | 40,032              | (37,153)         |
| Prepaid expenses  | (1,000)             | (4,000)          |
| Accounts payable and accrued liabilities                | 39,547              | 195,828          |
| Due to related parties                                  | <u>(100)</u>        | <u>(11,300)</u>  |
|   | <u>(234,008)</u>    | <u>(87,025)</u>  |
| <b>Financing Activity</b>                               |                     |                  |
| Issuance of shares for cash                             | <u>4,058,816</u>    | <u>230,070</u>   |
| <b>Investing Activities</b>                             |                     |                  |
| Reclamation deposits                                    | (9,900)             | -                |
| Resource property costs                                 | (2,151,598)         | (261,913)        |
| Advances on resource property agreements                | -                   | 24,500           |
| Purchase of equipment                                   | <u>(398,048)</u>    | <u>(25,157)</u>  |
|   | <u>(2,559,546)</u>  | <u>(262,570)</u> |
| Increase (decrease) in cash during the year             | 1,265,262           | (119,525)        |
| Cash and cash equivalents, beginning of the year        | <u>40,862</u>       | <u>160,387</u>   |
| Cash and cash equivalents, end of the year              | <u>\$ 1,306,124</u> | <u>\$ 40,862</u> |
| Cash and cash equivalents consist of:                   |                     |                  |
| Cash  | \$ 124,663          | \$ 40,862        |
| Guaranteed investment certificate                       | 200,000             | -                |
| Funds held in lawyer's trust account                    | <u>981,461</u>      | <u>-</u>         |
|   | <u>\$ 1,306,124</u> | <u>\$ 40,862</u> |

Non-cash Transactions – Note 7

SEE ACCOMPANYING NOTES

**MOUNTAIN BOY MINERALS LTD.**  
**SCHEDULE OF RESOURCE PROPERTIES**  
for the year ended November 30, 2005

Schedule 1

|   | <u>MB</u>           | <u>MacKenzie</u>  | <u>Silver Coin/FR<br/>Kansas/Indi</u> | <u>Slippery<br/>Willow</u> | <u>Other<br/>Properties</u> | <u>Total</u>        |
|---|---------------------|-------------------|---------------------------------------|----------------------------|-----------------------------|---------------------|
| Property 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 obligation 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 – Note 6                           | -                   | -                 | 124,307                               | -                          | -                           | 124,307             |
| Labour  | -                   | 3,201             | 9,339                                 | -                          | -                           | 12,540              |
| Road clearing                                 | -                   | -                 | 226,692                               | -                          | -                           | 226,692             |
| Supplies and miscellaneous – Note 6           | -                   | -                 | 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>      |
|   | <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 MINERALS LTD.**  
**SCHEDULE OF RESOURCE PROPERTIES**  
for the year ended November 30, 2006

Schedule 1 – (cont'd)

|  | <u>Barbara</u>    | <u>MB</u>           | <u>MacKenzie</u>  | <u>Silver Coin/FR<br/>Kansas/Indi</u> | <u>Slippery<br/>Willow</u> | <u>Other<br/>Properties</u> | <u>Total</u>        |
|--|-------------------|---------------------|-------------------|---------------------------------------|----------------------------|-----------------------------|---------------------|
| Property acquisition costs                 |                   |                     |                   |                                       |                            |                             |                     |
| Balance, beginning of the year             | \$ -              | \$ 916,158          | \$ 102,569        | \$ 69,440                             | \$ 50,000                  | \$ 130,460                  | \$ 1,268,627        |
| Cash                                       | 45,000            | -                   | -                 | -                                     | -                          | -                           | 45,000              |
| Staking                                    | 1,940             | 1,518               | -                 | 15,134                                | -                          | -                           | 18,592              |
| Less: write-downs                          | <u>-</u>          | <u>-</u>            | <u>-</u>          | <u>-</u>                              | <u>-</u>                   | <u>(32,739)</u>             | <u>(32,739)</u>     |
| Balance, end of the year                   | <u>46,940</u>     | <u>917,676</u>      | <u>102,569</u>    | <u>84,574</u>                         | <u>50,000</u>              | <u>97,721</u>               | <u>1,299,480</u>    |
| Deferred exploration and development costs |                   |                     |                   |                                       |                            |                             |                     |
| Balance, beginning of the year             | <u>-</u>          | <u>308,379</u>      | <u>78,410</u>     | <u>397,085</u>                        | <u>-</u>                   | <u>62,231</u>               | <u>846,105</u>      |
| Amortization                               | 2,683             | 4,010               | -                 | 33,832                                | -                          | -                           | 40,525              |
| Assaying                                   | 6,969             | 1,446               | 45                | 97,223                                | -                          | 376                         | 106,059             |
| Drilling, blasting and trenching           | 85,372            | 127,559             | -                 | 1,074,242                             | -                          | 1,992                       | 1,289,165           |
| General and administration – Note 6        | -                 | -                   | -                 | 39,500                                | -                          | -                           | 39,500              |
| Geological – Note 6                        | 7,208             | -                   | -                 | 266,125                               | -                          | -                           | 273,333             |
| Helicopter                                 | 25,131            | 54,873              | -                 | 140,857                               | -                          | -                           | 220,861             |
| Labour                                     | 13,760            | 5,831               | -                 | 277,201                               | -                          | -                           | 296,792             |
| Road clearing                              | -                 | 6,386               | -                 | 19,098                                | -                          | 21,815                      | 47,299              |
| Supplies and miscellaneous – Note 6        | 34,343            | 44,764              | -                 | 374,751                               | -                          | -                           | 453,858             |
| Trucking                                   | -                 | 17,294              | -                 | 88,400                                | -                          | -                           | 105,694             |
| Travel and accommodation                   | 1,729             | 1,285               | -                 | 94,748                                | -                          | -                           | 97,762              |
| Less: optionee reimbursements              | -                 | -                   | -                 | (842,317)                             | -                          | -                           | (842,317)           |
| Less: write-downs                          | <u>-</u>          | <u>-</u>            | <u>-</u>          | <u>-</u>                              | <u>-</u>                   | <u>(740)</u>                | <u>(740)</u>        |
|  | <u>177,195</u>    | <u>263,448</u>      | <u>45</u>         | <u>1,663,660</u>                      | <u>-</u>                   | <u>23,443</u>               | <u>2,127,791</u>    |
| Balance, end of the year                   | <u>177,195</u>    | <u>571,827</u>      | <u>78,455</u>     | <u>2,060,745</u>                      | <u>-</u>                   | <u>85,674</u>               | <u>2,973,896</u>    |
|  | <u>\$ 224,135</u> | <u>\$ 1,489,503</u> | <u>\$ 181,024</u> | <u>\$ 2,145,319</u>                   | <u>\$ 50,000</u>           | <u>\$ 183,395</u>           | <u>\$ 4,273,376</u> |

SEE ACCOMPANYING NOTES

**MOUNTAIN BOY MINERALS LTD.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
November 30, 2006 and 2005

Note 1 Nature of Operations

The Company was incorporated under the laws of the Province of British Columbia on April 26, 1999 and its shares are 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.

Note 2 Significant Accounting Policies

These financial statements 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:

a) Cash and Equivalents

Cash and cash equivalents consists of all highly liquid investments that are readily convertible to cash and have maturities of three months or less when purchased.

b) Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and due to related parties approximate their fair values due to the short maturity of those instruments. The carrying value of reclamation deposits also approximates 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.

Note 2 Significant Accounting Policies – (cont'd)

c) Equipment and Amortization

Equipment is recorded at cost. The Company provides for amortization over the estimated useful lives of its equipment using the declining balance method at the following rates:

|                    |     |
|--------------------|-----|
| Building           | 4%  |
| Computers          | 30% |
| Drilling equipment | 30% |
| Mining equipment   | 30% |
| Office equipment   | 20% |
| Vehicles           | 30% |

The Company provides amortization at one-half the above rates in the year of acquisition. Amortization charges on equipment that is directly related to resource properties are allocated to that resource property.

d) 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.

e) 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     Significant Accounting Policies – (cont'd)

f)   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.

g)   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.

h)   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.

i)   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.

Note 2     Significant Accounting Policies – (cont'd)

i)   Stock-based Compensation – (cont'd)

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.

j)   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, 2006.

k)   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, 2006, the Company cannot reasonably estimate the fair value of the resource properties' site restoration costs, if any.

l)   Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitments to plan of action based on the then known facts.



Note 4     Resource Properties – (cont'd)

b) MB Property – (cont'd)

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 \$25,000 (paid) and 250,000 common shares of the Company at \$0.48 per share. These shares were recorded as an obligation to issue shares at 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.

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.

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.

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 15, 2006 (incurred).

Note 4     Resource Properties – (cont'd)

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

The Company and the optionee have agreed to 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, 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 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. Subsequent to November 30, 2006, the Company disposed of two claims for proceeds of \$25,000 and 120,000 common shares of the purchaser.

f) Other Properties

The Company has a 100% interest in mineral claims located in the Skeena Mining Division of British Columbia consisting of the LRJ #6 Property, the FDR/Ben Ali Property, the Dave Property, the Big Red 1-4 Property and the Abpal #2 claim. The LRJ #6 Property is subject to a 1% net smelter royalty to a maximum of \$500,000. During the year ended November 30, 2006, management decided not to pursue the LRJ #6 Property and accordingly wrote-down costs incurred of \$33,479.

Note 5     Share Capital – Note 9

Authorized:

Unlimited number of common shares without par value

Note 5 Share Capital – Note 9 – (cont'd)

Issued:

|   | <u>Number</u>     | <u>Amount</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>(36,531)</u>     |
| Balance, November 30, 2005  | 15,964,654        | 2,884,997           |
| For cash:   |                   |                     |
| Pursuant to exercise of share purchase options - at \$0.33              | 170,000           | 56,100              |
| Pursuant to exercise of share purchase options - at \$0.28              | 140,000           | 39,200              |
| Pursuant to exercise of compensation units - at \$0.50                  | 835               | 418                 |
| Pursuant to private placements - at \$0.65                              | 1,652,997         | 1,074,448           |
|   | - at \$0.60       | 4,653,898           |
|   | - at \$0.50       | 1,250,000           |
|   |                   | 625,000             |
| Less: share issue costs   | -                 | (795,001)           |
| Pursuant to debt settlement - at \$0.60                                 | 206,975           | 124,185             |
| Pursuant to acquisition of resource properties - at \$0.48              | 250,000           | 120,000             |
| Transfer from contributed surplus on exercise of share purchase options | -                 | <u>70,900</u>       |
| Balance, November 30, 2006  | <u>24,289,359</u> | <u>\$ 6,992,586</u> |

Commitments:

During the year ended November 30, 2006, the Company issued 1,652,997 units at \$0.65 per unit and 4,653,898 units at \$0.60 per unit. Each unit consists of one flow-through common share and one share purchase warrant exercisable into one common share. Proceeds received from the issue of flow-through shares must be used for exploration expenditures to be renounced in favour of the investors and the deduction will not be available to the Company. Each warrant is exercisable into one common share at \$0.75-0.85 expiring between March 28, 2008 and November 30, 2008. All of the proceeds received have been allocated to shares issued and no value was allocated to warrants.

Note 5 Share Capital – Note 9 – (cont'd)

Commitments – (cont'd)

During the year ended November 30, 2006, the Company also issued 1,250,000 units at \$0.50. Each unit consists of one common share and one share purchase warrant exercisable into one common share. Each warrant is exercisable into one common share at \$0.75 expiring between June 7, 2008 and July 6, 2008. All of the proceeds received have been allocated to shares issued and no value was allocated to warrants.

As at November 30, 2006, 7,557,730 share purchase warrants were outstanding. Each share purchase warrant entitles the holder to purchase one common share as follows:

| <u>Number</u>    | <u>Warrant Exercise Price</u> | <u>Warrant Expiry Date</u> |
|------------------|-------------------------------|----------------------------|
| 153,000          | \$0.80                        | March 28, 2008             |
| 833,332          | \$0.75                        | May 19, 2008               |
| 2,488,069        | \$0.75                        | June 7, 2008               |
| 500,000          | \$0.75                        | July 6, 2008               |
| 2,083,332        | \$0.85                        | July 12, 2008              |
| <u>1,499,997</u> | \$0.85                        | November 30, 2008          |
| <u>7,557,730</u> |                               |                            |

Compensation Units

During the year ended November 30, 2006, in connection with private placements, the Company issued 740,388 compensation units. Each compensation unit is exercisable at \$0.50 - \$0.60 per unit into one common share expiring between May 19, 2008 and November 30, 2008 and one warrant. Each warrant is exercisable into one common share at \$0.75 – \$0.85 per share expiring between May 19, 2008 and November 30, 2008. The fair value of the compensation units of \$269,027 was included in share issue costs. The value was determined using the Black-Scholes model with the assumptions disclosed below.

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.

Note 5 Share Capital – Note 9 – (cont'd)

Commitments – (cont'd)

Stock-based Compensation Plan – (cont'd)

A summary of the stock option plan is presented below:

|                                    | Years ended November 30, |  |                  |  |
|------------------------------------|--------------------------|--|------------------|--|
|                                    | 2006                     |  | 2005             |  |
|                                    | Shares                   | Weighted<br>Average<br>Exercise<br>Price | Shares           | Weighted<br>Average<br>Exercise<br>Price |
| Outstanding, beginning of the year | 2,876,00                 | \$0.32                                   | 2,340,000        | \$0.19                                   |
| Granted                            | 1,005,000                | \$0.59                                   | 1,689,000        | \$0.39                                   |
| Exercised                          | (310,000)                | \$0.31                                   | (1,053,000)      | \$0.12                                   |
| Expired/cancelled                  | <u>(200,000)</u>         | \$0.64                                   | <u>(100,000)</u> | \$0.22                                   |
| Outstanding, end of the year       | <u>3,371,000</u>         | \$0.38                                   | <u>2,876,000</u> | \$0.32                                   |
| Exercisable, end of the year       | <u>2,837,250</u>         | \$0.34                                   | <u>1,836,378</u> | \$0.24                                   |

During the year ended November 30, 2006, stock-based compensation expense of \$418,357 (2005: \$322,252) was recorded. The weighted average fair value of share purchase options granted of \$0.59 (2005: \$0.39) per option has been determined using the Black-Scholes option pricing model with the following assumptions:

|                         | <u>2006</u> | <u>2005</u> |
|-------------------------|-------------|-------------|
| Expected dividend yield | 0.0%        | 0.0%        |
| Expected volatility     | 88.3-119.5% | 88-110%     |
| Risk-free interest rate | 2.76-3.28%  | 2.48-3.71%  |
| Expected term in years  | 2-5 years   | 5 years     |

As at November 30, 2006, there are 3,371,000 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 – Note 9 – (cont'd)

Stock-based Compensation Plan – (cont'd)

| <u>Number</u>    | <u>Price</u>  | <u>Expiry</u>           |
|------------------|---------------|-------------------------|
| 197,000          | \$0.10        | January 4, 2007         |
| 145,000          | \$0.10        | February 5, 2008        |
| 200,000          | \$0.64        | February 9, 2008        |
| 100,000          | \$0.63        | July 5, 2008            |
| 41,000           | \$0.14        | November 13, 2008       |
| 144,000          | \$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           |
| 500,000          | \$0.69        | September 1, 2010       |
| 60,000           | \$0.60        | April 6, 2011           |
| 370,000          | \$0.51        | March 24, 2011          |
| <u>75,000</u>    | <u>\$0.70</u> | <u>October 19, 2011</u> |
| <u>3,371,000</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>2006</u>              | <u>2005</u>       |
| Resource properties        |                          |                   |
| Deferred exploration costs |                          |                   |
| Field supplies             | \$ 12,000                | \$ 25,848         |
| General and administration | 11,850                   | -                 |
| Geological                 | 122,251                  | 96,251            |
| Management fees            | <u>51,000</u>            | <u>24,000</u>     |
|                            | <u>\$ 197,101</u>        | <u>\$ 146,099</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>2006</u>  | <u>2005</u>      |
| Accounts payable       | \$ -         | \$ 17,026        |
| Due to related parties | <u>-</u>     | <u>100</u>       |
|                        | <u>\$ -</u>  | <u>\$ 17,126</u> |

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

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:

- a) During the year ended November 30, 2006, the Company issued 206,975 common shares valued at \$0.60 per share to settle accounts payable of \$124,185 and issued compensation units with warrants attached, valued at \$269,027.
- b) During the year ended November 30, 2005, the Company issued 298,000 common shares valued at \$74,900 and recorded an obligation to issue 250,000 shares valued at \$120,000 pursuant to a mineral property acquisition agreement.

Note 8 Corporation Income Taxes

At November 30, 2006, the Company has accumulated Canadian Exploration and Development Expenses of \$4,260,062 and has accumulated non-capital losses totalling \$730,181, which are available to reduce taxable income of future years. The non-capital losses expire as follows:

|      |                   |
|------|-------------------|
| 2007 | \$ 24,977         |
| 2010 | 151,604           |
| 2014 | 149,091           |
| 2026 | <u>404,509</u>    |
|      | <u>\$ 730,181</u> |

Note 8 Corporation Income Taxes – (cont'd)

Canadian Exploration expenses of \$102,557 renounced to investors during the year ended November 30, 2005 are not available for deduction by the Company. The significant components of the Company's future tax assets are as follows:

|  | <u>2006</u>      | <u>2005</u>      |
|--|------------------|------------------|
| Temporary differences – capital assets | \$ 33,653        | \$ 19,786        |
| Exploration and development expenses   | 9,284            | (1,935)          |
| Non-capital losses                     | <u>249,138</u>   | <u>115,995</u>   |
|  | 292,075          | 133,846          |
| Valuation allowance                    | <u>(292,075)</u> | <u>(133,846)</u> |
|  | <u>\$ _____</u>  | <u>\$ _____</u>  |

Note 9 Subsequent Events – Note 4

Subsequent to November 30, 2006:

- a) The Company issued 299,000 units at \$0.65 per unit for total proceeds of \$194,350. Each unit consists of one flow-through share and one non-flow through share purchase warrant. Each warrant entitles the holder to purchase one share at \$0.85 per share exercisable for two years. The Company incurred issue costs of \$5,818 and issued 17,900 compensation units. Each compensation unit is exercisable for two years from closing into one common share at \$0.60 per share and one warrant. Each warrant is exercisable into one common share at \$0.85 for two years from closing.
- b) The Company issued 467,000 shares at amounts of \$0.10 to \$0.25 per share pursuant to the exercise of share purchase options for total proceeds of \$85,100.
- c) The Company granted directors, officers and consultants share purchase options to purchase up to 1,511,000 shares at \$0.67 per share exercisable until January 26, 2012, 250,000 shares at \$0.69 per share exercisable until February 12, 2012 and 270,000 common shares at \$0.79 per share exercisable until March 6, 2011.
- d) The Company entered into an agreement to purchase a 100% interest in the Iceberg 1-23 claims for 200,000 common shares of the Company.
- e) The Company entered into an agreement to purchase a 100% interest in the Melt 1-27 claims for 200,000 common shares of the Company.
- f) The Company entered into an agreement to purchase a 100% interest in the Freeze 1-28 claims for 200,000 common shares of the Company. This agreement is subject to regulatory approval.

Note 10 Comparative Figures

Certain comparative figures as at November 30, 2005 and for the year then ended have been reclassified to conform with the November 30, 2006 financial statement presentation.