EAGLE PLAINS RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended
December 31, 2005

Deloitte.

Deloitte & Touche LLP
3000 Scotia Centre
700 Second Street S.W.
Calgary AB T2P 0S7
Canada

Tel: (403) 267-1700
Fax: (403) 264-2871
www.deloitte.ca

Auditors' Report

To the Shareholders of
Eagle Plains Resources Ltd.:

We have audited the balance sheet of Eagle Plains Resources Ltd. as at December 31, 2005 and the consolidated statements of operations and deficit and of 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 December 31, 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 comparative financial statements as at and for the year end December 31, 2004 were audited by another firm of Chartered Accountants which expressed an opinion without reservation on those financial statements in their report dated February 28, 2005.

(signed) "DELOITTE & TOUCHE LLP"

Calgary, Alberta
February 24, 2006

Chartered Accountants

Eagle Plains Resources Ltd.
Consolidated Balance Sheets

As at December 31	2005	2004
Assets		
Current		
Cash and cash equivalents	**$ 3,743,403**	$ 4,313,940
Accounts receivable	**1,189,741**	93,829
Mineral exploration tax credits recoverable	**36,690**	32,912
	4,969,834	4,440,681
Investments, at cost (Note 3)		
(Quoted market price - $1,746,350 (2004 - $1,319,030))	**1,107,034**	647,300
Deferred finance costs	**89,004**	-
Property and equipment (Note 4)	**143,628**	118,304
Mineral exploration properties (Note 5)	**4,217,756**	4,090,012
	$ 10,527,256	$ 9,296,297
Liabilities and Shareholders' Equity		
Current		
Accounts payable and accrued liabilities	**$ 260,241**	$ 192,482
Future income tax (Note 12)	**977,366**	1,675,188
	1,237,607	1,867,670
Shareholders' equity		
Equity (Note 6)	**13,433,396**	9,796,316
Deficit	**(4,143,747)**	(2,367,689)
	9,289,649	7,428,627
	$ 10,527,256	$ 9,296,297

Nature of operations (Note 1)
Commitments and Contingencies (Note 9)

On behalf of the Board:

"Signed" Director
Mr. Timothy J. Termuende

"Signed" Director
Mr. Glen J. Diduck

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

Eagle Plains Resources Ltd.
Consolidated Statements of Operations and Deficit

For the year ended December 31	**2005**	2004
Revenue		
Geological services	**$ 2,193,072**	$ 715,138
Expenses		
Services	**1,394,920**	495,354
Amortization	**47,539**	22,546
Salaries and subcontractors	**347,262**	67,817
Administration costs	**465,381**	256,708
Trade shows, travel and promotion	**422,825**	227,819
Stock compensation	**746,200**	475,441
Public company costs	**44,730**	22,598
Professional fees	**132,001**	74,671
Write down of mineral properties	**1,267,756**	188,556
	4,868,614	1,831,510
Loss before investment income (loss) and future income taxes	**(2,675,542)**	(1,116,372)
Investment income (loss)		
Write down of investments	**(52,550)**	-
Interest and other	**86,108**	44,449
Gain on sale of investments	**231,166**	288,646
	264,724	333,095
Loss before future income taxes	**(2,410,818)**	(783,277)
Future income tax recovery	**634,760**	282,000
Net loss for the year	**(1,776,058)**	(501,277)
Deficit, beginning of year	**(2,367,689)**	(1,866,412)
Deficit, end of year	**$ (4,143,747)**	$ (2,367,689)
Loss per share – basic and diluted	**$ (0.0415)**	$ (0.0145)
Weighted Average Number of Shares - basic	**42,771,045**	34,478,072

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

Eagle Plains Resources Ltd.
Consolidated Statements of Cash Flows

For the year ended December 31	2005	2004
Cash flows from operating activities		
Net loss for the year	$ (1,776,058)	$ (501,277)
Adjustments for :		
Amortization	47,539	15,045
Mineral properties written down	1,267,756	188,556
Stock compensation	746,200	475,441
Gain on sale of investments	(231,166)	(288,646)
Write down of investments	52,550	-
Loss on sale of equipment	634	-
Future income taxes	(697,822)	(282,000)
	(590,367)	(392,881)
Changes in non-cash working capital items		
Increase in accounts receivable	(1,095,912)	(80,325)
Increase in exploration tax credits recoverable	(3,778)	47,800
Increase in accounts payable	67,759	155,036
	(1,622,298)	(270,370)
Cash flows from financing activities		
Issue of shares for cash, net	2,639,629	5,413,380
Increase in deferred finance costs	(89,004)	-
	2,550,625	5,413,380
Cash flows from investing activities		
Proceeds from sale of investments	371,586	371,196
Development of mineral exploration properties	(1,796,955)	(1,852,024)
Purchase of equipment	(89,230)	(61,060)
Proceeds from disposal of equipment	15,735	-
	(1,498,864)	(1,541,888)
Increase (decease) in cash and cash equivalents	(570,537)	3,601,122
Cash, beginning of year	4,313,940	712,818
Cash, end of year	$ 3,743,403	$ 4,313,940

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

1. Nature of Operations

Eagle Plains Resources Limited (the "Company" or "Eagle Plains") was incorporated on March 30, 1994, pursuant to the Alberta Business Corporation Act (Alberta), and is extra provincially registered in the Yukon, British Columbia and the Northwest Territories. The Company is in the business of exploring for mineral resources and is actively exploring properties located in British Columbia, Yukon and the Northwest Territories.

Recoverability of the amounts shown for mineral exploration properties is 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 the necessary financing to complete the development, and attain profitable production or proceeds from the disposition of the properties in excess of the carrying amount.

2. Significant Accounting Policies

Management has prepared the consolidated financial statements of the Company in accordance with Canadian generally accepted accounting principles. The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Principles of consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Bootleg Exploration Inc.

b) Mineral exploration properties
Costs of acquisition, exploration and development of mineral properties are capitalized on an area-of-interest basis. General and administrative costs are either charged to expense in the year incurred or capitalized if they directly relate to exploration. Amortization of these costs will be on a unit-of-production basis, based on estimated proven reserves of minerals of the areas, should such reserves be found. Properties are abandoned either when the lease expires or when management determines that no further work will be performed on the property since it has no value to the Company. When significant properties in an area of interest are abandoned, the costs related thereto are charged to operations on a pro-rata basis to the total costs to date included in the area, in the period of abandonment. The proceeds received from a partial disposition or an option payment is credited against the capitalized costs. In addition, if there has been a delay in development activity for several successive years, a write-down of those project-capitalized costs will be charged to operations.

c) Investments
Securities acquired under option agreements are recorded at the "fair value" as determined by management. Fair value is based on market prices for publicly traded shares recognizing the possible effects of price fluctuations, quantities traded and similar items. The fair value may or may not approximate trading prices at the time the agreement is executed. As such, the related capitalized mining expenditures are also reduced by the fair value of the investment received.

2. Significant Accounting Policies – continued

d) Property and equipment

Property and equipment consists of automotive, computers, office and field equipment and leasehold improvements, and is recorded at cost. Amortization is determined using the declining balance method, using the rates below which approximate the estimated useful life of the asset:

Automotive	- 20 % to 30 % per annum
Computer	- 30 % and 45 % per annum
Computer software	- 100% per annum
Furniture and equipment	- 20 % per annum
Leasehold improvements	- straight line over 6 years

e) Asset retirement obligations

A liability for the fair value of environmental and site restoration obligations are recorded when the obligations are incurred. For most projects, the Company restores the site as ongoing basis as is required by local laws. For the Company, significant obligations will be incurred at the time the related assets are brought into production. The fair value of the obligations is based on the estimated cash flow required to settle the obligations discounted using the Government of Canada Bond Rate for the applicable term adjusted for the Company's credit rating. The fair value of the obligations is recorded as a liability with the same amount recorded as an increase in capitalized costs. The amounts included in capitalized costs are depleted using the unit-of-production method. The liability is adjusted for accretion expense representing the increase in the fair value of the obligations due to the passage of time. The accretion expense is recorded as an operating expense.

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes, the future income taxes related to the temporary difference arising at the renunciation date are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

g) Financial instruments

The Company carries various financial instruments. Unless otherwise indicated, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, term deposits and investments with maturities of three months or less from the date of purchase. At December 31, 2005, the Company held cashable guaranteed investment certificates (GIC's) bearing interest rates from 1.25% to 3.10% with maturity terms of January 3, 2006 to January 17, 2006. All of these GIC's are cashable before maturity and have been treated as cash equivalents.

2. Significant Accounting Policies – continued

i) Per share amounts
Basic loss per common share is computed by dividing the net loss for the year by the weighted average number of common shares outstanding for the year. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments.

j) Income taxes
The Company uses the liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences – the difference between the carrying amount of an asset and liability in the balance sheet and its tax basis and the carry forward of unused tax pools and unamortized share issue costs. Future income tax assets and liabilities are measured using income tax rates expected to apply on the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that the change is substantially enacted. Future income tax assets are evaluated and if realization is not considered "more likely than not", a valuation allowance is provided.

k) Stock-based compensation plan
The Company has equity incentive plans which are described in Note 6. The fair value of options to purchase common shares is calculated at the date of grant using the Black-Scholes option-pricing model and that value is recorded as compensation expense over the grant's vesting period with an offsetting credit to contributed surplus. Upon exercise of the share purchase option, the associated amount is reclassified from contributed surplus to share capital. Consideration paid by employees upon exercise of share purchase options is credited to share capital.

l) Mineral tax credit
The Federal and Provincial taxation authorities provide companies with tax incentives for undertaking mineral exploration programs in certain areas. The Company accrues these credits as a reduction of mineral exploration expenditures in the period that the related expenditures were incurred. These accrued credits are subject to review by the relevant authorities and by their nature are subject to measurement uncertainty. Adjustments if any, resulting from such a review are recorded in the period that the tax filings are amended.

m) Revenue recognition
Revenue associated with the geological services provided by the Company are recognized when services are performed.

n) Joint venture
The Company's exploration and development activities are conducted jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities.

o) Measurement Uncertainty
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include impairment of mineral properties; impairment of capital assets; useful lives for amortization of capital assets; reclamation and environmental obligations; and contingencies reported in the notes to the financial statements. Financial results as determined by actual events could differ from those estimates.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which were fully tradable with no vesting restrictions. This option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options and warrants have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

p) Deferred Costs
Deferred costs represents fees incurred for legal and accounting services related to a proposed plan of arrangement (Note 14). These costs will be offset against equity upon the approval of this plan of arrangement.

3. Long-Term Investments

	2005	2004
900,000 (2004 – 900,000) common shares of Northern Continental Resources Inc. (market value - $414,000 (2004 - $558,000))	**$ 240,250**	$ 240,250
110,000 (2004 – 60,000) common shares of NovaGold Resources Inc. (market value - $1,156,100 (2004 - $561,000))	**773,789**	259,200
53,000 (2004 – 100,000) common shares of Kobex Resources (market value - $74,200 (2004 – $103,000)	**28,620**	54,000
550,000 (2004 – 250,000) common shares of Golden Cariboo Resources Ltd. (market value - $66,000 (2004 - $16,250)	**27,500**	12,500
180,000 (2004 – 180,000) common shares of Shoshone Silver Mining (market value - $28,800 (2004 – $80,750) (1)	**28,800**	81,350
25,000 (2004 – nil) common shares of Amarc Resources Ltd (market value - $7,250 (2004 – nil))	**8,075**	-
	$1,107,034	$647,300

(1) During 2005 the cost of Shoshone shares were written down to $28,800 from $81,350 to reflect an impairment in value. The writedown of $52,550 has been charged to income.

Market value is based on the quoted trading prices of the securities at December 31, 2005. The fair value of these securities may differ from the quoted trading price due to the effect of market fluctuations and adjustment for quantities traded.

4. Property and Equipment

	2005		2004	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Automotive	**$ 33,750**	**$ 9,959**	$ -	$ -
Computer equipment and software	**82,310**	**45,125**	50,017	21,815
Equipment and furniture	**81,219**	**22,198**	92,890	14,614
Leasehold Improvements	**29,246**	**5,615**	13,501	1,675
	226,525	**82,897**	156,408	38,104
Net book value	**$ 143,628**		$ 118,304	

5. Mineral Properties

a) **Mining exploration properties:** During 2005, the Company incurred $1,395,500 (2004 - $1,154,674), net of grants, option payments, and mineral tax credits of $36,690 (2004 - $32,912), on the exploration and development of its mineral properties, of which $1,059,214 (2004 - $1,057,944) was expended in B.C., $189,982 (2004 - $55,702) in the Northwest Territories and $146,304 (2004 – $41,028) in the Yukon.

In 2005, the Company wrote down $1,267,756 (2004 - $188,556) of mineral properties in the Yukon and British Columbia as the Company does not have intentions of pursuing further exploration of these particular properties.

b) **Abo Project:** The Company entered into an option agreement with Northern Continental Resources Inc. ("Northern Continental") dated October 24, 2002 whereby Northern Continental has acquired the option to earn a 60% interest in the Company's wholly owned Abo Gold Property (the "Property"), located in the Harrison Lake area of south-western British Columbia, approximately 130km east of Vancouver. Northern Continental intends to firstly earn a 50% interest in the Property by completing $1.5 million dollars in exploration expenditures, paying the Company $10,000 and issuing 1.2 million common shares of Northern Continental over a 5 year period.

In order to earn an additional 10% in the Property (for a total of 60%), Northern Continental shall complete a further $1.5 million in exploration and development expenditures and issue an additional 500,000 shares to the Company on or before August 2, 2010. For each additional 10% interest in and to the Property (from 70% to 100% and upon election by the Company), Northern Continental will agree to spend an additional $1.5 million in exploration and development expenditures and issue an additional 500,000 common shares to the Company over each successive three-year period. Under terms of the Agreement, a retained 2% Net Smelter Return ("NSR") can be purchased from the Company by Northern Continental for $2,500,000. The Company has received 800,000 common shares from Northern Continental Resources and sold 200,000, resulting in 600,000 common shares owned by the Company at December 31, 2005 (Note 3). The remaining 300,000 commons shares of Northern Continental relate to the LCR property (Note 5 (i)).

5. Mineral Properties (continued)

c) **Acacia Property:** On April 14, 2005 the Company executed an Option Agreement with Amarc Resources Ltd. ("AHR"), a Vancouver-based exploration company controlled by the Hunter-Dickinson Group. AHR may earn up to a 60% interest in the Company's 100% owned Acacia property by completing $2,500,000 in exploration expenditures, issuing to the Company 350,000 voting class common shares, and making $125,000 in cash payments to the Company. The payments were due as follows: $10,000 on the signing of the letter agreement, $15,000 on signing of the formal agreement, $25,000 thereafter on the anniversary of the effective date of the agreement. AHR could further increase its interest to 75% by carrying the project to feasibility. AHR was required to spend at least $100,000 on the property in 2005 to maintain its option. The first two payments totaling $25,000 were received as well as the first 25,000 shares (Note 3). AHR elected to terminate the option agreement in January 2006.

d) **Bar Project:** On July 31, 2005, the Company negotiated a purchase agreement with Golden Cariboo Resources Ltd. whereby Golden Cariboo purchased 100% of the property in consideration for 300,000 shares of Golden Cariboo, valued at $15,000.

e) **Blende Project:** The Company entered into an option agreement dated July 19, 2005 with Blind Creek Resources Ltd. ("Blind Creek") whereby Blind Creek may earn a 60% interest in the Company's wholly owned Blende property, a silver/base-metal deposit located in the Wernecke Mountains, approximately 65 miles north east of Keno in central Yukon Territory, by completing $5,000,000 in exploration expenditures, issuing to the Company 1,000,000 common shares, and making $250,000 in cash payments to the Company by December 31, 2010. Of these amounts 10% of the common shares and cash payments to be made are payable to an arm's length third party. The payments are due as follows:

Cash Payments	Share Amounts	Exploration Expenditures	Due Date
$ 13,500	180,000	$ -	Upon execution
27,000	180,000	500,000	December 31, 2006
36,000	180,000	500,000	December 31, 2007
36,000	180,000	1,000,000	December 31, 2008
45,000	180,000	1,000,000	December 31, 2009
67,500	-	2,000,000	December 31, 2010
$ 225,000	900,000	$ 5,000,000	

The first cash payment and the 180,000 common shares has been received from Blind Creek, for the year ended December 31, 2005 (Note 3).

f) **Bohan Project:** The Company entered into an option agreement with Richard J. Billingsley dated June 6, 2005 to purchase a 100% interest in certain mineral claims adjacent to the Company's Bohan property situated in the Arrow Creek/Mount Bohan area in south eastern British Columbia. Terms are the issuance of 25,000 common shares of the Company upon execution of the agreement and 75,000 common shares on or before the first anniversary date of the agreement. The 25,000 shares have been issued valued at $20,000.

5. Mineral Properties (continued)

g) **Copper Canyon Project:** The Company entered into an option agreement dated May 28, 2002 to earn a 100% interest, subject to a 2% NSR royalty, on the property located south of Telegraph Creek, by option payments and exploration expenditures as detailed below:

Option Payments	Exploration Expenditures	Due Date
$ 6,500	$ -	May 30, 2003 (Paid)
8,500	-	May 30, 2004 (Paid)
25,000	100,000	May 30, 2005 (Paid)
50,000	100,000	May 30, 2006
70,000	100,000	May 30, 2007
90,000	200,000	May 30, 2008
$250,000	$ 500,000	

Pursuant to an agreement, the Company is committed to make $15,000 annual advanced royalty payments to the property owner commencing May 30, 2009 until commencement of commercial production. Advanced royalty payments will be netted against royalty interest payments after the commencement of commercial production.

On February 26, 2004, a letter agreement was executed between the Company and SpectrumGold Resources (now NovaGold Resources Inc., ("NovaGold")) on the Copper Canyon project. Under terms of the agreement, NovaGold has the option to acquire a 60% interest in the project from the Company by completing $3 million in exploration expenditures by 2008, issuing 296,296 shares of NovaGold and making payments totaling $250,000. NovaGold may earn an additional 20% interest in the project for a total of 80% by paying the Company $1 million and completing a Feasibility Study on the project by no later than September 2011. This agreement supercedes a Letter of Intent between the Company and Viceroy Resource Corp. announced on February 12, 2003.

In 2005 the Company received 74,074 (2004 – 74,074) NovaGold shares and sold 24,074 (2004 – 14,074) shares resulting in the Company owning 110,000 shares at December 31, 2005 (Note 3).

h) **Hall Lake Project:** On October 3, 2005, the Company, subject to exchange approval, signed a letter of intent with Solomon Resources Limited ("Solomon") whereby Solomon will have the right to earn up to a 75% interest the Company's 100% owned Hall Lake (formerly "Cretin") property located 50km west of Cranbrook, in southeast British Columbia. Solomon will have the option to acquire a 60% interest in the project from the Company by completing $40,000 in exploration expenditures prior to January 1, 2006 and a further $1,150,000 by June 30, 2008, issuing 225,000 shares of Solomon and making payments to the Company totaling $110,000. Solomon may earn an additional 15% interest in the project for a total of 75% by paying the Company an additional $50,000, issuing 225,000 shares of Solomon and completing $3,250,000 in exploration expenditures by December 31, 2010. Solomon has satisfied the January 1, 2006 commitment.

5. Mineral Properties (continued)

i) **LCR Project:** On February 12, 2003, the Company entered into an option agreement to earn a 100% interest, subject to a 1% NSR royalty, in the LCR property through option payments, exploration expenditures, and issuance of the Company's common shares as detailed below:

Common Shares	Due Date
100,000	December 31, 2003 (Paid)
100,000	December 31, 2005 (Paid)
100,000	December 31, 2007
300,000	

Pursuant to this option agreement, the Company issued 100,000 common shares to the property owner valued at $15,000. In March 2005 the Company issued an additional 100,000 common shares to the property owner valued at $73,000 to complete the option commitment for 2005.

On January 15, 2004, the Company signed an option agreement with Northern Continental Resources Ltd. whereby Northern Continental could earn a 60% interest in the property by making a cash payment of $10,000, issuing 1,000,000 common shares and completing $3,000,000 in exploration expenditures over 5 years. The Company would remain operator of the project up to the completion of $1,000,000 in exploration expenditures. The Company has received 400,000 common shares of Northern Continental and sold 100,000 shares resulting in 300,000 shares being owned by the Company at December 31, 2005 (Note 5 (b)). In December 2005 Northern Continental informed the Company their intent to terminate the option agreement.

j) **McQuesten Project:** The Company entered into an option agreement with Viceroy Resources Corporation (as of July 2003, Viceroy changed their name to Quest Capital Corp.) dated October 1, 1997, and transferred to NovaGold on April 26, 1999. The agreement was amended on October 12, 2001 whereby NovaGold can earn up to a 70% interest in the property through an $80,000 option payment and by undertaking a pre-determined 10,000 foot drilling program on the optioned property. As of December 31, 2004, all option payments have been received and a joint venture established between the Company and NovaGold whereby the Company will retain a 30% interest. On March 15, 2005, NovaGold sold their 70% interest to Alexco Resource Group, who will be continuing with the joint venture agreement.

k) **Severance Project:** On March 18, 2003, the Company announced that it had negotiated an agreement with 4763 NWT Ltd. whereby the Company may earn a 100% interest in the claims by issuing 100,000 common shares and completing $40,000 in exploration expenditures over two years. A 2% NSR is reserved for the vendor, half of which may be purchased at any time for $1,000,000. The Company will further reserve for the vendors 25% of the proceeds from any subsequent third-party sale or option of the claims, to a maximum of $100,000.

In 2004, pursuant to this option agreement, the Company has completed the exploration expenditure commitment. In 2003, the Company issued 50,000 common shares to the property owner, valued at $12,500 and the balance of 50,000 common shares were issued in the first quarter 2005, valued at $31,000.

5. Mineral Properties (continued)

l) **Sphinx Project:** On February 15, 2005, the Company signed an option agreement with Gordon Johnstone and Bryan Johnstone whereby the Company can purchase a 100% interest (less 2.5% NSR) of certain mineral properties located in the Baker Creek area in south-eastern British Columbia.

The terms of the agreement require the Company to spend $1,000,000 on the property by December 31, 2009 according to the following schedule: $200,000 each year by December 31 commencing with the year ending December 31, 2006. As of December 31, 2005 the Company had expended $762,916 on the property. The Company agrees to issue to the Johnstones 175,000 common shares of the Company by December 31, 2007, according to the following schedule: 25,000 upon signing a formal option agreement (issued and valued at $18,250), 50,000 December 31, 2005 (issued and valued at $36,000) and 50,000 December 31, 2006.

m) **Sprogge Project:** On March 11, 2005, the Company purchased 100% interest, subject to a 1% NSR royalty, in the property through the issuance of 100,000 common shares of the Company valued at $73,000.

n) **Titan Project:** On October 25, 2002, the Company entered into an option agreement to earn a 100% interest in the property through option payments as detailed below:

Option Payments	Due Date
$ 5,000	December 31, 2003 (Paid)
7,000	December 31, 2004 (Paid)
10,000	December 31, 2005 (Paid)
15,000	December 31, 2006
35,000	December 31, 2007
$72,000	

Pursuant to this option agreement, the Company is committed to complete a $150,000 exploration program by December 31, 2007.

The Company subsequently entered into an option agreement dated February 29, 2004 on the property with Kobex Resources Ltd. ("Kobex") and received $5,000 in cash and 100,000 Kobex shares, of which 47,000 shares were sold in the first quarter 2005 resulting in 53,000 shares owned by the Company at December 31, 2005 (Note 3). Subsequent to conducting an exploration program, Kobex terminated the option agreement in the first quarter 2005.

In the first quarter 2005, the Company signed a letter of intent with Canadian Goldrush Corporation ("Canadian Goldrush") whereby Canadian Goldrush would enter into an option agreement to acquire a 60% working interest in the property. Canadian Goldrush paid $5,000 on signing the letter of intent. Canadian Goldrush subsequently terminated the option agreement.

6. Equity

a) Authorized
Unlimited number of common shares without nominal or par value.

Unlimited number of first and second preference shares without nominal or par value, with the rights, privileges and conditions thereof determined by the directors of the Company at the time of issuance.

b) Issued and outstanding

	2005		2004	
	Number of Shares		Number of Shares	
Common Shares				
Balance, beginning of year	**39,796,446**	$ **8,072,475**	27,492,130	$ 4,802,546
Issued flow through shares for cash	**667,237**	**667,237**	4,108,466	2,704,750
Issued for cash via private placement	**1,269,285**	**888,500**	5,736,332	2,724,549
Issued upon exercise of Agent's options	**157,615**	**81,358**	29,568	14,784
Issued in exchange for mineral claims	**350,000**	**251,250**	-	-
Issued for cash on exercise of warrants	**2,961,500**	**772,000**	1,000,000	300,000
Issued for cash on exercise of options	**905,418**	**232,842**	1,430,000	143,000
To be issued upon exercise of Agent's options	**32,000**	**20,800**	-	-
Tax effect on renounced expenditures	**-**	**-**	-	(1,220,000)
Reclassifications	**-**	**-**	-	46,000
Black Scholes value of warrants issued	**-**	**(124,600)**	-	-
Black Scholes value of options exercised	**-**	**135,588**	-	-
Black Scholes value of warrants exercised	**-**	**88,012**	-	(923,200)
Share issue costs, net of tax effect of $63,062	**-**	**(23,107)**	-	(519,954)
Balance, end of year	**46,139,501**	**$ 11,062,355**	39,796,496	$ 8,072,475
Options				
Balance, beginning of year	**3,826,401**	**$ 678,441**	2,453,418	$ 27,400
Granted – agent	**-**	**-**	842,551	191,600
Granted – employees (Note 6 (c))	**2,355,000**	**746,200**	2,065,000	475,441
Exercised	**(1,095,033)**	**(135,471)**	(1,459,568)	(16,000)
Expired	**(63,500)**	**(117)**	(75,000)	-
Balance, end of year	**5,022,868**	**$ 1,289,053**	3,826,401	$ 678,441
Warrants				
Balance, beginning of year	**5,953,166**	**$ 1,045,400**	3,960,000	$ 117,900
Issued in flow through shares	**-**	**-**	2,510,166	896,900
Issued in private placement	**1,269,285**	**124,600**	358,000	26,300
Issued to Agents	**53,705**	**-**	125,000	34,300
Expired	**(2,983,310)**	**-**	-	-
Exercised	**(2,961,500)**	**(88,012)**	(1,000,000)	(30,000)
Balance, end of year	**1,334,346**	**$ 1,081,988**	5,953,166	$ 1,045,400
Total equity		**$ 13,433,396**		$ 9,796,316

In 2005, the Company valued the warrants using the Black-Scholes model with the following assumptions: Dividend yield Nil, expected volatility 44% (2004 – 61%), risk-free interest rate 3.35% (2004 – 3.5%) and weighted average life of 24 months (2004 – 24 months). For the warrants issued to Agent in 2005, there was no value assigned on the date of issue as it was not considered significant.

6. Equity Instruments – continued

c) Directors and management share options
The Company has a stock option plan for employees, directors, officers and consultants. Stock options can be issued up to a maximum number of common shares equal to 10% of the issued and outstanding common shares of the Company. The exercise price and vesting period of options granted is not less than the market price of the common shares traded less the available discount under TSX Venture Exchange Inc. policies, and is determined by the Board of Directors. Options granted can have a term of up to 5 years.

As at December 31, 2005, the Company has the following stock options outstanding:

	Number of Shares	**Option Price per Share Range**	**Weighted Average Exercise Price**
Options outstanding, December 31, 2004	**3,826,401**	**$0.10 - $0.65**	**$0.45**
Options - granted	**2,355,000**	**$0.65 - $0.75**	**$0.70**
Options – exercised	**(1,095,033)**	**($0.10 - $1.00)**	**($0.36)**
Options - expired	**(63,500)**	**($0.50 - $1.00)**	**($0.85)**
Options outstanding, December 31, 2005	**5,022,868**	**$0.10 - $1.00**	**$0.58**

As at December 31, 2004 the Company had the following stock options outstanding:

	Number of Shares	Option Price per Share Range	Weighted Average Exercise Price
Options outstanding, December 31, 2003	2,453,418	$0.10 - $0.30	$0.13
Options - granted	2,907,551	$0.50 - $0.65	$0.52
Options - exercised	(1,459,568)	$0.10 - $0.30	($0.13)
Options - expired	(75,000)	$0.10 - $0.30	($0.13)
Options outstanding, December 31, 2004	3,826,401	$0.10 - $0.65	$0.45

The following table summarizes information about the stock options outstanding at December 31, 2005:

Options outstanding	**Option price**	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**	**Number of Options Exercisable**	**Weighted Average Exercise Price of Options Exercisable**
160,000	**$0.10**	**$0.10**	**1.75 years**	**160,000**	**$0.10**
300,000	**$0.25**	**$0.25**	**2.25 years**	**300,000**	**$0.25**
40,000	**$0.50**	**$0.50**	**3.25 years**	**40,000**	**$0.50**
572,868	**$1.00**	**$1.00**	**0.25 years**	**572,868**	**$1.00**
555,000	**$0.50**	**$0.50**	**3.50 years**	**555,000**	**$0.50**
50,000	**$0.65**	**$0.65**	**3.50 years**	**50,000**	**$0.65**
650,000	**$0.50**	**$0.50**	**3.75 years**	**650,000**	**$0.65**
100,000	**$0.65**	**$0.65**	**4.00 years**	**40,000**	**$0.65**
250,000	**$0.65**	**$0.65**	**4.00 years**	**250,000**	**$0.65**
845,000	**$0.65**	**$0.65**	**4.25 years**	**765,000**	**$0.65**
625,000	**$0.75**	**$0.75**	**4.50 years**	**612,500**	**$0.75**
875,000	**$0.70**	**$0.70**	**5.00 years**	**630,000**	**$0.70**
5,022,868		**$0.58**		**4,625,368**	**$0.58**

6. Equity Instruments – continued

The following table summarized information for the stock options outstanding at December 31, 2004:

Options outstanding	Option price	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Number of Options Exercisable	Weighted Average Exercise Price of Options Exercisable
713,418	$0.10	$0.10	2.70 years	713,418	$0.10
300,000	$0.25	$0.25	3.30 years	300,000	$0.25
10,000	$0.20	$0.20	3.40 years	10,000	$0.10
55,432	$0.50	$0.50	4.10 years	55,432	$0.50
755,000	$0.50	$0.50	4.20 years	755,000	$0.50
50,000	$0.50	$0.50	4.50 years	50,000	$1.00
750,000	$0.50	$0.50	4.80 years	750,000	$0.50
753,051	$0.75	$0.75	1.30 years	753,051	$0.75
350,000	$0.65	$0.65	4.80 years	80,000	$0.65
89,500	$1.00	$1.00	1.00 years	89,500	$1.00
3,826,401		$0.45		3,556,401	$0.45

d) <u>Compensation expense for share options</u>
The Company records compensation expense for stock options issued to employees and directors as disclosed in Note 2(k). Compensation expense has been determined based on the estimated fair value of the options at the grant dates using the Black Scholes option pricing model.

For options issued in 2005, the fair value of stock options was estimated using the Black-Scholes option-pricing model with the following assumptions: Dividend yield Nil (2004 – Nil), expected volatility 44% to 59% (2004 – 61%); risk-free interest rate 2.25% to 3.35% (2004 – 5%); and weighted average life of 5 years (2004 - 5 years).

As at December 31, 2005, $746,200 (2004 – $475,441) has been recorded as stock based compensation related to the options issued to employees and directors with the corresponding amount charged to contributed surplus.

The weighted average fair value of options granted in 2005 is $0.32 (2004 - $0.26).

e) <u>Warrants outstanding</u>

The Company currently has the following share purchase warrants outstanding:

Total issued and outstanding	**Expiry**	**Number**	**Price**
Balance, December 31, 2004	Feb. 2004 to Sept. 2005	5,953,166	$0.20-$1.00
Issued	March 2006 to Dec 2007	1,324,490	$1.00
Exercised	Feb 2005 to March 2006	(2,960,000)	$0.20-$1.00
Expired	Dec 2005	(2,983,310)	$1.00
Balance, December 31, 2005		**1,334,346**	
Agent's warrants	March 2006	189,456	$1.00
Total issued and outstanding balance, December 31, 2005		**1,523,802**	**$1.00**

6. Equity Instruments – continued

As at December 31, 2004, the Company had the following share purchase warrants outstanding:

Issued	Expiry	Number	Price
Balance, December 31, 2003	Feb 2004 to Sep 2005	3,960,000	$0.20-$0.35
Issued January 2004	Apr 2005 to Mar 2006	2,510,166	$1.00
Issued December 2004	December, 2005	358,000	$1.00
Issued December 2004	December, 2005	125,000	$0.75
Exercised February 2004	Feb 2004	(1,000,000)	(0.30)
Balance, December 31, 2004		5,953,166	
To be issued	Mar 2006	251,017	$1.00
To be issued	Dec 2005	44,750	$1.00
Total issued and outstanding, at December 31, 2004		6,248,933	

f) Shareholder rights protection plan
The shareholders have approved a plan which the directors intend to implement at their discretion to provide adequate time for the shareholders and the directors to seek alternatives to, and to assess the merits of, bids for the shares of the Company. This plan attaches special rights to the issued shares of the Company. These special rights are void to a bidder who seeks to acquire more than 20 % of the voting shares of the Company.

7. Related Party Transactions

Except as noted elsewhere in these consolidated financial statements, the Company was involved in the following related party transactions:

a) In 2005, of the 2,355,000 (2004 – 2,907,551) options issued during the year, 1,825,000 (2004 – 1,375,000) options were issued to directors of the Company, resulting in a stock option compensation expense of $573,800 (2004 - $376,600).

b) Included in flow-through shares issued in the year, are 94,737 (2004 – 230,000) shares purchased by directors of the Company and persons related to them, in the amount of $94,737 (2004 - $165,000).

c) Of the 1,095,033 (2004 – 1,459,568) options exercised in the year, 853,418 (2004 – 775,000) were exercised by directors of the Company, resulting in proceeds to the Company of $205,342 (2004 -$77,500).

d) Of the 2,960,000 (2004 – 1,000,000) warrants exercised in the year, 860,000 (2004 – nil) were exercised by directors of the Company, resulting in proceeds to the Company of $212,000 (2004 – nil).

e) During 2005, directors fees were paid in the amount of $35,250 (2004 - $30,000).

f) Included in general administrative expenses is $32,421 (2004 - $28,936) paid for accounting services and related expenses to a director and CFO of the Company.

Except as disclosed, all related party transactions in the normal course of business have been measured at the agreed upon exchange amounts, which is the amount of consideration established and agreed to by the related parties. The exchange amounts approximate fair values.

8. Asset Retirement Obligation

At December 31, 2005 and 2004, the Company estimate for asset retirement obligations is not material. The Company has currently made no provision for site restoration costs or potential environmental liabilities as all properties are still in the exploration stages.

9. Commitments and Contingent Liabilities

As detailed in Note 5, the Company has entered into various option agreements pursuant to the terms of which it is committed to the following over the next five years:

2006	300,000	Expenditures, $65,000 Payments, 125,000 Shares
2007	490,000	Expenditures, $105,000 Payments, 150,000 shares
2008	400,000	Expenditures, $90,000 Payments
2009	200,000	Expenditures, $15,000 Royalty payments
2010	15,000	Royalty payments

To meet flow-through renouncement requirements the Company is committed to incur exploration expenses of $458,769 by December 31, 2006 (2004 - $629,500).

The Company has assigned $96,000 (2004 - $96,000) of term deposits and cash balances with a Canadian financial institution for the guarantee of business credit cards.

The Company has no other material commitments pursuant to its current property lease agreements.

The Company has agreed to indemnify directors and officers under the bylaws of the Company to the extent permitted by law. The nature of the indemnifications prevent the Company from making a reasonable estimate of the maximum potential amount it could be required to pay to beneficiary of such indemnification agreement. The Company has purchased various insurance policies to reduce the risks association with such indemnification.

Additionally, in the ordinary course of business, other indemnifications may have also been provided pursuant to provisions of purchase and sale contracts, service agreements, joint venture agreements, operating agreements and leasing agreements. In these agreements, the Company has indemnified counterparties if certain events occur. These indemnification provisions vary on an agreement by agreement basis. In some cases, there are no pre-determined amounts or limits included in the indemnification provisions and the occurrence of contingent events that will trigger payment under them is difficult to predict. Therefore, the maximum potential future amount that the Company could be required to pay cannot be estimated.

10. Financial Instruments

As disclosed in Note 2 (g), the Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to concentration risk and currency risk. The Company manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

a) Concentration risk
At December 31, 2005 and 2004, substantially all of the Company's cash was held at two Canadian financial institutions.

b) Currency risk
Currency risk is the risk to the Company's operations that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

11. Statement of Cash Flow

a) Pursuant to option agreements the Company issued 350,000 (2004 - Nil) common shares to the property owners with an attributed value of $251,250 (2004 - Nil).

b) Pursuant to certain mineral property option agreements, the Company received 399,074 (2004 – 1,640,000) shares with an attributed value of $657,129 (2004 - $697,350).

12. Income Taxes

The effective tax rate of income tax varies from the statutory rate as follows:

	2005	2004
Statutory tax rates	**36%**	36%
Expected income tax recovery at statutory rates	**$ (867,894)**	$ (281,980)
Stock-compensation	**268,632**	171,159
Gain on sale of long-term investments	**(41,610)**	(53,091)
Loss on abandonment of mineral properties	**-**	67,880
Rate change	**-**	(111,810)
Change in valuation allowance	**-**	(75,143)
Other permanent differences	**6,112**	985
	$ (634,760)	$ (282,000)

12. Income Taxes - continued

At the end of the year, subject to confirmation by income tax authorities, the Company has approximately the following available tax pools:

	2005	2004
Undepreciated capital cost	**$ 162,027**	$ 149,400
Cumulative eligible capital	**15,597**	16,770
Non-capital losses carried forward for tax purposes available from time to time until 2010	**482,837**	664,700
Cumulative Canadian exploration expenses	**763,972**	764,000
Undeducted share issue costs carried forward	**443,865**	412,400
	$ 1,868,298	$ 2,007,270

These pools are deductible from future income at rates prescribed by the Canadian Income Tax Act.

The components of the Company's future income tax liability are a result of the origination and reversal of temporary differences and are comprised of the following:

Nature of temporary differences	**2005**	2004
Property and equipment	**$ (1,137,157)**	$ (1,823,688)
Unused tax losses carry forward	**173,821**	240,000
Share issue costs	**159,791**	148,500
Future income tax	**(803,545)**	(1,435,188)
Valuation allowance	**(173,821)**	(240,000)
Future income tax liability	**$ (977,366)**	$ (1,675,188)

13. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

14. Proposed Plan of Arrangement

On September 26, 2005**,** the Board of Directors of the Company announced a proposed arrangement to reorganize the Company's mineral property assets in an effort to maximize shareholder value. Under the proposal, three of the Company's existing projects, Copper Canyon, Severance and Abo (Harrison) Gold, will be transferred into a new company, incorporated under the name Copper Canyon Resources Ltd**.** ("Copper Canyon").

Under the terms of the proposed arrangement, the Company's shareholders of record on closing of the arrangement will receive one share of Copper Canyon for every one share held of the Company. Concurrently, the Company will transfer $400,000 cash to Copper Canyon to provide working capital and exploration funding. Copper Canyon will apply to have its shares listed on the TSX Venture Exchange.

The proposed reorganization is subject to an advance ruling by Canada Revenue Agency, shareholder approval by resolution approved by not less than 66 2/3 % of votes cast, approval of the Court of Queen's Bench of Alberta and acceptance by the TSX Venture Exchange.

	2004	Mineral Property Interest Acquisition and Expenditures	Grants, Option Payments & Mineral Tax Credits	Properties Abandoned	**2005**
British Columbia Acquisition and Exploration	$ 2,644,261	$ 1,716,918	$ (657,704)	$ (4,184)	**$ 3,699,291**
NW Territories Acquisition and Exploration	93,109	189,982	-	-	**283,091**
Yukon Acquisition and Exploration	1,352,642	280,713	(134,409)	(1,263,572)	**235,374**
	$ 4,090,012	$ 2,187,613	$ (792,113)	$(1,267,756)	**$ 4,217,756**

	Gross Hectares
BRITISH COLUMBIA	
583 claims	125,764
NORTHWEST TERRITORIES	
49 claims	1,023
YUKON	
711 claims	13,512
Gross hectares	140,299