

INTERNATIONAL KIRKLAND MINERALS INC.

REPORT AND FINANCIAL STATEMENTS

December 31, 2006 and 2005

AUDITORS' REPORT

To the Shareholders,
International Kirkland Minerals Inc.

We have audited the balance sheets of International Kirkland Minerals Inc. as at December 31, 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 December 31, 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
April 24, 2007

"AMISANO HANSON"
Chartered Accountants

INTERNATIONAL KIRKLAND MINERALS INC.
BALANCE SHEETS
December 31, 2006 and 2005

	<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Current			
Cash and cash equivalents		\$ 772,458	\$ -
GST receivable		35,959	4,339
Amounts receivable		<u>1,750</u>	<u>-</u>
		810,167	4,339
Equipment – Note 3		35,933	31,649
Resource property costs – Notes 4 and 11		<u>480,713</u>	<u>-</u>
		<u>\$ 1,326,813</u>	<u>\$ 35,988</u>

LIABILITIES

Current			
Bank overdraft		\$ -	\$ 13
Accounts payable and accrued liabilities – Note 6		198,179	70,329
Due to related parties – Note 6		<u>7,119</u>	<u>23,000</u>
		<u>205,298</u>	<u>93,342</u>

SHAREHOLDERS' EQUITY (DEFICIENCY)

Share capital – Notes 4, 5 and 11	5,827,032	4,399,349
Contributed surplus – Note 4	1,042,704	866,004
Deficit	<u>(5,748,221)</u>	<u>(5,322,707)</u>
	<u>1,121,515</u>	<u>(57,354)</u>
	<u>\$ 1,326,813</u>	<u>\$ 35,988</u>

Nature of Operations – Note 1
 Commitments – Notes 4, 5, 9 and 11
 Subsequent Events – Notes 4, 5 and 11

APPROVED BY THE DIRECTORS:

<u>“Dan Clark”</u> Director Dan Clark	<u>“Paul Antoniazzi”</u> Director Paul Antoniazzi
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SEE ACCOMPANYING NOTES

INTERNATIONAL KIRKLAND MINERALS INC.
STATEMENTS OF LOSS AND DEFICIT
for the years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Administration expenses		
Accounting and audit fees	\$ 21,847	\$ 40,813
Amortization	6,683	11,890
Consulting fees – Note 6	73,170	49,326
Filing fees	25,181	10,747
Insurance – Note 6	6,000	9,208
Legal fees	62,642	73,255
Office expense	28,423	21,132
Office and equipment rent – Note 6	12,035	18,830
Promotion and marketing	12,973	65,984
Salaries and benefits – Note 6	66,665	60,000
Shareholder communication	2,255	2,352
Stock-based compensation – Note 5	176,700	246,404
Transfer agent	8,606	5,491
Travel and automobile – Note 6	<u>42,504</u>	<u>66,423</u>
Loss before other items	(545,684)	(681,855)
Other items:		
Interest income	750	-
Loss on disposal of subsidiary – Note 10	<u>-</u>	<u>(1,543,017)</u>
Loss for the year before income tax provision	(544,934)	(2,224,872)
Recovery of future income tax assets – Note 5	<u>119,420</u>	<u>-</u>
Net loss for the year	(425,514)	(2,224,872)
Deficit, beginning of the year	<u>(5,322,707)</u>	<u>(3,097,835)</u>
Deficit, end of the year	<u>\$ (5,748,221)</u>	<u>\$ (5,322,707)</u>
Basic and diluted loss per share	<u>\$ (0.01)</u>	<u>\$ (0.10)</u>
Weighted average number of shares outstanding	<u>32,871,891</u>	<u>23,258,193</u>

SEE ACCOMPANYING NOTES

INTERNATIONAL KIRKLAND MINERALS INC.
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Activities		
Net loss for the period	\$ (425,514)	\$ (2,224,872)
Items not involving cash:		
Amortization	6,683	11,890
Recovery of future income tax assets	(119,420)	-
Stock-based compensation	176,700	246,404
Loss on disposal of subsidiary	<u>-</u>	<u>1,543,017</u>
	(361,551)	(423,561)
Changes in non-cash working capital items related to operations:		
GST receivable	(31,620)	27,835
Amounts receivable	(1,750)	31,710
Prepaid expenses	-	2,300
Due from related party	-	10,000
Accounts payable and accrued liabilities	127,850	5,698
Due to related party	<u>(15,881)</u>	<u>23,000</u>
	<u>(282,952)</u>	<u>(323,018)</u>
Investing Activities		
Resource property costs	(390,713)	(25,535)
Acquisition of capital assets	<u>(10,967)</u>	<u>-</u>
	<u>(401,680)</u>	<u>(25,535)</u>
Financing Activities		
Bank indebtedness	(13)	13
Common shares issued for cash	<u>1,457,103</u>	<u>345,000</u>
	<u>1,457,090</u>	<u>345,013</u>
Increase (decrease) in cash during the period	772,458	(3,540)
Cash and cash equivalents, beginning of the year	<u>-</u>	<u>3,540</u>
Cash and cash equivalents, end of the year	<u>\$ 772,458</u>	<u>\$ -</u>
Cash and cash equivalents consist of:		
Cash	\$ 222,458	\$ -
Term deposits	<u>550,000</u>	<u>-</u>
	<u>\$ 772,458</u>	<u>\$ -</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

Non-Cash Transactions – Note 8

SEE ACCOMPANYING NOTES

INTERNATIONAL KIRKLAND MINERALS INC.
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2006 and 2005

Note 1 Nature of Operations

International Kirkland Minerals Inc. (the “Company”) is a public company listed on the TSX Venture Exchange. It was incorporated on September 26, 1997 under the Company Act of British Columbia. The Company is in the business of acquiring, exploring and evaluating mineral resource properties, and either joint venturing or developing these properties further. At December 31, 2006, the Company held under option a 100% interest in a uranium property located in the East James Bay Area in the Province of Quebec (Note 4).

The recoverability of amounts shown for resource properties are dependent upon the discovery of economically recoverable reserves and confirmation of the Company’s interest in the underlying resource properties, as well as the ability of the Company to obtain the necessary financing to complete exploration and development of the properties and upon future profitable production or proceeds from the disposition thereof.

Note 2 Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. 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, which have been made using careful judgement. Actual results may vary from those reported.

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 Equivalents

Cash equivalents are highly liquid Canadian dollar investments that are readily convertible to cash with maturities of three months or less.

b) Equipment

Equipment is recorded at cost. Amortization is provided over their estimated useful life using the declining balance method at the following rates:

Computer equipment	30%
Office equipment	20%

Note 2 Significant Accounting Policies – (cont'd)

c) Resource Properties

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

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

Resource property costs also include contributions by the Company for joint venture expenditures, as venture activity is solely related to the exploration of a resource property and the Company is the sole source of funding.

d) 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 costs can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitment to a plan of action based on the then known facts.

e) Asset Retirement Obligation

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 December 31, 2006, the Company cannot reasonably estimate the fair value of the resource properties' site restoration costs, if any.

Note 2 Significant Accounting Policies – (cont'd)

f) 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 a 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 December 31, 2006.

g) Stock-based Compensation

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

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

h) Flow-Through Shares

Under the terms of flow-through share agreements, the related exploration 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) Financial Instruments

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

Financial instruments, which potentially subject the Company to credit risk, consist of amounts receivable and due from related party.

Note 2 Significant Accounting Policies – (cont'd)

j) Income Taxes

The Company has adopted the liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and those reported in the financial statements. The future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

k) Foreign Currency Translation

The Company considers its functional currency to be the Canadian dollar. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian funds at the rates of exchange in effect at the year-end. Non-monetary assets and revenue and expense transactions are translated at the rate in effect at the time at which the transactions took place. Foreign exchange gains and losses are included in the determination of results from operations for the year.

l) 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.

Note 3 Equipment

	2006		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office equipment	\$ 43,516	\$ 14,041	\$ 29,475
Computer	<u>16,758</u>	<u>10,300</u>	<u>6,458</u>
	<u>\$ 60,274</u>	<u>\$ 24,341</u>	<u>\$ 35,933</u>

Note 3 Equipment – (cont'd)

	2005		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Office equipment	\$ 32,549	\$ 9,114	\$ 23,435
Computer	<u>16,758</u>	<u>8,544</u>	<u>8,214</u>
	<u>\$ 49,307</u>	<u>\$ 17,658</u>	<u>\$ 31,649</u>

Note 4 Resource Properties – Note 11

	<u>Rupert River</u>	<u>Alvarez</u>	<u>Total 2006</u>	<u>Total 2005</u>
Acquisition costs				
Cash	\$ 50,000	\$ -	\$ 50,000	\$ -
Shares	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>-</u>
	<u>140,000</u>	<u>-</u>	<u>140,000</u>	<u>-</u>
Deferred exploration costs				
Assaying	10,795	-	10,795	-
Consulting fees and due diligence	-	44,090	44,090	-
Geophysics	<u>285,828</u>	<u>-</u>	<u>285,828</u>	<u>-</u>
	<u>296,623</u>	<u>44,090</u>	<u>340,713</u>	<u>-</u>
	<u>\$ 436,623</u>	<u>\$ 44,090</u>	<u>\$ 480,713</u>	<u>\$ -</u>

Rupert River Property (Quebec)

By an option agreement dated March 7, 2006, the Company has the option to acquire a 100% interest in a 16 claim property (the “Rupert River Property”) located in the district of Chibougamau, Province of Quebec, in consideration for the payment of \$200,000, the issuance of an aggregate of 3,000,000 common shares of the Company and expending an aggregate \$500,000 in exploration expenditures over three years as follows:

Cash	\$50,000 upon regulatory approval (paid) \$50,000 on or before February 3, 2007 (paid subsequent to December 31, 2007) \$100,000 on or before August 13, 2008
Shares	1,000,000 upon regulatory approval (issued) 1,000,000 on or before February 3, 2007 (issued subsequent to December 31, 2007) 1,000,000 on or before February 3, 2010
Exploration expenditures	\$250,000 on or before August 3, 2007 (incurred) \$250,000 on or before February 3, 2010

Note 4 Resource Properties – Note 11 – (cont'd)

Rupert River Property (Quebec) – (cont'd)

The Company's interest in the Rupert River Property is subject to a 3% net smelter return royalty, one third of which (a 1% net smelter return royalty) may be purchased at any time for \$1,000,000.

Alvarez Property (Argentina)

In July 2006, the Company acquired a 100% interest in a gold and base metals property (the "Alvarez Property") located in Catamarca Province in Argentina, South America. A total of \$44,090 in property costs was spent during the year ended December 31, 2006 on due diligence and investigation of the Alvarez Property. At December 31, 2006, the property was held in trust on behalf of the company by a company with common directors. Subsequent to December 31, 2006, the Company sold its interest in the Alvarez Property to Latin American Minerals Inc. ("LAM"), a public company, for proceeds of \$26,400 and 88,000 common shares of LAM.

Note 5 Share Capital – Notes 4 and 10

Authorized:

100,000,000 common shares without par value
10,000,000 preferred shares without par value

Issued: common shares

	<u>Number</u>	<u>Amount</u>
Balance, December 31, 2004	21,396,001	\$ 3,934,349
For cash:		
Pursuant to the exercise of warrants – at \$0.25	100,000	25,000
Pursuant to a private placement – at \$0.20	1,600,000	320,000
Pursuant to the acquisition of Minen – at \$0.10	<u>600,000</u>	<u>120,000</u>
Balance, December 31, 2005	23,696,001	4,399,349
For cash		
Pursuant to private placements – at \$0.07	5,000,000	350,000
– at \$0.07	10,000,000	700,000
– at \$0.08	6,000,000	480,000
Less share issue costs	-	(86,897)
Pursuant to the exercise of warrants – at \$0.10	140,000	14,000
For Rupert River property acquisition – at \$0.09	1,000,000	90,000
Recovery of future income tax asset – Note 7	<u>-</u>	<u>(119,420)</u>
Balance, December 31, 2006	<u>45,836,001</u>	<u>\$ 5,827,032</u>

Note 5 Share Capital – Notes 4 and 10 – (cont'd)

Issued: common shares – (cont'd)

On February 8, 2006, pursuant to a private placement, the Company issued of 5,000,000 units at \$0.07 per unit. Each unit consists of one common share and one share purchase warrant. Each warrant entitles the holder to acquire one common share at \$0.10 per share until February 8, 2007. A finders fee of \$10,290 was paid.

On September 13, 2006, pursuant to private placements, the Company issued 10,000,000 units at \$0.07 per unit. The units consist of 5,000,000 flow-through common shares and 5,000,000 non flow-through common shares and one share purchase warrant per unit. Each warrant entitles the holder to acquire one non flow-through common share at \$0.10 per share until September 12, 2007. A finders fee of \$3,500 was paid.

On December 29, 2006, pursuant to a private placement, the Company issued 6,000,000 flow-through shares at \$0.08 per share for gross proceeds of \$480,000. Due diligence fees totalling \$43,850, finder's fees of \$42,000 and 75,000 broker warrants were paid. Each broker warrant is exercisable into one common share at \$0.08 per share over a one year term.

Proceeds from unit offerings are allocated to share capital and none to warrants.

Commitments:

Stock-based Compensation Plan

The Company has granted directors, officers and consultants common share purchase options. These options are granted with an exercise price equal to or greater than the market price of the Company's stock on the date of the grant and vest when granted.

At December 31, 2006, there were 1,670,000 share purchase options outstanding entitling the holders thereof the right to acquire 1,350,000 common shares at \$0.10 per share to January 19, 2010, 140,000 common shares at \$0.10 per share to July 6, 2009 and 180,000 common shares at \$0.08 per share to June 21, 2010. A summary of the status of the stock option plan is presented below:

Note 5 Share Capital – Notes 4 and 10 – (cont'd)

Commitments – (cont'd)

Stock-based Compensation Plan – (cont'd)

	Years ended December 31,			
	2006		2005	
	<u>Shares</u>	Weighted Average Exercise <u>Price</u>	<u>Shares</u>	Weighted Average Exercise <u>Price</u>
Outstanding at beginning of year	1,490,000	\$0.25	1,740,000	\$0.35
Expired	(300,000)	\$0.10	(650,000)	\$0.35
Cancelled	(1,350,000) ⁽¹⁾	\$0.25	(840,000)	\$0.35
Re-priced	650,000 ⁽¹⁾	\$0.10		
Granted	<u>1,180,000</u>	\$0.10	<u>1,240,000</u>	\$0.23
Outstanding and exercisable at end of year	<u>1,670,000</u>	\$0.10	<u>1,490,000</u>	

⁽¹⁾ On January 19, 2006, 650,000 outstanding incentive stock options previously priced at \$0.25 per share were re-priced at \$0.10 per share.

The fair value of share purchase options granted during the year and included in expenses and contributed surplus was \$176,700 (2005: \$264,404). The fair value was determined using the Black-Scholes option-pricing model using the following assumptions:

	<u>2006</u>	<u>2005</u>
Stock price volatility	187 - 200%	174 %
Risk-free interest rate	3.89-4.5%	2.88 %
Dividend yield	-	-
Expected life of options (weighted average)	3.92 years	2 years
Fair value of options granted (weighted average)	\$0.086	\$0.20

Share Purchase Warrants

At December 31, 2006, 14,860,000 (2005: 800,000) share purchase warrants are outstanding all of which entitle the holder the right to purchase one common share of the Company at \$0.10 per share. On February 8, 2007, a total of 4,800,000 of these warrants expired and the remaining 10,000,000 warrants expire on September 12, 2007. A summary of the status of the share purchase warrants is presented below:

Note 5 Share Capital – Notes 4 and 10 – (cont'd)

Commitments – (cont'd)

Share Purchase Warrants – (cont'd)

	Years ended December 31,			
	2006		2005	
	<u>Shares</u>	Weighted Average Exercise <u>Price</u>	<u>Shares</u>	Weighted Average Exercise <u>Price</u>
Outstanding at beginning of year	800,000	\$0.25	4,000,000	\$0.25
Expired	(800,000)	\$0.25	(3,582,000)	\$0.25
Issued	15,000,000	\$0.10	800,000	\$0.25
Exercised	<u>(140,000)</u>	\$0.10	<u>(418,000)</u>	\$0.25
Outstanding and exercisable at end of year	<u>14,860,000</u>	\$0.10	<u>800,000</u>	\$0.25

Flow-Through Offering

During the year ended December 31, 2006, the Company issued 11,000,000 flow-through shares for total proceeds of \$830,000. The Company is committed to spending the flow-through unit proceeds on exploration and development activities and to renouncing \$830,000 of eligible Canadian exploration expenditures to the subscribers of the flow-through shares. The amount will not be available to the Company for future deduction from taxable income. As at December 31, 2006, cash included \$439,287 to be used for qualifying exploration expenditures. During the year ended December 31, 2006, the Company renounced \$350,000 of qualifying exploration expenditures. The Company reported a recovery of future income tax assets with a corresponding reduction in share capital of \$119,420 with respect to the renunciation. Subsequent to December 31, 2006, the Company renounced a further \$480,000 of exploration expenditures.

Note 6 Related Party Transactions – Note 9

The Company incurred the following charges with directors of the Company and companies with common directors:

	Years ended December 31,	
	<u>2006</u>	<u>2005</u>
Consulting fees	\$ 70,980	-
Insurance	6,000	6,000
Office and equipment rent	6,000	6,000
Salaries	66,000	60,000
Travel and automobile	<u>6,000</u>	<u>6,000</u>
	<u>\$ 154,980</u>	<u>\$ 78,000</u>

Note 6 Related Party Transactions – Note 9 – (cont'd)

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

Accounts payable and accrued liabilities at December 31, 2006 include \$931 (2005: \$40,077) owing to a director of the Company for expense reimbursement and unpaid salary and fees.

Due to related parties is due to a director of the Company and companies with common directors and is unsecured, does not bear interest and has no specific terms for repayment.

Note 7 Income Taxes

	<u>2006</u>	<u>2005</u>
Basic statutory and provincial income tax rate	34.12%	34.12%
Expected tax recovery on net loss, before income tax	\$ 185,931	\$ 759,126
Differences due to recognition of items for tax purposes:		
Amortization and depletion	(2,280)	(4,057)
Stock-based compensation	(60,290)	(84,073)
Resource property deduction	(16,291)	(37,805)
Share issue costs	5,930	-
Non-capital losses carry forward	(113,000)	(106,714)
Capital loss on disposition	-	(526,477)
Recovery of valuation allowance on exploration expenditures renounced	(119,420)	-
Future income tax asset recovery	<u>\$ (119,420)</u>	<u>\$ -</u>

At December 31, 2006, the Company has accumulated Canadian and foreign exploration and development costs totalling \$1,746,648, capital losses of \$24,341 and non-capital losses totalling \$1,090,578 available to reduce taxable income of future years. The non-capital losses expire as follows:

December 31, 2007	\$ 30,128
2008	31,030
2009	31,030
2010	85,089
2014	269,358
2015	312,760
2026	<u>331,183</u>
	<u>\$ 1,090,578</u>

Note 7 Income Taxes – (cont'd)

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

	<u>2006</u>	<u>2005</u>
Future income tax assets		
Non-capital loss carried forward	\$ 372,105	\$ 269,693
Exploration and development expenses	431,937	551,357
Share issue costs	23,720	-
Other	<u>8,305</u>	<u>6,025</u>
	836,067	827,075
Valuation allowance for future income tax assets	<u>(836,067)</u>	<u>(827,075)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has recorded a valuation allowance against its future income taxes based on the extent to which it is more likely than not that sufficient taxable income will be realized during the carry forward period to utilize all the future tax assets.

Note 8 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.

Year ended December 31, 2006:

- a) The Company issued 1,000,000 common shares valued at \$90,000 pursuant to the purchase of a resource property.

Year ended December 31, 2005:

- a) The Company issued 600,000 common shares pursuant to the settlement of an agreement payable of \$120,000.

Note 9 Commitments – Notes 4, 5 and 11

The Company is committed to monthly payments of approximately \$1,128 under an operating lease of office premises expiring February 27, 2009. Payments for the next three years are as follows:

2007	\$	13,755
2008	\$	13,755
2009	\$	6,877

Note 9 Commitments – Notes 4, 5 and 11 – (cont'd)

By a management contract dated April 1, 2007, the Company is committed to pay the President of the Company an annual salary of \$60,000 plus \$1,500 per month for office, insurance and automobile expenses for the term of the contract expiring December 31, 2008.

Pursuant to an agreement dated April 1, 2007, the Company is committed to pay \$5,000 per month until December 31, 2008 to a Company related by a common director, for management and consulting services.

Note 10 Business Acquisition and Disposal

Effective June 30, 2004, the Company acquired 100% of the issued and outstanding shares of a private company, Minen Investments Ltd. (“Minen”). The principal asset of Minen consisted of a 70% working interest (the Company to contribute 100% of the costs of exploration) in a Sino-Foreign Cooperative Company that held exclusive exploration licenses covering 720 square kilometres of property located in Hunan Province, South-central China (“Xuefeng Property”) and held a registered mining lease covering four square kilometers in the Daping area of the Xuefeng Property. In consideration for the acquisition of Minen, the Company paid \$610,000 and issued 750,000 common shares of the Company. The Company also paid a finder’s fee of US\$25,000 and 200,000 common shares of the Company.

To keep the property in good standing, US\$500,000 was required to be paid to the Sino-Foreign Cooperative Company on or before June 30, 2005. Minen paid \$260,000 (US\$200,000) prior to its acquisition by the Company and the Company has directly paid \$398,950 (US\$300,000). In addition, a minimum of US\$500,000 per year, for up to a ten-year exploration license period, was required to be paid to the Sino-Foreign Cooperative Company for exploration and development expenses.

During the year ended December 31, 2005, the Company decided not to continue with exploration of the underlying mineral properties and by an agreement dated August 22, 2005, agreed to sell all the shares of Minen to a Chinese corporation for assumption of the annual US\$500,000 to be paid to the Sino-Foreign Corporation Company and assumptions of all other debts and obligations owing to the joint venture partner.

The acquisition and disposal has been accounted for using the purchase method of accounting. The value assigned to the common shares of the Company to be issued for the acquisition is equal to the fair value of the capital stock of the Company as at the date of the acquisition agreement. The values assigned to the assets and liabilities at the date of disposal is equal to their carrying values.

Note 10 Business Acquisition and Disposal – (cont'd)

The values of Minen's assets and liabilities at at August 22, 2005, the date of disposal are as follows:

	Disposal August 22, <u>2005</u>
Cash	\$ 15
Investment in Sino-Foreign Cooperative Company	658,950
Amounts receivable	40,726
Resource property costs	<u>888,875</u>
Total assets	1,588,566
Less: accounts payable and accrued liabilities	<u>(45,549)</u>
Net assets disposed of and loss on disposal of subsidiary	<u>\$ 1,543,017</u>

Note 11 Subsequent Events – Notes 4 and 5

Subsequent to December 31, 2006:

- a) The Company entered into an option agreement for the purchase of the Creelman-Roberts property located about 50 km north of Sudbury, Ontario. Pursuant to the agreement, the Company may earn a 100% interest in the property by paying \$55,000 in cash, issuing 3,000,000 common shares and incurring \$200,000 in exploration and claim staking expenditures over the next three years. The property is subject to a 2% net smelter return royalty, one half of which may be purchased by the Company at any time for \$1,000,000. The agreement is subject to regulatory approval.
- b) The Company issued 2,000,000 units at \$0.15 per unit. Each unit consists of 1,800,000 flow-through common shares, 200,000 non flow-through common shares and one-half share purchase warrant per unit. Each whole warrant entitles the holder to purchase one common share at \$0.20 per share for one year. A finders fee of \$30,000 and 200,000 broker warrants exercisable at \$0.15 per share for one year were paid.
- c) The Company has entered into a six-month investor relation's agreement. Consideration is \$36,000 on signing plus share purchase options for up to 150,000 common shares at \$0.15 per share for six months, which may be extended to one year.
- d) The Company issued 5,602,857 common shares pursuant to the exercise of share purchase warrants at \$0.10 per share for proceeds of \$560,286.
- e) The Company granted share purchase options to a consultant to acquire up to 500,000 common shares at \$0.15 per share exercisable to February 13, 2009. The options vest 25% when granted and 25% every three months thereafter.