

GRANDE PORTAGE RESOURCES LTD.

REPORT AND FINANCIAL STATEMENTS

October 31, 2005 and 2004

AUDITORS' REPORT

To the Shareholders,
Grande Portage Resources Ltd.

We have audited the balance sheets of Grande Portage Resources Ltd. as at October 31, 2005 and 2004 and the statements of operations 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 October 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
January 6, 2006, except as to Note 10, which
is as of January 11, 2006.

“AMISANO HANSON”

Chartered Accountants

GRANDE PORTAGE RESOURCES LTD.
BALANCE SHEETS
October 31, 2005 and 2004

	<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Current			
Cash and cash equivalents		\$ 758,726	\$ 35,251
GST receivable		2,263	8,593
Prepaid expenses – Note 7		<u>15,000</u>	<u>-</u>
		775,989	43,844
Reclamation bond		3,500	-
Advances for resource property exploration		-	14,979
Resource properties – Note 4 and Schedule 1		<u>79,714</u>	<u>23,002</u>
		<u>\$ 859,203</u>	<u>\$ 81,825</u>

LIABILITIES

Current			
Accounts payable – Notes 3, 4 and 7		\$ 60,517	\$ 388,974
Loans payable – Note 5		<u>-</u>	<u>10,029</u>
		<u>60,517</u>	<u>399,003</u>

SHAREHOLDERS' EQUITY (DEFICIENCY)

Share capital – Notes 2, 4, 6, 9 and 10	4,658,146	3,340,199
Share subscriptions received	-	30,350
Contributed surplus	222,289	21,081
Deficit	<u>(4,081,749)</u>	<u>(3,708,808)</u>
	<u>798,686</u>	<u>(317,178)</u>
	<u>\$ 859,203</u>	<u>\$ 81,825</u>

Nature and Continuance of Operations – Note 1
 Commitments – Notes 4, 6 and 10
 Subsequent Events – Notes 6 and 10

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

“Chris England” Director “Roger England” Director

SEE ACCOMPANYING NOTES

GRANDE PORTAGE RESOURCES LTD.
STATEMENTS OF OPERATIONS AND DEFICIT
for the years ended October 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
General and Administrative Expenses		
Accounting and audit fees	\$ 28,870	\$ 33,571
Administration fees – Note 6	30,000	30,645
Bank charges and interest	1,077	1,435
Consulting	43,700	51,081
Corporate communications	2,576	20,701
Legal fees	29,496	2,365
Office – Note 6	3,773	11,338
Regulatory and transfer agent fees	27,738	18,514
Rent – Note 6	4,075	2,720
Stock-based compensation – Note 2	156,704	-
Telephone	<u>2,162</u>	<u>4,569</u>
Loss before other items:	(330,171)	(176,939)
Other items		
Interest income	144	-
Property investigation costs	-	(1,640)
Property dispute settlement costs – Note 4	-	(25,000)
Write-off of accounts payable	25,447	8,783
Write-off of resource properties – Note 4	<u>(23,857)</u>	<u>(56,130)</u>
Net loss for the year	(328,437)	(250,926)
Deficit, beginning of the year	(3,708,808)	(3,457,882)
Change in accounting policy – Note 2	<u>(44,504)</u>	<u>-</u>
Deficit, end of the year	<u>\$ (4,081,749)</u>	<u>\$ (3,708,808)</u>
Basic and diluted loss per share	<u>\$ (0.02)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>19,329,463</u>	<u>15,127,492</u>

SEE ACCOMPANYING NOTES

GRANDE PORTAGE RESOURCES LTD.
STATEMENTS OF CASH FLOWS
for the years ended October 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Operating Activities		
Net loss for the year	\$ (328,437)	\$ (250,926)
Items not involving cash:		
Stock-based compensation	156,704	21,081
Write-off of accounts payable	(25,447)	(8,783)
Write-off of resource properties	<u>23,857</u>	<u>56,130</u>
	(173,323)	(182,498)
Net changes in non-cash operating working capital items related to operations:		
GST receivable	6,330	(1,489)
Prepaid expenses	(15,000)	3,125
Accounts payable	<u>16,431</u>	<u>2,903</u>
	<u>(165,562)</u>	<u>(177,959)</u>
Investing Activities		
Advances for resource property exploration	14,979	(14,979)
Reclamation bond	(3,500)	-
Resource property costs	<u>(74,569)</u>	<u>(15,501)</u>
	<u>(63,090)</u>	<u>(30,480)</u>
Financing Activities		
Share issuances	952,127	213,140
Share subscriptions received	<u>-</u>	<u>30,350</u>
	<u>952,127</u>	<u>243,490</u>
Increase in cash and equivalents during the year	723,475	35,051
Cash and cash equivalents, beginning of the year	<u>35,251</u>	<u>200</u>
Cash and cash equivalents, end of the year	<u>\$ 758,726</u>	<u>\$ 35,251</u>

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SEE ACCOMPANYING NOTES

Continued

GRANDE PORTAGE RESOURCES LTD.
STATEMENTS OF CASH FLOWS
for the years ended October 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash and cash equivalents consist of:		
Cash	\$ 258,582	\$ 35,251
Term deposits	<u>500,144</u>	<u>-</u>
	<u>\$ 758,726</u>	<u>\$ 35,251</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 9

SEE ACCOMPANYING NOTES

GRANDE PORTAGE RESOURCES LTD.
SCHEDULE OF RESOURCE PROPERTIES
for the years ended October 31, 2005 and 2004

	Merry Widow	El Limon	Pan-Oro	2005	2004
Balance, beginning	\$ 23,001	\$ -	\$ 1	\$ 23,002	\$ 113,974
Acquisition costs					
Cash	15,000	23,856	-	38,856	43,000
Shares	6,000	-	-	6,000	37,500
Staking and land taxes	<u>780</u>	<u>-</u>	<u>-</u>	<u>780</u>	<u>2,980</u>
	<u>21,780</u>	<u>23,856</u>	<u>-</u>	<u>45,636</u>	<u>83,480</u>
Deferred exploration costs					
Analysis	1,000	-	-	1,000	-
Drafting and printing	5,842	-	-	5,842	-
Geological consulting	13,700	-	-	13,700	2,000
Site access and preparation	11,563	-	-	11,563	-
Travel and accommodations	<u>2,828</u>	<u>-</u>	<u>-</u>	<u>2,828</u>	<u>521</u>
	<u>34,933</u>	<u>-</u>	<u>-</u>	<u>34,933</u>	<u>2,521</u>
	79,714	23,856	1	103,571	199,975
Less: accounts payable forgiven	-	-	-	-	(120,843)
write-downs	<u>-</u>	<u>(23,856)</u>	<u>(1)</u>	<u>(23,857)</u>	<u>(56,130)</u>
Balance, ending	<u>\$ 79,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,714</u>	<u>\$ 23,002</u>

SEE ACCOMPANYING NOTES

GRANDE PORTAGE RESOURCES LTD.
NOTES TO THE FINANCIAL STATEMENTS
October 31, 2005 and 2004

Note 1 Nature and Continuance of Operations

The Company is a development stage company whose shares trade on Tier II of the TSX Venture Exchange. The Company holds a resource property in British Columbia, Canada, and has not yet determined whether this property contains ore reserves that are economically recoverable. The recoverability of amounts shown for resource properties, including related deferred exploration costs, 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 necessary financing to satisfy expenditure requirements under property acquisition and joint venture agreements to complete their development, and future profitable production or the disposition thereof.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At October 31, 2005, the Company had not yet achieved profitable operations and has accumulated losses of \$4,078,032 since its inception, and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Change in Accounting Policy

Effective for fiscal years commencing on or after January 1, 2004, Canadian generally accepted accounting principles require the fair value of all share purchase options granted after fiscal years commencing on or before January 1, 2002 to be 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. Previously, only share purchase options granted to non-employees followed this method and options granted to employees were not expensed.

Note 2 Change in Accounting Policy – (cont'd)

The Company has adopted the new policy on a retroactive basis with no restatement of prior periods. Accordingly, on November 1, 2004, deficit and contributed surplus were each increased by \$44,504 to account for share purchase option expense that would have been charged to operations with respect to employee share purchase options granted and exercised during the period from November 1, 2002 to October 31, 2004. 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.

During the year ended October 31, 2005, stock-based compensation expense was \$156,704. Had the Company expensed the fair value of employee share purchase options in prior periods, the following pro forma amounts would have resulted:

	Year ended October 31, <u>2004</u>
Net loss for the year	
As reported	\$ (197,926)
Pro-forma	\$ (242,430)
Basic and diluted loss per share	
As reported	\$ (0.01)
Pro-forma	\$ (0.02)

The following assumptions were used for the Black-Scholes model:

	<u>October 31,</u> <u>2005</u>	<u>2004</u>
Risk-free rate	3.0%	3.0%
Dividend yield	0%	0%
Expected volatility	84.5%	101%
Weighted average expected option life	5 years	5 years
Weighted average fair value per option of options granted	\$0.05	\$0.09

Note 3 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles 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, which 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 Cash Equivalents

Cash and cash equivalents consist of cash held in bank accounts and short term deposits having a maturity of less than three months when purchased or which can be readily redeemed without penalty.

b) Resource Properties

Resource property costs are expensed as project investigation costs until such time as the Company has entered into formal binding agreements and/or can demonstrate title to the property or project. Upon an agreement being executed and/or title being obtained, the cost of resource properties and related exploration costs are deferred until the properties to which they relate are placed into production, sold, abandoned, 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.

c) Basic and Diluted Loss Per Share

Basic loss per share ("LPS") is calculated by dividing loss applicable to common shareholders by the weighted-average number of common shares outstanding for the year. Diluted LPS reflects 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 Summary of Significant Accounting Policies – (cont'd)

d) Financial Instruments

The carrying value of cash and cash equivalents, accounts payable and loans payable approximate fair value because of the short maturity of those instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

e) Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translation are included in operations.

f) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are determined based on differences between tax and accounting basis of assets and liabilities. The future tax assets or liabilities are calculated using the tax rates for the period 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.

g) Flow-through Shares

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

Note 3 Summary of Significant Accounting Policies – (cont'd)

h) 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 October 31, 2005.

i) 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 October 31, 2005, the Company cannot reasonably estimate the fair value of the resource properties' site restoration costs, if any.

j) 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. Where recovery is not reasonably assured they will be recorded or accrued when assurance of recovery is reasonably determined. Non-repayable mining tax credits may be earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related deferred exploration expenditures.

Note 4 Resource Properties

a) Merry Widow Property

Pursuant to an agreement dated March 25, 2004, the Company was granted an option to earn a 100% interest in mineral claims known as the Merry Widow property located in the Nanaimo Mining Division of British Columbia. To earn the 100% interest in these claims, the Company is required to pay a total of \$75,000 and 450,000 common shares of the Company as follows:

	<u>Cash</u>	<u>Shares</u>
Within 10 days of regulatory approval		
March 25, 2005	\$ 10,000 (paid)	75,000 (issued)
March 25, 2006	15,000 (paid)	100,000 (issued)
March 25, 2007	20,000	120,000
	<u>30,000</u>	<u>155,000</u>
	<u>\$ 75,000</u>	<u>450,000</u>

The property is subject to a 3% net smelter return royalty (NSR), with a minimum advance payment of \$16,000 due each calendar year following the year the option is exercised. The Company may purchase 2% of the NSR for \$750,000.

b) El Limon Property

Pursuant to an agreement dated October 27, 2004, the Company had an option to earn up to a 51% interest in the San Juan de Limay Concessions (“El Limon”) located in northwestern Nicaragua for consideration of US\$80,000 (paid US\$20,000) and US\$1,000,000 in exploration costs on or before October 27, 2007. The property was subject to a 3% net smelter return royalty.

During the year ended October 31, 2005, the Company decided not to proceed with the option and has written off the costs incurred of \$23,856.

c) Pan-Oro, Panama

The Company had a 10% carried interest in a joint venture to develop mineral concessions in Panama. The Company does not intend to complete further work on this property and accordingly has written-off the remaining carrying costs of \$1.

Note 4 Resource Properties – (cont'd)

d) Leonard Lake and Mitchell Dent Properties

By letters of intent dated May 22, 2002 and September 17, 2002, the Company had options to earn a 50% interest in the Leonard Lake property and the Mitchell Dent property, both located in Northwestern Ontario. Consideration was cash payments totalling \$191,000, the issue of a total of 600,000 common shares of the Company and expending \$1,000,000 in exploration expenditures prior to the fourth anniversary of the letters of intent. The properties are subject to a 2% net smelter return royalty. At October 31, 2004, the Optionors and the Company were related by virtue of a common director.

During the year ended October 31, 2004:

- i) the Company did not complete option payments or incur expenditures pursuant to the terms of the option agreements. The Company planned no further expenditures related to either of these properties and accordingly during the year ended October 31, 2004 wrote-off all costs associated with these properties, totalling \$56,130.
 - ii) due to delays in informing the Optionor of the Company's intentions, the Company agreed to issue 300,000 common shares due to the Optionor under the terms of the agreements. The parties also agreed that the outstanding amounts payable to the Optionor for exploration work previously conducted and the above-noted cash payments would be forgiven except for \$33,000. The value of the 300,000 common shares (\$30,000) and the \$33,000 in cash payments had been included in accounts payable at October 31, 2004. The forgiven amount of \$120,843 was recorded as a reduction of resource property costs during the year ended October 31, 2004. During the year ended October 31, 2005, the amounts were settled by the issue of 630,000 common shares.
- e) Other

During the year ended October 31, 2004, the Company was advised of a possible claim seeking damages as a result of the Company not proceeding under a Letter of Intent in respect of mineral claims located in the Eskay Creek area of Northwestern British Columbia. The Company considered that the claim was without merit, however, to avoid litigation, it agreed to pay \$25,000 as a full settlement. During the year ended October 31, 2005, the amount was paid by the issue of 250,000 common shares.

Note 5 Loans Payable

The loans payable were unsecured, non-interest bearing and had no specific terms for repayment. During the year ended October 31, 2005, the amounts outstanding were settled by the issue of 100,000 common shares.

Note 6 Share Capital – Notes 2, 4, 9 and 10

Authorized:

Unlimited common shares with no par value

Issued and Outstanding:

		<u>Number Of Shares</u>	<u>Amount</u>
Balance, October 31, 2003		14,003,650	\$ 3,119,559
For cash:			
Pursuant to private placements	– at \$0.05	400,000	20,000
	– at \$0.10	1,452,000	145,200
	– at \$0.13	507,692	66,000
Less: finder's fees		-	(18,060)
For resource property acquisition	– at \$0.10	<u>75,000</u>	<u>7,500</u>
Balance, October 31, 2004		16,438,342	3,340,199
For cash:			
Pursuant to private placements	– at \$0.08	377,500	30,200
	– at \$0.08	1,687,500	135,000
	– at \$0.08	5,452,500	436,200
	– at \$0.10	4,746,000	474,600
Less: share issue costs		100,000	(93,523)
For settlement of debts	– at \$0.10	3,294,700	329,470
For resource property acquisition	– at \$0.06	<u>100,000</u>	<u>6,000</u>
Balance, October 31, 2005		<u>32,196,542</u>	<u>\$ 4,658,146</u>

Note 6 Share Capital – Notes 2, 4, 9 and 10 – (cont'd)

Commitments:

Flow-through Shares

The Company is committed to spending flow-through share proceeds on qualifying exploration expenditures. Any amounts renounced in favour of the investors purchasing such shares will not be available to the Company as resource deductions. During the year ended October 31, 2005, the Company received \$474,600 related to the issuance of flow-through shares. The Company is required to incur the eligible Canadian Exploration Expenditures by October 2007. During the year ended October 31, 2004, the Company received \$66,000 related to the issuance of flow-through shares. The Company is required to incur the eligible Canadian Exploration Expenditures by June 2006.

Stock-based Compensation Plan

The Company has granted directors, an officer and consultant's 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 25% vest on each of the six, twelve and eighteen month anniversary dates of the option agreement.

A summary of the stock option plan is presented below:

	Years ended October 31,			
	2005		2004	
	Share Purchase <u>Options</u>	Weighted Average Exercise <u>Price</u>	Share Purchase <u>Options</u>	Weighted Average Exercise <u>Price</u>
Outstanding at beginning of year	1,400,000	\$0.10	-	-
Granted	2,500,000	\$0.10	1,400,000	\$0.10
Cancelled	<u>(750,000)</u>	\$0.10	<u>-</u>	
Options outstanding at end of year	<u>3,150,000</u>	\$0.10	<u>1,400,000</u>	\$0.10
Options exercisable at end of year	<u>1,275,000</u>	\$0.10	<u>700,000</u>	\$0.10

Note 6 Share Capital – Notes 2, 4, 9 and 10 – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

At October 31, 2005, the Company had 3,150,000 share purchase options outstanding entitling the holders thereof the right to purchase one share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
2,500,000	\$0.10	July 25, 2010
<u>650,000</u>	\$0.10	February 16, 2009
<u>3,150,000</u>		

Share Purchase Warrants

At October 31, 2005, the Company had 11,010,350 share purchase warrants outstanding entitling the holder thereof the right to purchase one common share for each warrant held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
377,500	\$0.15	April 19, 2006
1,687,500	\$0.15	August 20, 2006
<u>8,945,350</u>	\$0.10/\$0.15	October 14, 2006/2007
<u>11,010,350</u>		

During the year ended October 31, 2005, 400,000 warrants exercisable at \$0.10 per share and 1,969,692 exercisable at \$0.20 per share expired unexercised.

Note 7 Related Party Transactions – Notes 4 and 10

The Company incurred the following amounts charged by officers and private companies that have directors in common with the Company:

	Years ended October 31,	
	<u>2005</u>	<u>2004</u>
Administration fees	\$ 30,000	\$ 30,000
Consulting fees	14,000	
Office	1,000	-
Rent	<u>4,075</u>	<u>-</u>
	<u>\$ 49,075</u>	<u>\$ 30,000</u>

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

As at October 31, 2005, prepaid expenses included \$15,000 (2004: \$Nil) for consulting fees provided by an officer of the Company subsequent to October 31, 2005. As at October 31, 2005, accounts payable includes \$3,500 (2004: \$71,624) owing to directors and companies with directors in common.

During the year ended October 31, 2005, the Company issued 768,200 shares valued at \$76,820 to directors and companies with directors in common pursuant to debt settlements.

Note 8 Income Taxes

At October 31, 2005, the Company has accumulated capital losses totalling \$115,880, resource expenditures totalling \$2,271,328 and non-capital losses totalling \$530,037 available to reduce taxable income of future years. The non-capital losses expire as follows:

2006	\$ 337,729
2007	74,756
2008	71,574
2010	6,298
2014	9,910
2015	<u>29,770</u>
	<u>\$ 530,037</u>

Note 8 Income Taxes – (cont'd)

Significant components of the Company's future income tax assets are as follows:

	<u>2005</u>	<u>2004</u>
Capital losses	\$ 20,279	\$ 40,558
Non-capital losses	185,513	175,093
Resource expenditures	766,689	706,083
Share issue costs	<u>36,208</u>	<u>11,669</u>
	1,008,688	933,403
Less: valuation allowance	<u>(1,008,688)</u>	<u>(933,403)</u>
	<u>\$ -</u>	<u>\$ -</u>

Note 9 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 statements of cash flows:

During the year ended October 31, 2005:

- a) The Company issued 3,294,700 shares valued at \$329,470 to settle accounts and loans payable.
- b) The Company issued 100,000 shares valued at \$6,000 to acquire resource properties.

During the year ended October 31, 2004

- a) The Company issued 75,000 shares valued at \$7,500 to acquire resource properties.

Note 10 Subsequent Events – Note 6

Subsequent to October 31, 2005:

- a) The Company granted share purchase options to acquire 500,000 common shares at \$0.10 per share exercisable to November 30, 2010 and to acquire 200,000 common shares at \$0.10 per share exercisable to December 1, 2006.

Note 10 Subsequent Events – (cont'd)

- b) The Company issued 1,000,000 units at \$0.10 per unit. Each unit consists of one flow-through common share and one-half of a share purchase warrant. One warrant is exercisable into one common share for a period of two years from closing at \$0.10 per share in the first year and \$0.15 per share in the second year.

Included in this private placement were 400,000 common shares issued to a director of the Company

- c) The Company entered into an agreement with a company sharing a director in common to earn up to a 75% interest in an area adjoining the Company's Merry Widow property. The Company must make cash payments totalling \$90,000 over three years and spend: \$500,000 on exploration by November 1, 2008 to earn a 50% interest, and \$500,000 by November 1, 2010 to earn an additional 25% interest for an aggregate interest of 75%. The property will be subject to a 2.5% Net Smelter Return ("NSR"). This agreement is subject to regulatory approval.
- d) The Company also negotiated the right of first refusal on options to purchase two smaller parcels also adjacent to its current crown grants for a cash payment of \$10,000. The Company has 90 days to conduct due diligence on the claims and, if the Company exercises its options, would be committed to make cash payments of \$100,000 for each property over three years, and issue 400,000 shares on each property over three years. Each of the properties will be subject to a 2.5% NSR.