

**GRANDE PORTAGE RESOURCES LTD.**

FINANCIAL STATEMENTS AND NOTES

**April 30, 2006**

**GRANDE PORTAGE RESOURCES LTD.****BALANCE SHEETS**

April 30, 2006 and October 31, 2005

	April 30, 2006	October, 2005
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 672,066	\$ 758,726
GST receivable	22,009	2,263
Accounts receivable and prepaids	4,162	15,000
	<b>698,237</b>	<b>775,989</b>
<b>Reclamation bonds</b>	<b>18,500</b>	3,500
<b>Mineral properties acquisition costs</b> (Note 4 & Schedule 1)	<b>136,280</b>	45,636
<b>Deferred exploration expenditures</b> (Note 4 & Schedule 1)	<b>241,032</b>	34,078
<b>Advances for resource property exploration</b>	<b>50,000</b>	-
	<b>\$ 1,144,049</b>	<b>\$ 859,203</b>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable	\$ 45,285	\$ 60,517
<b>Shareholders' Equity</b>		
<b>Share capital</b> (note 7)	<b>5,067,971</b>	4,658,146
<b>Contributed surplus</b> (notes 7 and 8)	<b>222,289</b>	222,289
<b>Deficit</b>	<b>(4,191,496)</b>	(4,081,749)
	<b>1,098,764</b>	<b>798,686</b>
	<b>\$ 1,144,049</b>	<b>\$ 859,203</b>

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:**“Alistair MacLennan” Director“Gordon Griffiths” Director

SEE ACCOMPANYING NOTES

**GRANDE PORTAGE RESOURCES LTD.**  
**STATEMENTS OF OPERATIONS AND DEFICIT**  
for the three- and six-month periods ended April 30, 2006 and 2005

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>April 30,</b>		<b>April 30,</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
<b>Administrative expenses</b>				
Bank charges and interest	32	563	151	722
Consulting fees	-	5,850	21,700	20,377
Investor relations	5,520	-	16,670	-
Legal and accounting	36,100	16,004	36,118	28,004
Management fees	-	7,500	7,500	15,000
Office and miscellaneous	662	838	1,396	838
Rent	-	1,850	1,100	4,125
Regulatory and transfer agent fees	17,662	6,014	22,510	8,324
Shareholder relations	3,568	-	3,568	-
Stock based compensation	-	-	-	14,835
Telephone	410	235	1,719	235
Travel	461	-	921	-
	<b>64,415</b>	38,854	<b>113,353</b>	92,460
<b>Other items</b>				
Interest income	(3,606)	-	(3,606)	-
<b>Loss for the period</b>	<b>(60,809)</b>	(38,854)	<b>(109,747)</b>	(92,460)
<b>Deficit, beginning of period</b>	<b>(4,130,687)</b>	(3,806,919)	<b>(4,081,749)</b>	(3,708,808)
<b>Change in accounting policy</b>	-	-	-	(44,505)
<b>Deficit, end of period</b>	<b>\$ (4,191,496)</b>	\$ (3,845,773)	<b>\$ (4,191,496)</b>	\$ (3,845,773)
<b>Loss per share</b>	<b>\$ (0.002)</b>	\$ (0.005)	<b>\$ (0.003)</b>	\$ (0.01)
<b>Weighted average number of shares outstanding</b>	<b>33,870,243</b>	22,671,156	<b>33,058,313</b>	21,068,174

SEE ACCOMPANYING NOTES

**GRANDE PORTAGE RESOURCES LTD.**  
**STATEMENTS OF CASH FLOWS**  
for the three and six-month periods ended April 30, 2006 and 2005

<b>For the</b>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>April 30,</b>		<b>April 30,</b>	
	<b>2006</b>	2005	<b>2006</b>	2005
<b>Cash provided by (used for)</b>				
<b>Operating activities</b>				
Loss for the period	\$(60,809)	\$(38,854)	\$(109,747)	\$(92,460)
Add item not affecting cash:				
Consulting fees	-	-	-	7,027
Stock based compensation	-	-	-	14,835
Net change in non-cash working capital				
GST receivable	(9,779)	881	(19,746)	6,431
Accounts receivable & prepaids	-	-	10,838	-
Accounts payable	8,304	23,529	(15,232)	41,044
Reclamation bonds	(15,000)	-	(15,000)	-
	<b>(77,284)</b>	<b>(14,444)</b>	<b>(148,887)</b>	<b>(23,124)</b>
<b>Financing activities</b>				
Shares issued for cash	261,825	-	361,825	-
Share subscriptions received	-	35,000	-	-
	<b>261,825</b>	<b>35,000</b>	<b>361,825</b>	<b>-</b>
<b>Investing activity</b>				
Acquisition of resource properties	(73,000)	-	(103,000)	-
Deferred exploration expenditures	(132,713)	(18,356)	(194,597)	(42,212)
	<b>(155,713)</b>	<b>(18,356)</b>	<b>(297,597)</b>	<b>(42,212)</b>
<b>Net increase (decrease) in cash</b>	<b>28,828</b>	<b>2,200</b>	<b>(84,659)</b>	<b>(27,438)</b>
<b>Cash, beginning of period</b>	<b>645,238</b>	<b>2,715</b>	<b>758,726</b>	<b>32,353</b>
<b>Cash, end of period</b>	<b>\$ 674,066</b>	<b>\$ 4,915</b>	<b>\$ 674,066</b>	<b>\$ 4,915</b>

SEE ACCOMPANYING NOTES

**GRANDE PORTAGE RESOURCES LTD.**  
**SCHEDULE OF RESOURCE PROPERTIES**  
for the periods ended April 30, 2006 and October 31, 2005

	<u>Merry Widow</u>	<u>Newt Property &amp; Good Sport</u>	<u>Kathleen Lake</u>	<u>Teihsum River</u>	<u>2006</u>	<u>2005</u>
Balance, beginning	\$ 33,280	\$ -	\$ -	\$ -	\$ 33,280	\$ 23,002
Acquisition costs						
Cash	20,000	10,000	5,000	20,000	55,000	38,856
Shares	48,000	-	-	-	48,000	6,000
Staking and land taxes	3,516	-	-	-	3,516	780
	<u>104,796</u>	<u>10,000</u>	<u>5,000</u>	<u>20,000</u>	<u>106,516</u>	<u>45,636</u>
Deferred exploration costs						
Assay & recording	3,038	-	-	-	3,038	1,000
Drafting and printing	11,639	-	-	-	11,639	5,842
Filing fees	-	1,760	-	1,000	2,760	-
Geological consulting	70,974	-	-	-	70,974	13,700
Geophysics	32,157	-	-	-	32,157	-
Grants	-	-	25,000	-	25,000	-
Site access preparation	33,266	-	-	-	33,266	11,563
Site personnel	45,100	-	-	-	45,100	-
Travel	13,582	-	-	-	13,582	2,828
	<u>209,756</u>	<u>1,760</u>	<u>25,000</u>	<u>1,000</u>	<u>237,516</u>	<u>34,933</u>
	<u>314,552</u>	<u>11,760</u>	<u>30,000</u>	<u>21,000</u>	<u>377,312</u>	<u>103,571</u>
Write-downs	-	-	-	-	-	(23,857)
Balance, ending	<u>\$ 314,552</u>	<u>\$ 11,760</u>	<u>\$ 30,000</u>	<u>\$ 21,000</u>	<u>\$ 377,312</u>	<u>\$ 79,714</u>

SEE ACCOMPANYING NOTES

## **GRANDE PORTAGE RESOURCES LTD.**

Notes to Financial Statements

April 30, 2006

### **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 unaudited interim financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements. Therefore readers are advised to refer to the Company's Annual Audited financial statements for the year ended October 31, 2005 for additional information. 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 April 30, 2006, the Company had not yet achieved profitable operations and has accumulated losses of \$4,191,496 since its inception, and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

### **Note 2 Summary of 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.

### **Note 2 Summary of Significant Accounting Policies (cont'd)**

## **GRANDE PORTAGE RESOURCES LTD.**

### **Notes to the Financial Statements**

**April 30, 2006**

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.

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

## **GRANDE PORTAGE RESOURCES LTD.**

### **Notes to the Financial Statements**

**April 30, 2006**

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.

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.

# GRANDE PORTAGE RESOURCES LTD.

## Notes to the Financial Statements

April 30, 2006

### Note 3 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:

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

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) 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.
- c) The Company has also negotiated the right of first refusal on options to purchase two smaller, but strategic parcels of claims, adjacent northeast and northwest to its current crown grants. For a cash payment of \$5,000 on each property, the Company would add another 329 hectares to its holdings. Upon exercise of the option(s), the Company would be required to make cash payments totalling \$100,000 on each property to be acquired over three years and issue 400,000 shares on each property over three years. Each of the properties will be subject to a 3.0% NSR reserved to the original owners.

**GRANDE PORTAGE RESOURCES LTD.**  
**Notes to the Financial Statements**  
**April 30, 2006**

**Note 3 Resource Properties** (cont'd)

d) Teihsum River

Pursuant to an agreement in principal with Red Lake Resources Inc. ("Red Lake"), the Company has an option to earn up to a 75% of the 1,423 hectares held under option by Red Lake in the Teihsum River area, adjoining immediately southwest of the Company's Merry Widow Project. Red Lake must issue a further 200,000 shares under its option to the underlying property owner. The Company must make cash payments totalling \$90,000 over three years to the underlying property owner, and spend a total of \$1.0 million on exploration on the property, consisting of: (i) \$500,000 in exploration on the property by November 1, 2008 to earn a 50% interest in the property, and (ii) an additional \$500,000 in exploration by November 1, 2010, to earn an additional 20%, for an aggregate interest of 75%. Grande Portage will be the Operator throughout. The property will also be subject to a 2.5% NSR to the underlying property owner. The agreement is subject to acceptance by the boards of both companies, and approval of the TSX Venture Exchange.

**Note 4 Share Capital**

Authorized:

Unlimited common shares with no par value

Issued and Outstanding:

	<u>Number Of Shares</u>	<u>Amount</u>
Balance, October 31, 2005	32,196,542	\$ 4,658,146
For cash:		
Pursuant to private placements – at \$0.10	1,000,000	100,000
Exercise of options – at \$0.10	112,000	11,200
Exercise of warrants – at \$0.10	912,500	91,250
Exercise of warrants – at \$0.15	1,062,500	159,375
For resource property acquisition – at \$0.40	<u>120,000</u>	<u>48,000</u>
Balance, April 30, 2006	35,403,542	5,067,971

**GRANDE PORTAGE RESOURCES LTD.**  
**Notes to the Financial Statements**  
**April 30, 2006**

**Note 4**     **Share Capital** (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:

	<u>April 30, 2006</u>		<u>Years ended October 31, 2005</u>	
	<u>Share Purchase Options</u>	<u>Weighted Average Exercise Price</u>	<u>Share Purchase Options</u>	<u>Weighted Average Exercise Price</u>
Outstanding at beginning of period	3,150,000	\$0.10	1,400,000	\$0.10
Granted	700,000	\$0.16	2,500,000	\$0.10
Granted	2,000,000	\$0.38	-	-
Cancelled	(200,000)	\$0.10	(750,000)	\$0.10
Options outstanding at end of period	<u>5,650,000</u>	<u>-</u>	<u>3,150,000</u>	<u>\$0.10</u>

# GRANDE PORTAGE RESOURCES LTD.

## Notes to the Financial Statements

April 30, 2006

### Note 4 Share Capital (cont'd)

#### Share Purchase Warrants

At October 31, 2005, the Company had 9,158,350 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>
625,500	\$0.15	August 20, 2006
8,032,850	\$0.10/\$0.15	October 14, 2006/2007
500,000	\$0.10/\$0.15	December 31, 2006/2007
<hr/> 9,158,350		

### Note 5 Related Party Transactions

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

	<u>Six months ended April 30,</u>	
	<u>2006</u>	<u>2005</u>
Management fees	\$ 7,500	\$ 15,000

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

### Note 6 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 six-month period ended April 30, 2006:

- The Company issued 120,000 shares valued at \$48,000 to acquire resource properties.

## **GRANDE PORTAGE RESOURCES LTD.**

### **Notes to the Financial Statements**

**April 30, 2006**

#### **Note 7      Subsequent Events**

Subsequent to April 30, 2006:

- a) The Company announced that it has arranged a non-brokered Private Placement for 1,000,000 Units at a price of \$0.40 per Unit to raise gross proceeds of \$400,000. Each Unit consists of one common share of the Company and one non-transferable common share purchase warrant ("Warrant"). Each Warrant entitles the purchaser to purchase one additional common share of the Company at an exercise price of \$0.50 per share for a period of 24 months from closing. Of the 1,000,000 Units, 500,000 Units are comprised of flow-through shares and 500,000 Units are comprised of non-flow-through shares. The Company paid a finder's fee in connection with this financing in accordance with the policies of the TSX Venture Exchange.

The Warrants have a forced warrant conversion to the effect that if at any time during the first six months of the term of the warrants, Grande Portage's common shares trade at \$1.00 per share or higher for 30 consecutive trading days, then the Company can give notice of such event to the holders and the Warrants must be exercised within 60 days of such their receipt of such notice or the Warrants will thereafter expire.

- b) The Company received the necessary permits for a Phase I diamond drilling program on its Merry Widow Massive Sulphide project. The permits allow for camp construction on Crown grants purchased by the Company and drilling on 23 drill-site locations. The Company has contracted Westcore Drilling of Hope, B.C. to drill the initial 4,000-metre program.
- c) During May, at the invitation of the British Columbia Ministry of Mines, dialogue was initiated with the Quatsino First Nations Band. These discussions were designed to open lines of communication to notify other potential stakeholders in the region of our intentions and to address any concerns. One meeting was held in Port Hardy while a second meeting involved an initial reconnaissance archaeological study to determine the possibility of any native originated culturally modified trees (CMTs). All proposed camp and drillsites were examined with no apparent conflict evident. Other meetings were also held with Port McNeill Ministry of Forests and with the logging companies who are active in the area.

Drilling permits were granted late may and a road was built to the campsite and the diamond site was cleared. The drill rig was mobilized mid-June and camp construction commenced.

Aeroquest Ltd. was awarded the airborne Mag and EM geophysics contract in late May. Flying commenced the first week in June and completed three weeks later. The Company has commenced the digitizing of all its data in GIS format. This includes historical data as well as all data generated by the Company since November 2005.