

NEWMAC RESOURCES INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2005 AND 2004

AUDITORS' REPORT

To the Shareholders of Newmac Resources Inc.

We have audited the balance sheet of Newmac Resources Inc. as at September 30, 2005 and 2004 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 audit.

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 September 30, 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.

/s/ Lancaster & David

CHARTERED ACCOUNTANTS

Vancouver, BC
December 9, 2005

**NEWMAC RESOURCES INC.
BALANCE SHEETS**

	September 30, 2005	September 30, 2004
ASSETS		
CURRENT		
Cash	\$ 405,240	\$ 12,924
Taxes recoverable	13,247	-
Prepaid and deposits	453	-
	418,940	12,924
PROPERTY AND EQUIPMENT (Note 4)	930	-
MINERAL PROPERTIES (Note 3)	222,273	137,347
RECLAMATION DEPOSIT	2,500	2,500
	\$ 644,643	\$ 152,771
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 84,127	\$ 43,827
Due to related parties (Note 5)	6,509	6,529
	90,636	50,356
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	763,553	16,179
SPECIAL WARRANT PROCEEDS (Note 7)	-	159,978
DEFICIT	(209,546)	(73,742)
	554,007	102,415
	\$ 644,643	\$ 152,771

Nature and continuance of operations (Note 1)
Subsequent events (Note 9)

Approved on behalf of the Board:

/s/ David Hjerpe
David Hjerpe, Director

/s/ J. William Morton
J. William Morton, Director

The accompanying notes are an integral part of these financial statements

**NEWMAC RESOURCES INC.
STATEMENTS OF LOSS AND DEFICIT**

	For the year ended September 30, 2005	For the year ended September 30, 2004
EXPENSES		
Amortization	\$ 55	\$ -
Management fees	30,000	30,000
Office and general	4,967	4,210
Professional fees	104,492	21,632
Transfer agent, listing and filing fees	43,545	-
Travel and promotion	7,195	11,900
LOSS BEFORE INCOME TAX PROVISION	190,254	67,742
Recovery of future income tax asset – Note 2	(54,450)	-
NET LOSS FOR THE YEAR	135,804	67,742
DEFICIT, BEGINNING OF YEAR	73,742	6,000
DEFICIT, END OF YEAR	\$ 209,546	\$ 73,742
LOSS PER SHARE - Basic	\$ (0.03)	\$ (0.07)
Weighted average number of common shares outstanding	4,217,673	1,036,000

The accompanying notes are an integral part of these financial statements

**NEWMAC RESOURCES INC.
STATEMENTS OF CASH FLOWS**

	For the year ended September 30, 2005	For the year ended September 30, 2004
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net loss for the year	\$ (135,804)	\$ (67,742)
Items not affecting cash:		
Amortization	55	-
Recovery of future income tax asset	(54,450)	-
Net changes in non-cash working capital items:		
Taxes recoverable	(13,247)	-
Prepaid expense and deposit	(453)	-
Accounts payable and accrued liabilities	40,300	16,094
Due to related parties	(20)	530
	(163,619)	(51,118)
INVESTING ACTIVITIES		
Reclamation bond	-	(2,500)
Acquisition of property and equipment	(985)	-
Mineral property acquisition and exploration costs	(84,926)	(96,436)
	(85,911)	(98,936)
FINANCING ACTIVITIES		
Issue of common shares	747,374	3,000
Special Warrant proceeds received	(105,528)	159,978
	641,846	162,978
INCREASE IN CASH	392,316	12,924
CASH, BEGINNING OF THE YEAR	12,924	-
CASH, END OF THE YEAR	\$ 405,240	\$ 12,924
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Common shares allotted for acquisition of mineral property	\$ -	\$ 13,178
Common shares issued for Agent's fees related to Initial Public Offering	\$ 7,500	\$ -
SUPPLEMENTAL DISCLOSURE		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

NEWMAC RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005 AND 2004

NOTE 1 - NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated on August 20, 2003 under the Company Act of British Columbia, and is involved in the acquisition, exploration and development of mineral properties located in British Columbia, Canada. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery and exploitation of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared using Canadian generally accepted accounting principals on the basis of a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has incurred losses of \$209,546 since inception. Should the Company be unable to continue as a going concern, the realization of assets may be at amounts significantly less than carrying value. The continuation of the Company as a going concern is dependant on its ability to obtain additional equity capital to finance existing operations, attaining commercial production from its mineral properties, and attaining future profitable operations or positive cash flows. These financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Estimates, Assumptions and 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 period. Significant areas requiring the use of management estimates relate to the impairment of mineral property interests and the determination of reclamation obligations. Actual results could differ from those estimates. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Financial Instruments

The fair value of the Company's cash, taxes recoverable, prepaid expense and deposits, accounts payable and accrued liabilities, and due to related parties were estimated to approximate their carrying values due to the immediate or short-term maturity of these financial instruments. Management does not believe the Company is exposed to significant credit, currency, market or interest rate risks.

Loss Per Share

The loss per share figures are calculated using the weighted average number of common shares outstanding during the respective fiscal periods. Diluted loss per share is calculated using the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding used for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share purchase options and warrants are used to repurchase common shares at the average market price during the period. Diluted loss per share has not been presented as the Company has no dilutive securities issued as at September 30, 2005.

Cash and cash equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents. As at September 30, 2005 there were no cash equivalents.

Mineral Properties

The cost of mineral properties and related exploration and development costs are deferred until the properties are placed into production, sold or abandoned, or management has determined there has been an impairment in value. These costs will be amortized over the useful life of the properties following the commencement of commercial production or written off if the properties are sold, allowed to lapse, or abandoned. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties and related deferred exploration costs could be written off. Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected title defects.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Amortization of property and equipment

The Company amortizes its property and equipment over their estimated useful lives as follows:

Computer hardware	Straight line method over a period of 3 years
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Asset Retirement Obligation

The Company accounts for asset retirement obligations and site rehabilitation costs in accordance with the requirements of Canadian Institute of Chartered Accountants Handbook Section 3110 "Asset Retirement Obligations". Under this policy, the present value of future closure obligations is recorded as a liability when that liability is incurred with a corresponding increase in carrying value of the related Mining Property assets. The increased carrying value of the mining property asset will be amortized over the life of the related mining assets on a unit of production basis when the property comes into production. The liability for asset retirement obligations is accreted to the amount ultimately payable over the period to the date it is paid. As at September 30, 2005 the Company has not recognized any asset retirement obligations.

Share Capital

Proceeds from the sale of flow-through shares are credited to share capital. The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation. Future income taxes related to temporary differences arising on renunciation of expenditures to subscribers are offset against future income tax assets.

Income Taxes

The Company accounts for income taxes using the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. Future income tax assets are recognized to the extent that they are considered more likely than not to be realized. The valuation of future income tax assets is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated realizable amount. At September 30, 2005, the Company recognized a valuation allowance equal to the full amount of net future tax asset.

Flow-through Shares

In March 2004, the Canadian Institute of Chartered Accountants 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. The Company has adopted prospectively the new recommendation for flow-through shares issued after March 19, 2004 and now records the tax effect related to the renounced deductions as a reduction of income tax expense in the statement of loss and deficit on the date that the Company renounces the deductions for investors whereas previously the tax effect was recorded as a credit to equity. As a result of this change in policy the Company recorded a recovery of future income tax assets with a corresponding reduction to share capital of \$54,450 with respect to flow-through shares totaling \$167,950 issued after March 19, 2004 and renounced during the year ended September 30, 2005.

NOTE 3 - MINERAL PROPERTIES

NEWMAC Property, British Columbia

By an agreement dated June 3, 2004, the Company acquired from its President, a 100% interest in six mineral claims known as the NEWMAC Property located in the Clinton Mining Division, British Columbia. The Company issued 1,000,000 common shares which have been recorded at a deemed value of \$13,178, representing the President's out-of-pocket costs. The claims are subject to a net smelter returns royalty of 2.5% to a company with a common director. The Company has the option to purchase two-fifths of the royalty (1% NSR) for \$1,000,000. The Company also owns a 100% interest in an additional claim staked.

NEWMAC RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005 AND 2004

NOTE 3 - MINERAL PROPERTIES (Continued)

Fox Property, British Columbia

The Company entered into an agreement on September 22, 2005 to acquire a 100% interest in the Fox Property, located 20 km northwest of Little Fort, British Columbia. The Company agreed to issue 200,000 common shares and make payments totaling \$100,000 over a 3 year period. An additional 200,000 shares will be issued to the vendors if and when a positive feasibility study is completed. A 3.0%NSR is reserved for the vendors of which 2.0% may be purchased at any time for \$2.0 million reducing the NSR to 1%. A 10% finders fee is payable with the transaction.

	Acquisition/ maintenance	Deferred exploration	September 30, 2005	September 30, 2004
NEWMAC Property – British Columbia				
Balance – beginning of year	\$ 13,178	\$ 124,169	\$ 137,347	\$ -
Cash paid for acquisition	3,708	-	3,708	-
Staking and assessments	1,000	-	1,000	-
Stock issuance for property	-	-	-	13,178
Aircraft and fuel	-	27,250	27,250	-
Assay and sampling	-	29	29	-
Geological and field personnel	-	23,510	23,510	66,303
Field supplies and rentals	-	3,913	3,913	13,368
Geophysical	-	-	-	22,082
Recording and filing fees	-	1,275	1,275	1,412
Reports and maps	-	5,193	5,193	4,512
Road building	-	-	-	4,743
Travel and accommodation	-	9,007	9,007	11,466
Other	-	41	41	283
Costs for the year	4,708	70,218	74,926	137,347
Balance – end of year	17,886	194,387	212,273	137,347
Fox Property – British Columbia				
Balance – beginning of year	-	-	-	-
Cash paid for acquisition	10,000	-	10,000	-
Costs for the year	10,000	-	10,000	-
Balance – end of year	10,000	-	10,000	-
Summary for all Properties				
Balance – beginning of year	13,178	124,169	137,347	-
Costs for the year	14,708	70,218	84,926	137,347
Balance – end of year	\$ 27,886	\$ 194,387	\$ 222,273	\$ 137,347

NOTE 4 – PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Year ended September 30, 2005	Year ended September 30, 2004
Computer hardware	\$ 985	\$ 55	\$ 930	-

NEWMAC RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 – RELATED PARTY TRANSACTIONS

The Company is indebted to the President and a private company controlled by him in the amount of \$6,509 (September 30, 2004 - \$6,529), representing unpaid management fees, reimbursement of expenses, and cash advances. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment. Included in accounts payable is \$72 (September 30, 2004 - \$27,733) owing to a company controlled by a director, for exploration costs incurred on the NEWMAC property. The Company incurred the following amounts to directors of the Company, and private companies controlled by them, during the respective periods:

	Year ended September 30, 2005	Year ended September 30, 2004
	\$	\$
Deferred exploration costs	1,819	118,343
Management fees	30,000	30,000
Office and general	1,341	560
Property and equipment	985	-
Transfer agent, filing and listing fees	268	-
Travel and promotion	9,473	13,629

- a) The Company acquired its interest in the NEWMAC mineral property from its President. The Company issued 1,000,000 common shares to the President of the Company for the acquisition of the NEWMAC mineral property, as described in Note 3. The NSR royalty interest is held by a company with a common director.
- b) Refer to Notes 6 and 7.

NOTE 6 - SHARE CAPITAL

Authorized share capital consists of an unlimited number of common shares without par value (2004 – 500,000,000 shares).

Issued:

	Shares	Value
Issued from incorporation on August 20, 2003 to September 30, 2003	1	\$ 1
<i>Issued and allotted during the year:</i>		
- for cash at \$0.001 per share	3,000,000	3,000
- for acquisition of mineral property	1,000,000	13,178
Issued and allotted at September 30, 2004	4,000,001	\$ 16,179
<i>Issued during the year:</i>		
- for cash at \$0.25 per share, initial public offering (“IPO”)	2,760,000	690,000
- for services at \$0.25 per share issued for Agent’s fees related to IPO	30,000	7,500
- by exercise of flow-through special warrants	839,750	167,950
- by exercise of non-flow-through special warrants	153,605	30,720
- recovery of future income tax asset	-	(54,450)
- share issuance costs	-	(94,346)
Issued at September 30, 2005	7,783,356	\$ 763,553

During the period ended September 30, 2004, the Company issued 3,000,000 common shares to directors at a price of \$0.001 per share for cash proceeds of \$3,000.

NOTE 6 - SHARE CAPITAL (Continued)

During the year ended September 30, 2005, the Company issued 2,760,000 units at a price of \$0.25 per unit for gross proceeds of \$690,000 pursuant to an initial public offering. Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to acquire one additional common share for a period of 12 months from the date of closing, at a price of \$0.30 per share in the first six months and \$0.35 per share for the balance of the term. The Agent in connection with the offering received a cash commission of 8% of gross proceeds from the offering, finance fees of \$17,500, and warrants to acquire up to 30,000 units of the Company ("Corporate Finance Units"). In addition, the Agent was granted warrants (the "Agent's Warrant") to purchase that number of shares as are equal to 15% of the number of units sold through the offering. Each Agent's Warrant is exercisable into one common share of the Company at a price of \$0.25 per share for a 12-month period from the date the Company's shares are listed for trading on the TSX Venture Exchange.

At September 30, 2005, 3,825,001 shares (2004 – nil) are held in escrow, which are governed by the provision of the Canadian Securities Regulators National Policy 46-201 as to the restrictions imposed on the escrow shares. Pursuant to the policy, the escrow shares will be released pro rata to the holders as to 10% thereof of the original amount on the date of listing of the Company's shares on the TSX Venture Exchange, and a further 15% on each of the dates 6, 12, 18, 24, 30 and 36 months following the initial release. During the year ended September 30, 2005, 425,000 shares were released from escrow.

Share purchase warrants are outstanding to acquire 3,204,000 common shares as follows: 414,000 share purchase warrants to acquire 414,000 common shares exercisable at a price of \$0.25 per share on or before September 9, 2006 and 2,790,000 share purchase warrants to acquire 2,790,000 common shares exercisable at a price of \$0.30 per share up to March 9, 2006 and at a price of \$0.35 per share after March 9, 2006 and up to September 9, 2006. (Refer to Note 9)

NOTE 7 – SPECIAL WARRANT PROCEEDS

The Company issued 839,750 Flow-Through Special Warrants and 108,530 Non-Flow-Through Special Warrants at a price of \$0.20 per Special Warrant to net the Company proceeds of \$189,656. The Special Warrants were exercised into one common share of the Company, for no additional consideration, on the fifth business day after the date of receipt of acceptance of the Company's final prospectus. A director and two relatives of that director subscribed for 260,000 Flow-through Special Warrants for proceeds of \$52,000.

NOTE 8 – INCOME TAXES

The Company has non-capital losses for Canadian income tax purposes of approximately \$255,000 (September 30, 2004 - \$66,000), which may be used to reduce future taxable income in Canada, expiring between 2005 and 2012. The Company has unclaimed exploration and development expenditures of approximately \$25,000 (September 30, 2004 - \$122,000) which can be deducted for income tax purposes in Canada in future years at the Company's discretion.

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period. A valuation allowance has been provided against all net future tax assets, as realization of such net assets is uncertain.

NOTE 9 – SUBSEQUENT EVENTS

- a) On October 3, 2005 the Company granted 200,000 stock options to directors and consultants exercisable for a term of 5 years at \$0.50 per share, and 750,000 stock options to directors exercisable for a term of 5 years at \$0.25 per share.
- b) On October 31, 2005, 55,000 common shares were issued in accordance with the property option agreement on the Fox Property (see note 3).

NOTE 9 – SUBSEQUENT EVENTS (Continued)

- c) On November 22, 2005 the Company announced it intends to enter into a private placement to raise gross proceeds of up to \$80,000. Under the terms of the offering the Company will offer for sale a maximum of 160,000 units at \$0.50 per unit. Each unit will consist of one common share and one non-transferable share purchase warrant, each warrant entitling the holder to purchase one additional common share, exercisable for a period of one year from the date of issuance at a price of \$0.62 per share.

- d) On November 30, 2005 the Company announced it intends to enter into a private placement to raise gross proceeds of up to \$500,000. Under the terms of the offering the Company will offer for sale 400,000 Flow-Through common shares at a price of \$0.50 per flow through common share, and 600,000 Non Flow Through Units (the “NFT Units”) at a price of \$0.50 per NFT Unit. Each NFT Unit will consist of one non flow-through common share and half a non-transferable share purchase warrant, each full warrant entitling the holder to purchase one additional non flow-through common share, exercisable for a period of one year from the date of issuance at a price of \$0.62 per share.

- e) Subsequent to September 30, 2005, 346,500 common shares were issued pursuant to the exercise of warrants for cash proceeds of \$103,950.