

NEWMAC RESOURCES INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005

AUDITORS' REPORT

To the Shareholders of Newmac Resources Inc.

We have audited the balance sheets of Newmac Resources Inc. as at September 30, 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 September 30, 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.

/s/ Lancaster & David

CHARTERED ACCOUNTANTS

Vancouver, BC
January 15, 2007

**NEWMAC RESOURCES INC.
BALANCE SHEETS**

	September 30, 2006	September 30, 2005
ASSETS		
CURRENT		
Cash	\$ 112,656	\$ 405,240
Taxes recoverable and other	5,151	13,247
Prepaid expenses and deposits	5,752	453
	123,559	418,940
PROPERTY AND EQUIPMENT (Note 4)	3,379	930
MINERAL PROPERTIES (Note 3)	1,974,114	222,273
RECLAMATION DEPOSIT	14,500	2,500
	\$ 2,115,552	\$ 644,643
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 35,994	\$ 84,127
Due to related parties (Note 5)	263	6,509
	36,257	90,636
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 6)	2,319,853	763,553
CONTRIBUTED SURPLUS	598,800	-
SHARE SUBSCRIPTIONS RECEIVED	140,452	-
DEFICIT	(979,810)	(209,546)
	2,079,295	554,007
	\$ 2,115,552	\$ 644,643

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

Approved on behalf of the Board:

“David Hjerpe”
David Hjerpe, Director

“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, 2006	For the year ended September 30, 2005
EXPENSES		
Amortization	\$ 1,551	\$ 55
Investor relations	66,912	14,003
Management fees	52,500	30,000
Office and general	12,320	4,967
Professional fees	52,985	104,492
Stock based compensation	549,420	-
Transfer agent, listing and filing fees	24,997	29,542
Travel and promotion	13,530	7,195
<hr/>		
LOSS BEFORE THE FOLLOWING	774,215	190,254
Interest income	(3,951)	-
<hr/>		
LOSS BEFORE INCOME TAX PROVISION	770,264	190,254
Recovery of future income tax asset (Note 2)	-	(54,450)
<hr/>		
NET LOSS FOR THE YEAR	770,264	135,804
DEFICIT, BEGINNING OF YEAR	209,546	73,742
<hr/>		
DEFICIT, END OF YEAR	\$ 979,810	\$ 209,546
<hr/>		
LOSS PER SHARE – Basic and Diluted	\$ (0.08)	\$ (0.03)
Weighted average number of common shares outstanding	10,189,029	4,217,673

The accompanying notes are an integral part of these financial statements

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

	For the year ended September 30, 2006	For the year ended September 30, 2005
CASH FLOWS PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES		
Net loss for the year	\$ (770,264)	\$ (135,804)
Items not affecting cash:		
Amortization	1,551	55
Stock based compensation	549,420	-
Recovery of future income tax asset	-	(54,450)
Net changes in non-cash working capital items:		
Taxes recoverable and other	8,096	(13,247)
Prepaid expense and deposit	(5,299)	(453)
Accounts payable and accrued liabilities	(48,133)	40,300
Due to related parties	(6,246)	(20)
	(270,875)	(163,619)
INVESTING ACTIVITIES		
Reclamation bond	(12,000)	-
Acquisition of property and equipment	(4,000)	(985)
Mineral property acquisition and exploration costs, net of \$49,380 in stock based payments (2005 - \$Nil)	(1,647,711)	(84,926)
	(1,663,711)	(85,911)
FINANCING ACTIVITIES		
Issue of common shares	1,501,550	747,374
Special Warrant proceeds received	140,452	(105,528)
	1,642,002	641,846
(DECREASE) INCREASE IN CASH	(292,584)	392,316
CASH, BEGINNING OF THE YEAR	405,240	12,924
CASH, END OF THE YEAR	\$ 112,656	\$ 405,240
NON-CASH FINANCING AND INVESTING ACTIVITIES		
Common shares issued for acquisition of mineral property	\$ 54,750	\$ -
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, 2006 AND 2005

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 \$979,810 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.

The Company intends to raise capital to finance operations through offerings of common stock through private placements of which directors and officers may participate. Anticipated expenses in the next year consist of funding exploration activities and drilling programs on the Company's four material properties. Subsequent to September 30, 2006 the Company completed four private placements to raise gross proceeds of \$807,029.

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 and other, 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, 2006.

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, 2006 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

**NEWMAC RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005**

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)

Property and equipment

The Company capitalizes costs to develop its website and amortizes property and equipment over their estimated useful lives as follows:

Computer hardware	Straight line method over a period of 3 years
Website	Straight line method over a period of 3 years

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, 2006 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, 2006, 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. The Company recorded a recovery of future income tax 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. Subsequently, work on the property resulted in several claims being dropped, with additional claims being staked. 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.

NEWMAC RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005

NOTE 3 - MINERAL PROPERTIES (Continued)

Crazy Fox Property, British Columbia

The Company entered into an agreement on September 22, 2005 to acquire a 100% interest in the Crazy Fox Property, located 20 km northwest of Little Fort, British Columbia. The Company agreed to issue 200,000 common shares (100,000 shares issued) and make payments totaling \$100,000 (\$10,000 paid to date) 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%NSR is reserved for the vendors of which 2% may be purchased at any time for \$2.0 million reducing the NSR to 1%. A 10% finders fee is payable with the transaction (50,000 shares of which 5,000 shares have been issued). The Company issued 50,000 common shares at a deemed value of \$35,000 on October 31, 2005 and 50,000 common shares at a deemed value of \$19,750 on September 14, 2006 in relation to the acquisition of the Crazy Fox Property. On October 31, 2005 the Company also issued 5,000 common shares at a deemed value of \$3,500 as a finders fee in relation to the acquisition of the Crazy Fox Property.

Chilanko Property, British Columbia

The Company entered into an agreement on December 28, 2005 to acquire a 100% interest in the Chilanko Copper Property, located 170 km west of Williams Lake, British Columbia for \$20,000. Subsequently, the Company continues to expand the property and stake additional claims.

	Acquisition/ maintenance	Deferred exploration	September 30, 2006	September 30, 2005
NEWMAC Property – British Columbia				
Balance – beginning of year	\$ 17,886	\$ 194,387	\$ 212,273	\$ 137,347
Cash paid for acquisition	-	-	-	3,708
Staking and assessments	-	-	-	1,000
Administration	-	136	136	-
Aircraft and fuel	-	62,813	62,813	27,250
Assay and sampling	-	11,105	11,105	29
Drilling	-	138,541	138,541	-
Field supplies and rentals	-	7,903	7,903	3,913
Geological and field staff	-	79,534	79,534	23,510
Recording and filing fees	-	-	-	1,275
Reports and maps	-	-	-	5,193
Travel and accommodation	-	18,802	18,802	9,007
Other	-	-	-	41
Costs for the period	-	318,834	318,834	74,926
Balance – end of period	\$ 17,886	\$ 513,221	\$ 531,107	\$ 212,273
Crazy Fox Property – British Columbia				
Balance – beginning of year	\$ 10,000	\$ -	\$ 10,000	\$ -
Cash paid for acquisition	2,528	-	2,528	10,000
Stock issuance for property	74,750	-	74,750	-
Administration	-	5,773	5,773	-
Assay and sampling	-	80,966	80,966	-
Drilling	-	741,555	741,555	-
Field supplies and rentals	-	170,811	170,811	-
Geological and field staff	-	226,115	226,115	-
Reports and maps	-	6,010	6,010	-
Travel and accommodation	-	99,014	99,014	-
Costs for the period	77,278	1,330,244	1,407,522	10,000
Balance – end of period	\$ 87,278	\$ 1,330,244	\$ 1,417,522	\$ 10,000

NEWMAC RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005

NOTE 3 - MINERAL PROPERTIES (Continued)

	Acquisition/ maintenance	Deferred exploration	September 30, 2006	September 30, 2005
Chilanko Property – British Columbia				
Balance – beginning of year	\$ -	\$ -	\$ -	\$ -
Cash paid for acquisition	21,871	-	21,871	-
Administration	-	56	56	-
Geological and field staff	-	3,225	3,225	-
Reports and maps	-	333	333	-
Costs for the period	21,871	3,614	25,485	-
Balance – end of period	\$ 21,871	\$ 3,614	\$ 25,485	\$ -
Summary for all Properties				
Balance – beginning of year	\$ 27,886	\$ 194,387	\$ 222,273	\$ 137,347
Costs for the period	99,149	1,652,692	1,751,841	84,926
Balance – end of period	\$ 127,035	\$ 1,847,079	\$ 1,974,114	\$ 222,273

NOTE 4 – PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Year ended September 30, 2006	Year ended September 30, 2005
Computer hardware	\$ 985	\$ 383	\$ 602	\$ 930
Website	4,000	1,223	2,777	-
	\$ 4,985	\$ 1,606	\$ 3,379	\$ 930

NOTE 5 – RELATED PARTY TRANSACTIONS

The Company is indebted to the President and a private company controlled by him in the amount of \$263 (2005 - \$6,509), representing reimbursement of expenses and cash advances. These amounts are unsecured, non-interest bearing, and have no specific terms of repayment. 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, 2006	Year ended September 30, 2005
Acquisition costs	\$ 1,871	\$ -
Deferred exploration	46,827	1,819
Investor relations	1,092	-
Management fees	52,500	30,000
Office and general	585	1,341
Property and equipment	-	985
Transfer agent, filing and listing fees	-	268
Travel and promotion	6,515	9,473

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

NEWMAC RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005

Authorized share capital consists of an unlimited number of common shares without par value.

Issued:

	Shares	Value	Contributed Surplus
Issued 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	\$ -
<i>Issued during the year:</i>			
- for acquisition of Crazy Fox mineral property at \$0.70 per share	50,000	\$ 35,000	\$ -
- for acquisition of Crazy Fox mineral property at \$0.395 per share	50,000	19,750	-
- for services at \$0.70 per share issued for finder's fees	5,000	3,500	-
- for cash at \$0.50 per share, private placements	1,210,362	605,182	-
- by exercise of warrants	2,938,925	899,368	-
- share issuance costs	-	(6,500)	-
- stock based compensation	-	-	598,800
Issued at September 30, 2006	12,037,643	\$ 2,319,853	\$ 598,800

On December 15, 2005 the Company completed a private placement to raise gross proceeds of \$80,000. Under the terms of the offering the Company sold 160,000 units at a price of \$0.50 per unit. Each unit consists of one common share and one non-transferable share purchase warrant to purchase an additional 160,000 shares at a price of \$0.62 per share until December 14, 2006.

On January 9, 2006 the Company completed a private placement to raise gross proceeds of \$65,000. Under the terms of the offering the Company sold 130,000 flow-through common shares at \$0.50 per share. The Company paid finder's fees of \$3,000 on a portion of the flow-through private placement.

On January 27, 2006 the Company completed a private placement to raise gross proceeds of \$230,295. Under the terms of the offering the Company sold 460,589 units at a price of \$0.50 per unit. Each unit consists of one common share and half a non-transferable share purchase warrant to purchase an additional 230,297 shares at a price of \$0.62 per share until January 27, 2007.

On February 15, 2006 the Company completed a private placement to raise gross proceeds of \$40,000. Under the terms of the offering the Company sold 80,000 units at a price of \$0.50 per unit. Each unit consists of one common share and half a non-transferable share purchase warrant to purchase an additional 40,000 shares at a price of \$0.62 per share until February 17, 2007.

On July 27, 2006 the Company completed a private placement to raise gross proceeds of \$189,887. Under the terms of the offering the Company sold 379,773 units at a price of \$0.50 per unit. Each unit consists of one common share and one non-transferable share purchase warrant to purchase an additional common share at a price of \$0.50 per share until July 25, 2007.

At September 30, 2006, 2,550,002 shares (2005 – 3,825,001 shares) 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 twelve months ended September 30, 2006, 1,274,999 shares were released from escrow.

**NEWMAC RESOURCES INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006 AND 2005**

NOTE 6 - SHARE CAPITAL (Continued)

Share Purchase Warrants

The continuity of share purchase warrants during the year ended September 30, 2006 is as follows:

Expiry dates	Exercise price	Outstanding as of September 30, 2005	Issued throughout the period	Exercised throughout the period	Expired throughout the period	Outstanding as of September 30, 2006
March 9, 2006	\$0.30	2,790,000	-	2,226,500	563,500	-
September 6, 2006	\$0.25	414,000	-	414,000	-	-
September 9, 2006	\$0.35	-	563,500	211,500	-	352,000
December 14, 2006	\$0.62	-	160,000	-	-	160,000
January 27, 2007	\$0.62	-	230,297	86,925	-	143,372
February 15, 2007	\$0.62	-	40,000	-	-	40,000
July 27, 2007	\$0.50	-	379,773	-	-	379,773
		3,204,000	1,373,570	2,938,925	563,500	1,075,145

Share Purchase Options

Effective August 15, 2005, the Company adopted the 2005 Stock Incentive Plan (the "Plan"). The total number of shares of stock which may be offered under, or issued under, options granted pursuant to the Plan shall not exceed 1,638,091 common shares. The number and terms and conditions of options which may be issued to certain individuals is limited as required by the TSX Venture Exchange. No options may be granted under the Plan after August 15, 2015.

The continuity of share purchase options is as follows:

	Year Ended September 30, 2006		Year Ended September 30, 2005	
	Number of shares	Average Price	Number of shares	Average Price
Opening Balance	-	\$ -	-	\$ -
Granted during the year	1,380,000	0.44	-	-
Exercised during the year	-	-	-	-
Expired/cancelled during the year	(100,000)	1.50	-	-
Closing Balance	1,280,000		-	
Average contractual remaining life (years)		3.32		-

Outstanding share purchase options as of September 30, 2006

	Expiry Date	Exercise Price	Number
Share Purchase Options	February 8, 2007	0.50	150,000
	February 14, 2007	0.54	100,000
	October 3, 2010	0.25	750,000
	October 3, 2010	0.50	200,000
	February 14, 2011	0.54	80,000
			1,280,000

The fair value of the options granted during the year has been estimated using the Black-Scholes option pricing model. Of the \$598,800 fair value of options recorded during the year, \$49,380 has been included as geological consulting and services in resource property costs and the balance of \$549,420 charged to stock based compensation.

NOTE 6 - SHARE CAPITAL (Continued)

Weighted average assumptions used in the option pricing model are as follows:

Risk-free interest rate	3.69%
Expected life	4.22 years
Expected volatility	128%
Expected dividends	Nil

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 \$495,075 (September 30, 2005 - \$255,000), which may be used to reduce future taxable income in Canada, expiring between 2006 and 2013. The Company has unclaimed exploration and development expenditures of approximately \$1,612,692 (September 30, 2005 - \$25,000) 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, 2006 the Company completed a private placement to raise gross proceeds of \$130,000. Under the terms of the offering the Company sold 260,000 units at a price of \$0.50 per unit. Each unit consists of one common share and one non-transferable share purchase warrant to purchase an additional common share at a price of \$0.50 per share until September 29, 2007. These securities issued are subject to a 4 month hold period expiring February 7, 2007.
- b) On October 11, 2006 the Company entered into a property option agreement to acquire up to 100% interest in the Bluff property, located 175 kilometers west of the community of Williams Lake, BC. To earn an initial 80% interest in the Bluff property the Company must make payments totaling \$185,000 and issue the vendors \$600,000 in value of common shares over a 5 year period, with a minimum deemed price of \$0.315 per share (or the cash equivalent). An initial \$10,000 in value of common shares is to be issued upon TSX Venture Exchange approval; payments are yearly from that point on for a duration of 5 years. An additional 20% interest in the property can be earned by paying an additional \$1,000,000 before the seventh anniversary of the agreement. The Company issued 25,000 common shares in accordance with the Bluff property option agreement accepted for filing by the TSX Venture Exchange on October 23, 2006. The Company also issued 25,000 shares as a finder's fee. These shares are subject to a hold period expiring on February 26, 2007.
- c) The Company completed the settlement of \$20,000 of debt by issuing a total of 66,667 shares at a deemed price of \$0.30 per share. The shares issued are subject to a hold period that expires March 1, 2007.

NOTE 9 – SUBSEQUENT EVENTS (Continued)

- d) On December 7, 2006 the Company completed a private placement to raise gross proceeds of \$157,029. Under the terms of the offering the Company sold 208,000 Flow Through Units at a price of \$0.35 per unit and 240,655 Non Flow Through Units at a price of \$0.35 per unit. Each Flow Through Unit consists of one flow-through common share and one non-transferable share purchase warrant to purchase an additional non flow-through common share at a price of \$0.50 per share until December 5, 2007. Each Non Flow Through Unit consists of one flow-through common share and one non-transferable share purchase warrant to purchase an additional non flow-through common share at a price of \$0.50 per share until December 5, 2007. These securities are subject to a 4 month hold period expiring April 8, 2007.

- e) On December 12, 2006 the Company completed a private placement to raise gross proceeds of \$500,000. Under the terms of the offering the Company sold 1,250,000 Flow-Through Units at a price of \$0.40 per Flow Through Unit. Each Flow Through Unit consists of one 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 until December 11, 2007 at a price of \$0.60 per share. In relation with this placement, the Company also paid a finder's fee of \$37,500 and 125,000 warrants which are exercisable until December 11, 2007 at a price of \$0.60 per share.

- f) On January 8, 2007 the Company completed a private placement to raise gross proceeds of up to \$20,000. Under the terms of the offering the Company sold 50,000 Flow Through Units at a price of \$0.40 per unit. Each Flow Through Unit consists of one flow-through common share and half a one non-transferable share purchase warrant to purchase one additional non flow-through common share at a price of \$0.60 per share until January 10, 2008. These securities issued are subject to a 4 month hold period expiring May 11, 2007.