PACIFIC BOOKER MINERALS INC.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

JANUARY 31, 2006

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Pacific Booker Minerals Inc.

We have audited the balance sheets of Pacific Booker Minerals Inc. as at January 31, 2006 and 2005 and the statements of operations, shareholders' equity and cash flows for the years ended January 31, 2006, 2005 and 2004. 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 and with the standards of the Public Company Accounting Oversight Board (United States). 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 January 31, 2006 and 2005 and the results of its operations and its cash flows for the years ended January 31, 2006, 2005 and 2004 in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 12, 2006 (except as to Note 15 which
is as of December 12, 2006)

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA – U.S. REPORTING DIFFERENCE

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) to identify circumstances when there is a restatement that has a material effect on the comparability of the Company's financial statements such as the restatements described in Note 17, or when the financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 1 to the financial statements. Our report to the shareholders dated April 12, 2006 (except as to Note 15 which is as of December 12, 2006) is expressed in accordance with Canadian reporting standards which do not permit a reference to such events and conditions or require a reference to such restatements in the auditors' report when they are adequately disclosed in the financial statements.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

April 12, 2006 (except as to Note 15 which
is as of December 12, 2006)

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PACIFIC BOOKER MINERALS INC.
BALANCE SHEETS
(Expressed in Canadian Dollars)
AS AT JANUARY 31

	2006	2005
ASSETS		
Current		
Cash and cash equivalents	$ 384,746	$ 443,754
Receivables	38,196	107,731
Exploration advances	89,013	225,000
Prepaids and deposits	20,359	5,543
Total current assets	532,314	782,028
Mineral property interests (Note 3)	4,832,500	5,698,500
Deferred exploration costs (Note 4)	7,137,683	12,373,828
Property and equipment (Note 5)	54,564	18,223
Reclamation deposits	118,600	72,500
Total assets	$ 12,675,661	$ 18,945,079

- Continued -

PACIFIC BOOKER MINERALS INC.
BALANCE SHEETS
(Expressed in Canadian Dollars)
AS AT JANUARY 31

	2006	2005
Continued…		
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 485,562	$ 222,249
Amounts owing to related parties (Note 6)	35,513	15,953
Current portion of long term liabilities	-	1,000,000
Total current liabilities	521,075	1,238,202
Long term liabilities (Note 7)	1,500,000	1,500,000
Total liabilities	2,021,075	2,738,202
Shareholders' equity		
Capital stock (Note 8)		
Authorized:		
100,000,000 common shares without par value		
Issued and outstanding		
6,802,239 common shares (2005 – 6,008,789)	23,482,104	20,274,104
Share subscriptions received in advance (Note 16)	280,000	574,775
Contributed surplus (Note 8)	630,671	212,914
Deficit	(13,738,189)	(4,854,916)
Total shareholders' equity	10,654,586	16,206,877
Total liabilities and shareholders' equity	$ 12,675,661	$ 18,945,079

Nature and continuance of operations (Note 1)
Commitment (Note 13)
Contingency (Note 15)
Subsequent event (Note 16)

On behalf of the Board:

"Gregory R. Anderson"	*"Ruth Swan"*
Gregory R. Anderson, CEO	Ruth Swan, CFO

The accompanying notes are an integral part of these financial statements.

PACIFIC BOOKER MINERALS INC.
STATEMENTS OF OPERATIONS
(Expressed in Canadian Dollars)
AS AT JANUARY 31

	2006	2005	2004
GENERAL AND ADMINISTRATIVE EXPENSES			
Amortization	$ 8,759	$ 3,869	$ 4,405
Consulting fees	16,170	6,030	-
Consulting fees – related party (Note 9)	55,531	45,200	14,000
Filing and transfer agent fees	30,131	43,188	19,886
Foreign exchange loss (gain)	27,027	(50,026)	21,626
Investor relations fees	43,658	34,823	33,051
Investor relations – related party (Note 9)	119,279	78,000	78,000
Office and miscellaneous	61,850	37,110	29,103
Office rent	58,848	57,458	53,582
Professional fees (Note 9)	104,044	117,506	79,293
Shareholder information and promotion	44,249	21,137	12,936
Stock-based compensation (Note 8)	417,757	212,914	-
Telephone	15,280	12,269	11,339
Travel	42,780	50,526	43,191
Write-off of accounts payable	-	(31,322)	-
Write-off of exploration advances	-	20,044	-
Overhead expenses charged to exploration	-	-	(81,787)
Loss before other items	(1,045,363)	(658,726)	(318,625)
OTHER ITEMS			
Interest income	13,378	5,967	2,119
Write-off of mineral property interests and deferred exploration costs	(7,851,288)	(250,000)	(10,735)
Total other items	(7,837,910)	(244,033)	(8,616)
Loss for the year	$ (8,883,273)	$ (902,759)	$ (327,241)
Basic and diluted loss per common share	$ (1.41)	$ (0.16)	$ (0.06)
Weighted average number of common shares outstanding	6,320,955	5,714,090	5,087,736

PACIFIC BOOKER MINERALS INC.
STATEMENT OF SHAREHOLDERS' EQUITY
(Expressed in Canadian Dollars)

	Number of Shares	Price	Amount	Share Subscriptions Received In Advance	Contributed Surplus	Deficit	Total
Balance, January 31, 2003	4,970,129		$ 16,148,185	$ -	$ -	$ (3,624,916)	$ 12,523,269
Private placement	127,186	$ 4.00	508,744	-	-	-	508,744
Exercise of warrants	2,500	4.00	10,000	-	-	-	10,000
Settlement of accounts payable	44,444	4.50	200,000	-	-	-	200,000
Share subscriptions received	-		-	275,400	-	-	275,400
Loss for the year	-		-	-	-	(327,241)	(327,241)
Balance, January 31, 2004	5,144,259		16,866,929	275,400	-	(3,952,157)	13,190,172
Private placements	597,530	3.94	2,356,675	(275,400)	-	-	2,081,275
Exercise of stock options	15,000	2.00	30,000	-	-	-	30,000
Exercise of warrants	2,000	4.00	8,000	-	-	-	8,000
Mineral property interests	250,000	4.05	1,012,500	-	-	-	1,012,500
Share subscriptions received	-		-	574,775	-	-	574,775
Stock-based compensation	-		-	-	212,914	-	212,914
Loss for the year	-		-	-	-	(902,759)	(902,759)
Balance, January 31, 2005	6,008,789		20,274,104	574,775	212,914	(4,854,916)	16,206,877
Private placements	748,450	4.05	3,028,000	(574,775)	-	-	2,453,225
Mineral property interests	45,000	4.00	180,000	-	-	-	180,000
Share subscriptions received	-		-	280,000	-	-	280,000
Stock-based compensation	-		-	-	417,757	-	417,757
Loss for the year	-		-	-	-	(8,883,273)	(8,883,273)
Balance, January 31, 2006	6,802,239		$ 23,482,104	$ 280,000	$ 630,671	$(13,738,189)	$ 10,654,586

The accompanying notes are an integral part of these financial statements.

PACIFIC BOOKER MINERALS INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)
YEAR ENDED JANUARY 31

	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year	$ (8,883,273)	$ (902,759)	$ (327,241)
Items not affecting cash:			
Amortization	8,759	3,869	4,405
Stock-based compensation	417,757	212,914	-
Write-off of accounts payable	-	(31,322)	-
Write-off of exploration advances	-	20,044	-
Write-off of mineral property interests and deferred exploration costs	7,851,288	250,000	10,735
Changes in non-cash working capital items:			
Decrease in receivables	69,535	180,377	145,324
(Increase) decrease in prepaids and deposits	(14,816)	21,531	23,354
Increase (decrease) in accounts payable and accrued liabilities	(77,678)	(172,487)	111,141
Increase (decrease) in amounts owing to related parties	6,210	(80,481)	72,446
Net cash provided by (used in) operating activities	(622,218)	(498,314)	40,164
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of capital stock	2,453,225	2,119,275	518,744
Share subscriptions received in advance	280,000	574,775	275,400
Due to related parties	-	(36,700)	36,700
Obligations under capital leases	-	(588)	(2,433)
Repayment of long term debt	(1,000,000)	-	-
Net cash provided by financing activities	1,733,225	2,656,762	828,411
CASH FLOWS FROM INVESTING ACTIVITIES			
Mineral property interests and deferred exploration costs (net of recovery)	(1,018,559)	(1,760,122)	(896,558)
Restricted cash	-	-	37,500
Exploration advances	(56,250)	25,000	(1,917)
Reclamation deposits	(46,100)	-	-
Purchase of property and equipment	(49,106)	-	(4,439)
Net cash used in investing activities	(1,170,015)	(1,735,122)	(865,414)
Change in cash and cash equivalents during the year	(59,008)	423,326	3,161
Cash and cash equivalents, beginning of year	443,754	20,428	17,267
Cash and cash equivalents, end of year	$ 384,746	$ 443,754	$ 20,428
Cash paid for income taxes	$ -	$ -	$ -
Cash paid for interest	-	618	271

Supplemental disclosure with respect to cash flows (Note 10)

The accompanying notes are an integral part of these financial statements.

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the Company Act of British Columbia and its principal business activity is the exploration of its mineral property interests, with its principal mineral property interests located in Canada.

The ability of the Company to realize the costs it has incurred to date on its mineral property interests is dependent upon the Company being able to identify a commercial ore body, to finance its exploration costs and to resolve any environmental, regulatory or other constraints which may hinder the successful development of the mineral property interest. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

These financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. These financial statements do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs. In order for the Company to meet its liabilities as they come due and to continue its operations, the Company is solely dependent upon its ability to generate such financing.

There can be no assurance that the Company will be able to continue to raise funds in which case the Company may be unable to meet its obligations. Should the Company be unable to realize on its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded on the balance sheets.

	2006	2005
Working capital (deficiency)	$ 11,239	$ (456,174)
Deficit	(13,738,189)	(4,854,916)

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The significant accounting policies adopted by the Company are as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Estimates

The preparation of financial statements in accordance with Canadian GAAP 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 amount of revenues and expenses during the year. Actual results could differ from these estimates.

Foreign currency translation

The monetary assets and liabilities of the Company that are denominated in foreign currencies are translated at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at the exchange rates approximating those in effect on the date of the transactions. Exchange gains and losses arising on translation are included in the statement of operations.

Cash and cash equivalents

Cash and cash equivalents consists of cash on hand and highly liquid investments with original maturities of three months or less.

Allowance for receivables

The Company establishes an allowance for receivables on a specific account basis. No allowance for receivables was recorded by the Company as at January 31, 2006 and 2005.

Mineral property interests and deferred exploration costs

The Company records mineral property interests, which consist of the right to explore for mineral deposits, at cost. The Company records deferred exploration costs, which consist of costs attributable to the exploration of mineral property interests, at cost. All direct and indirect costs relating to the acquisition and exploration of these mineral property interests are capitalized on the basis of specific claim blocks until the mineral property interests to which they relate are placed into production, the mineral property interests are disposed of through sale or where management has determined there to be an impairment. If a mineral property interest is abandoned, the mineral property interest and deferred exploration costs will be written off to operations in the period of abandonment.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral property interests and deferred exploration costs (cont'd…)

On an ongoing basis, the capitalized costs are reviewed on a property-by-property basis to consider if there is any impairment on the subject mineral property interest. Management's determination for impairment is based on: i) whether the Company's exploration programs on the mineral property interests have significantly changed, such that previously identified resource targets are no longer being pursued; ii) whether exploration results to date are promising and whether additional exploration work is being planned in the foreseeable future or iii) whether remaining lease terms are insufficient to conduct necessary studies or exploration work.

The recorded cost of mineral property interests and deferred exploration costs is based on cash paid and the value of share consideration issued for mineral property interest acquisitions and exploration costs incurred. The recorded amount may not reflect recoverable value as this will be dependent on future development programs, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Cost recoveries consist of mining tax credits from the Province of British Columbia. Claims for tax credits are accrued upon the Company attaining reasonable assurance of collection from Canada Revenue Agency and from the Province of British Columbia. As at January 31, 2006 and 2005, cost recoveries related solely to the Morrison claims and are recorded as a cost recovery of deferred exploration costs.

Asset retirement obligation

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease to the carrying amount of the liability and the related long-lived asset.

Property and equipment

Property and equipment are recorded at cost. The Company provides for amortization annually as follows:

Automobile	30% declining balance
Computer equipment	30% to 45% declining balance
Office furniture and equipment	20% declining balance
Trailers	30% declining balance

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation expense over the vesting period of the stock options.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. The weighted average number of common shares outstanding for the year ended January 31, 2006 do not include the 1,595,980 (2005 – 974,716; 2004 – 447,686) warrants outstanding and the 1,113,000 (2005 – 1,135,000; 2004 – 474,000) stock options outstanding.

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year.

Future income taxes

Future income taxes are recorded using the asset and liability method. Under the asset and liability method, 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 the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian income tax legislation.

Effective March 19, 2004, the Company adopted Emerging Issues Committee 146 “Flow-Through Shares” that dictates the accounting treatment on renunciation of the tax deductibility of the qualifying expenditures that give rise to taxable temporary differences. The change in accounting policy was applied prospectively. When the Company renounces flow-through expenditures, a portion of the Company’s future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, will be recognized as a recovery of future income taxes in the statement of operations.

(Expressed in Canadian Dollars)

3. MINERAL PROPERTY INTERESTS

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. The Company has investigated title to all of its mineral property interests and, to the best of its knowledge, title to all of its interests are in good standing. The mineral property interests in which the Company has committed to earn an interest are located in Canada.

2006	Hearne Hill claims, Canada	Morrison claims, Canada	Copper claims, Canada	CUB claims, Canada	Total
Balance, beginning of year	$ 1,046,000	$ 4,652,500	$ -	$ -	$ 5,698,500
Additions					
Payments	100,000	-	-	-	100,000
Capital stock issued	-	180,000	-	-	180,000
	100,000	180,000	-	-	280,000
Write-offs	(1,146,000)	-	-	-	(1,146,000)
Balance, end of year	$ -	$ 4,832,500	$ -	$ -	$ 4,832,500

2005	Hearne Hill claims, Canada	Morrison claims, Canada	Copper claims, Canada	CUB claims, Canada	Total
Balance, beginning of year	$ 946,000	$ 140,000	$ 130,000	$ 120,000	$ 1,336,000
Additions					
Payments	100,000	1,000,000	-	-	1,100,000
Long term liabilities	-	2,500,000	-	-	2,500,000
Capital stock issued	-	1,012,500	-	-	1,012,500
	100,000	4,512,500	-	-	4,612,500
Write-offs	-	-	(130,000)	(120,000)	(250,000)
Balance, end of year	$ 1,046,000	$ 4,652,500	$ -	$ -	$ 5,698,500

Hearne Hill claims

The Company holds a 100% interest in the Hearne Hill claims located in the Omineca District of the Province of British Columbia (“B.C.”). The Company earned its 100% interest through an option agreement and is required to pay advance royalty payments of $100,000 per annum. The royalty payments may offset any net smelter royalty obligations. The optionor retains a 4% net smelter returns ("NSR") royalty which may be acquired by the Company for a cash payment of $2,000,000. During the year ended January 31, 2006, management decided to write off the property to operations. The Hearne Hill claims are currently subject to a legal claim (Note 15).

3. MINERAL PROPERTY INTERESTS (cont'd…)

Morrison claims

During the year ended January 31, 1998, the Company signed a letter of agreement with Falconbridge Limited (formerly Noranda Mining and Exploration Inc.) ("Falconbridge") pertaining to an option agreement for the Morrison claims adjacent to the Company's 100% interest in the Hearne Hill claims in the Omineca District of B.C.

Under the terms of the agreement, the Company may earn a 50% interest in the Morrison claims by incurring exploration costs of $2,600,000 over a period of five years and delivering a bankable feasibility study. As part of the exploration costs, it was agreed that the Company could charge 15% of eligible exploration costs incurred each year as an overhead fee. To date the Company has complied with the terms of the agreement in regards to exploration costs, and is now in the process of complying with the delivery of a bankable feasibility study.

On April 19, 2004, the Company and Falconbridge amended the original agreement whereby Falconbridge agreed to sell its remaining 50% interest to the Company such that the Company would have a 100% interest in the Morrison claims. In order to obtain the remaining 50% interest, the Company agreed to:

i) on or before June 19, 2004, pay $1,000,000 to Falconbridge (paid), issue 250,000 common shares to Falconbridge (issued) and issue 250,000 share purchase warrants to Falconbridge exercisable at $4.05 per share until June 5, 2006 (issued);

ii) pay $1,000,000 to Falconbridge on or before October 19, 2005 (paid);

iii) pay $1,500,000 to Falconbridge on or before April 19, 2007 (accrued); and

iv) issue to Falconbridge 250,000 common shares on or before commencement of commercial production.

In the event the trading price of the Company's common shares is below $4.00 per share, the Company is obligated to pay, in cash, the difference between $1,000,000 and the average trading price which is less than $4.00 per share multiplied by 250,000 common shares.

The Company accrued the amounts per items ii) and iii) above as the agreement with Falconbridge stipulates that to ensure that Falconbridge will receive full payment for the mineral claims, the Company has agreed to execute a re-transfer of its 100% interest to Falconbridge if the Company fails to comply with the terms of the agreement. This transfer is held by a mutually acceptable third party.

The Company has also acquired a 100% interest in certain mineral claims adjacent to the Morrison claims, subject to 1.5% NSR royalty.

On January 7, 2005, the Company signed an agreement to acquire an option for a 100% interest in additional claims in the Omineca District of B.C. As consideration, the Company issued 45,000 common shares at a value of $180,000.

(Expressed in Canadian Dollars)

3. MINERAL PROPERTY INTERESTS (cont'd...)

Copper claims

The Company holds a 100% interest in certain mineral claims located in the Granisle area of B.C., subject to a 3% NSR royalty. These claims are located near the Morrison claims.

The Company has met its requirements to maintain its recorded interest in the mineral claims with the Province of B.C. until 2007 and there are no other payments required until that year. During the year ended January 31, 2005, management decided not to continue with these claims and therefore, the amounts were written-off to operations.

CUB claims

The Company holds a 100% interest in certain mineral claims located in the Granisle area of B.C., subject to a 3% NSR royalty. These claims are located near the Morrison claims.

The Company has met its requirements to maintain its recorded interest in the mineral claims with the Province of B.C. until 2007 and there are no other payments required until that year. During the year ended January 31, 2005, management decided not to continue with these claims and therefore, the amounts were written-off to operations.

Bingo claims

The Company held a 100% interest in mineral claims located in the Province of San Juan in Argentina. During the year ended January 31, 2004, management decided not to continue with these claims and therefore the acquisition costs and deferred exploration costs were written-off.

4. DEFERRED EXPLORATION COSTS

2006	Hearne Hill claims, Canada	Morrison claims, Canada	Total
Balance, beginning of year	$ 6,703,221	$ 5,670,607	$ 12,373,828
Deferred exploration costs			
Additions			
Amortization	258	3,748	4,006
Assays	750	222	972
Geological and geophysical	-	11,735	11,735
Staking	1,059	1,011	2,070
Sub-contracts and labour	-	55,164	55,164
Sub-contracts and labour-related parties	-	3,085	3,085
Supplies and camp	-	92,615	92,615
Travel	-	15,764	15,764

- Continued -

(Expressed in Canadian Dollars)

4. DEFERRED EXPLORATION COSTS (cont'd…)

2006	Hearne Hill claims, Canada	Morrison claims, Canada	Total
Continued…			
Community consultation			
Geological and geophysical	-	246	246
Promotion and education	-	80	80
Sub-contracts and labour	-	18,601	18,601
Sub-contracts and labour-related parties	-	5,115	5,115
Supplies and general	-	133	133
Travel	-	172	172
Environmental			
Assays	-	14,144	14,144
Geological and geophysical	-	38,870	38,870
Sub-contracts and labour	-	38,442	38,442
Sub-contracts and labour-related parties	-	8,375	8,375
Supplies and general	-	4,884	4,884
Travel	-	1,451	1,451
Geotechnical and hydrological			
Assays	-	2,179	2,179
Geological and geophysical	-	36,270	36,270
Sub-contracts and labour	-	5,548	5,548
Supplies and general	-	2,728	2,728
Travel	-	53	53
Metallurgical			
Geological and geophysical	-	133,623	133,623
Sub-contracts and labour	-	188	188
Scoping/Feasibility study			
Assays	-	6,503	6,503
Drilling	-	355,509	355,509
Geological and geophysical	-	214,451	214,451
Sub-contracts and labour	-	155,576	155,576
Sub-contracts and labour-related parties	-	46,575	46,575
Supplies and general	-	186,877	186,877
Travel	-	14,827	14,827
	2,067	1,474,764	1,476,831
Costs recovered	-	(7,688)	(7,688)
Total deferred exploration costs for the year	2,067	1,467,076	1,469,143
Deferred exploration costs written off	(6,705,288)	-	(6,705,288)
Balance, end of year	$ -	$ 7,137,683	$ 7,137,683

(Expressed in Canadian Dollars)

4. DEFERRED EXPLORATION COSTS (cont'd…)

2005	Hearne Hill claims, Canada	Morrison claims, Canada	Total
Balance, beginning of year	$ 6,675,278	$ 4,914,457	$ 11,589,735
Deferred exploration costs			
Additions			
Amortization	367	2,604	2,971
Assays	-	175	175
Geological and geophysical	500	3	503
Staking	840	-	840
Sub-contracts and labour	24,598	35,289	59,887
Sub-contracts and labour-related parties	1,600	1,400	3,000
Supplies and camp	-	18,357	18,357
Travel	38	7,146	7,184
Community consultation			
Geological and geophysical	-	106	106
Promotion and education	-	448	448
Sub-contracts and labour	-	19,350	19,350
Sub-contracts and labour-related parties	-	33,600	33,600
Supplies and general	-	648	648
Travel	-	3,477	3,477
Environmental			
Assays	-	28,526	28,526
Geological and geophysical	-	138,247	138,247
Sub-contracts and labour	-	55,156	55,156
Sub-contracts and labour-related parties	-	10,000	10,000
Supplies and general	-	41,381	41,381
Travel	-	8,972	8,972
Geotechnical and hydrological			
Assays	-	5,030	5,030
Geological and geophysical	-	16,686	16,686
Sub-contracts and labour	-	21,603	21,603
Sub-contracts and labour-related parties	-	200	200
Supplies and general	-	14,242	14,242
Travel	-	1,845	1,845
Scoping/Feasibility study			
Geological and geophysical	-	226,598	226,598
Sub-contracts and labour	-	19,353	19,353
Sub-contracts and labour-related parties	-	44,600	44,600
Supplies and general	-	2,912	2,912
Travel	-	3,282	3,282
	27,943	761,236	789,179
Costs recovered	-	(5,086)	(5,086)
Total deferred exploration costs for the year	27,943	756,150	784,093
Balance, end of year	$ 6,703,221	$ 5,670,607	$ 12,373,828

(Expressed in Canadian Dollars)

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
January 31, 2006			
Trailers	$ 25,000	$ 24,400	$ 600
Automobile	37,521	22,354	15,167
Office furniture and equipment	50,528	30,024	20,504
Computer equipment	39,812	21,519	18,293
	$ 152,861	$ 98,297	$ 54,564

	Cost	Accumulated Amortization	Net Book Value
January 31, 2005			
Trailers	$ 25,000	$ 24,142	$ 858
Automobile	24,681	18,606	6,075
Office furniture and equipment	32,573	27,143	5,430
Computer equipment	21,501	15,641	5,860
	$ 103,755	$ 85,532	$ 18,223

6. AMOUNTS OWING TO RELATED PARTIES

Amounts owing to directors and former directors consists of services rendered of $35,513 (2005 - $15,953). These amounts are non-interest bearing, unsecured and have no fixed terms of repayment.

7. LONG TERM LIABILITIES

	2006	2005
Due to Falconbridge (Note 3), non-interest bearing, secured by title to related mineral property interest and payable in the following installments: $1,000,000 by October 19, 2005 and $1,500,000 by April 19, 2007.	$ 1,500,000	$ 2,500,000
Current portion of long term liabilities	-	(1,000,000)
Long term liabilities	$ 1,500,000	$ 1,500,000

(Expressed in Canadian Dollars)

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS

Stock options

During the fiscal year ended January 31, 2004, the Company adopted a fixed stock option plan whereby the Company can reserve approximately 20% of its outstanding shares for issuance to officers and directors, employees and consultants. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. These options can be granted for a maximum term of 5 years, and are subject to a vesting provision whereby 12.5% are exercisable on the date of the grant and 12.5% become exercisable every three months thereafter. All options will be vested after twenty one months.

Stock option transactions are summarized as follows:

	2006		2005		2004	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	1,135,000	$ 4.33	474,000	$ 4.91	474,000	$ 4.91
Granted	635,000	4.00	676,000	3.87	-	-
Cancelled	(657,000)	4.17	-	-	-	-
Exercised	-	-	(15,000)	2.00	-	-
Outstanding, end of year	1,113,000	$ 4.24	1,135,000	$ 4.33	474,000	$ 4.91
Options exercisable, end of year	648,250	$ 4.42	628,000	$ 4.69	474,000	$ 4.91
Weighted average fair value per option granted	-	$ 0.78	-	$ 1.26	-	$ -

The following stock options were outstanding at January 31, 2006:

Number of Shares	Exercise Price	Expiry Date
300,000	$ 5.00	July 2, 2007
290,000	3.87	October 13, 2009
523,000	4.00	October 4, 2010

(Expressed in Canadian Dollars)

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Stock-based compensation

The fair value of stock options granted during the year ended January 31, 2006 was $492,722 (2005 – $851,657; 2004 – $Nil) which will be recognized as stock-based compensation over their vesting periods.

Total stock-based compensation recognized during the year ended January 31, 2006 was $417,757 (2005 – $212,914; 2004 – $Nil) which has been recorded in the statements of operations as stock-based compensation with corresponding contributed surplus recorded in shareholders' equity.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2006	2005	2004
Risk-free interest rate	3.34%	3.21%	-
Expected life of options	2 years	2 years	-
Annualized volatility	31.02%	40.21%	-
Dividends	0.00%	0.00%	-

Warrants

Warrant transactions are summarized as follows:

	2006	2005	2004
Balance, beginning of year	974,716	447,686	458,000
Issued	748,450	847,530	127,186
Exercised	-	(2,000)	(2,500)
Expired	(127,186)	(318,500)	(135,000)
Balance, end of year	1,595,980	974,716	447,686

(Expressed in Canadian Dollars)

8. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Warrants (cont'd…)

The following share purchase warrants were outstanding and exercisable at January 31, 2006:

Number of Warrants	Exercise Price	Expiry Date
300,000	$ 4.30	February 27, 2006 (expired unexercised)
23,000	4.50	April 22, 2006
250,000	4.05	June 5, 2006
115,000	4.05	July 9, 2006
82,500	4.25	October 12, 2006
77,030	4.15	January 7, 2007
228,000	4.15	March 11, 2007
520,450	4.00	December 2, 2007

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid $6,000 (2005 - $48,800; 2004 - $64,000) to a former director for consulting services which have been capitalized to subcontracts on the Morrison claims and paid $17,200 (2005 - $30,000; 2004 - $14,000) to the same former director for general consulting services.

b) Paid $78,000 (2005 - $78,000; 2004 - $78,000) to a director for investor relations activities.

c) Paid $13,000 (2005 - $42,600; 2004 - $51,200) to a company controlled by a common former director for engineering consulting which was capitalized to subcontracts on the Morrison and Hearne Hill claims and paid $12,800 (2005 - $15,200; 2004 - $Nil) to the same company controlled by a common former director for general consulting services.

d) Paid $3,800 (2005 - $22,050; 2004 - $4,380) to an accounting firm in which a partner was a former director of the Company for professional fees.

e) Paid $41,750 (2005 - $Nil; 2004 - $Nil) to a director for services which have been capitalized to subcontracts on the Morrison claims and paid $1,375 (2005 - $Nil; 2004 - $Nil) to the same director for general consulting services.

f) Paid $41,279 (2005 - $Nil; 2004 - $Nil) to a director for investor relations activities.

g) Paid $2,400 (2005 - $Nil; 2004 - $Nil) to a director for services which have been capitalized to subcontracts on the Morrison claims and paid $24,156 (2005 - $Nil; 2004 - $Nil) to the same director for general consulting services.

These transactions were in the normal course of operations and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties unless otherwise noted.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

The significant non-cash transactions for the year ended January 31, 2006 were as follows:

a) The Company issued 45,000 common shares, in respect of acquisition costs of mineral property interests, at a value of $180,000.

b) The Company recorded $100,000 of royalty payments as mineral property interests with a corresponding amount recorded as accounts payable.

c) The Company recorded $4,006 of amortization expense on property and equipment as deferred exploration costs.

d) The Company recorded $240,991 of deferred exploration expense as accounts payable and $13,350 of deferred exploration expense as owing to related parties.

e) The Company expended exploration advances of $192,237 to deferred exploration costs.

The significant non-cash transactions for the year ended January 31, 2005 were as follows:

a) The Company issued 250,000 common shares, in respect of the Company's Morrison property agreement, at a value of $1,012,500.

b) The Company recorded $2,500,000 of acquisition costs as mineral property interests with a corresponding amount recorded as long term liabilities.

c) The Company recorded $100,000 of royalty payments as mineral property interests with a corresponding amount recorded as accounts payable.

d) The Company expended exploration advances of $21,000 to deferred exploration costs.

e) The Company recorded $2,971 of amortization expense on property and equipment as deferred exploration costs.

The significant non-cash transactions for the year ended January 31, 2004 were as follows:

a) The Company issued 44,444 common shares to settle $200,000 of royalty payments from prior years included in accounts payable.

b) The Company recorded $100,000 of royalty payments as mineral property interests with a corresponding amount recorded as accounts payable.

c) The Company expended exploration advances of $3,917 to deferred exploration costs.

d) The Company recorded $4,245 of amortization expense on property and equipment as deferred exploration costs.

As at January 31, 2006, cash and cash equivalents is represented by cash on hand in the amount of $384,746 (2005 - $443,754; 2004 - $20,428).

(Expressed in Canadian Dollars)

11. INCOME TAXES

A reconciliation of income tax recovery at statutory rates with the reported income tax recovery is as follows:

	2006	2005	2004
Loss for the year	$ (8,883,273)	$ (902,759)	$ (327,241)
Expected income tax (recovery)	$ (3,426,989)	$ (321,382)	$ (116,498)
Amortization	3,379	1,377	1,568
Non-deductible items	3,246,033	160,782	3,822
Unrecognized benefit of non-capital losses and temporary differences	177,577	159,223	111,108
Total income tax recovery	$ -	$ -	$ -

The significant components of the Company's future income tax assets and liabilities are as follows:

	2006	2005
Future income tax assets:		
Property and equipment	$ 34,000	$ 29,000
Mineral property interests and deferred exploration costs	3,150,000	274,000
Non-capital losses carried forward	706,000	540,000
	3,890,000	843,000
Future income tax liability:		
Deferred exploration costs renounced	-	(9,000)
	3,890,000	834,000
Valuation allowance	(3,890,000)	(834,000)
Net future income tax assets	$ -	$ -

During the year ended January 31, 2005, the Company issued 6,030 common shares on a flow-through basis for gross proceeds of $25,024 which was renounced during the year ended January 31, 2006.

(Expressed in Canadian Dollars)

11. INCOME TAXES (cont'd…)

The Company has non-capital losses of approximately $2,000,000 available for deduction against future taxable income. These losses, if not utilized will expire up to 2016. Future tax benefits which may arise as a result of these non-capital losses and other tax assets have not been recognized in these financial statements and have been offset by a valuation allowance.

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables, exploration advances, reclamation deposits, accounts payable and accrued liabilities, amounts owing to related parties and long term liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

The Company has its cash in primarily one commercial bank with a high credit standing in Vancouver, British Columbia, Canada.

The Company's receivables are amounts due from the Canada Revenue Agency and from the Province of British Columbia.

The Company is required from time to time to advance funds to independent contractors who perform exploration services on the mineral property interests. These independent contractors require the Company to advance the funds as protection against any possible losses that could occur if the Company did not meet its obligations. As the contractors perform exploration work, the exploration advances are deducted from any amounts owed to the contractor and the exploration advances are reduced accordingly with a corresponding charge to deferred exploration costs.

The Company's reclamation deposit is secured as a term deposit with its primary bank and interest is paid on an annual basis to the Company.

13. COMMITMENT

The Company has entered into an operating lease agreement for office premises. The annual lease commitment under the lease is as follows:

2007	$ 57,997
2008	59,963
2009	61,438
2010	15,482
Total	$ 194,880

14. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operation decision maker, or decision-making group, in deciding how to allocate resources and in assessing performance. All of the Company's operations are within the mining sector. The Company's mining operations are centralized whereby the Company's head office is responsible for the exploration results and to provide support in addressing local and regional issues. As at January 31, 2006 and 2005, the Company's current mineral property interests and deferred exploration costs are all located in Canada (Notes 3 and 4).

15. CONTINGENCY

Subsequent to year end, an optionor of the Hearne Hill property (Note 3) which adjoins the Company's Morrison property has filed a Writ of Summons and Statement of Claim against the Company in respect to the option agreement on the Hearne Hill property, which it alleges is of no further force and effect and seeks the return of the Hearne Hill property and the area of interest around the Hearne Hill claims. The Writ of Summons and Statement of Claim also includes a claim for the return of the Morrison property. The amount of the claim has not been identified. Management of the Company has indicated that it intends to defend the legal action. The Company is of the view that the optionor has no right whatsoever to the Morrison property. The ultimate liability, if any, arising from this claim is not presently determinable and will be recorded at the time of that determination. The Company has filed a Counterclaim against the optionor for damages in the amount of $55,356 for breach of a contract.

16. SUBSEQUENT EVENT

Subsequent to year end, the Company completed a non-brokered private placement of 970,200 units at $4.00 per unit. Each unit is comprised of one common share and one share purchase warrant. Each share purchase warrant will entitle the holder to purchase an additional common share at a price of $4.50 per share on or before April 11, 2008. At January 31, 2006, the Company had received share subscriptions of $280,000 related to this non-brokered private placement.

17. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with Canadian GAAP. Material variations in the accounting principles, practices and methods used in preparing these financial statements from principles, practices and methods accepted in the United States ("United States GAAP") are described and quantified below.

(Expressed in Canadian Dollars)

17. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd…)

Balance sheets

The impact of the differences between Canadian GAAP and United States GAAP on the balance sheets would be as follows:

	2006 Restated			2005 Restated		
	Balance, Canadian GAAP	Adjustments	Balance, United States GAAP	Balance, Canadian GAAP	Adjustments	Balance, United States GAAP
Current assets	$ 532,314	$ -	$ 532,314	$ 782,028	$ -	$ 782,028
Mineral property interests	4,832,500	(140,000)	4,692,500	5,698,500	(1,186,000)	4,512,500
Deferred exploration costs	7,137,683	(7,137,683)	-	12,373,828	(12,373,828)	-
Property and equipment	54,564	-	54,564	18,223	-	18,223
Reclamation deposits	118,600	-	118,600	72,500	-	72,500
	$ 12,675,661	$ (7,277,683)	$ 5,397,978	$ 18,945,079	$ (13,559,828)	$ 5,385,251
Current liabilities	$ 521,075	$ -	$ 521,075	$ 1,238,202	$ -	$ 1,238,202
Long term liabilities	1,500,000	-	1,500,000	1,500,000	-	1,500,000
Shareholders' equity	10,654,586	(7,277,683)	3,376,903	16,206,877	(13,559,828)	2,647,049
	$ 12,675,661	$ (7,277,683)	$ 5,397,978	$ 18,945,079	$ (13,559,828)	$ 5,385,251

(Expressed in Canadian Dollars)

17. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd…)

Statements of operations

The impact of the differences between Canadian GAAP and United States GAAP on the statements of operations would be as follows:

	2006	2005 Restated	2004
Loss for the year, Canadian GAAP	$ (8,883,273)	$ (902,759)	$ (327,241)
Adjustments:			
Write-off of mineral property interests and deferred exploration costs	7,851,288	250,000	10,735
Mineral property interests	(100,000)	(100,000)	(100,000)
Deferred exploration costs	(1,469,143)	(784,093)	(904,720)
Contributed executive services	(39,000)	(38,500)	(39,000)
Loss for the year, United States GAAP	$ (2,640,128)	$ (1,575,352)	$ (1,360,226)
Basic and diluted loss per common share, United States GAAP	$ (0.42)	$ (0.28)	$ (0.27)
Weighted average number of common shares outstanding, United States GAAP	6,320,955	5,714,090	5,087,736

Statements of cash flows

The impact of the differences between Canadian GAAP and United States GAAP on the statements of cash flows would be as follows:

	2006	2005 Restated	2004
Net cash provided by (used in) operating activities,			
Canadian GAAP	$ (622,218)	$ (498,314)	$ 40,164
Amortization	4,006	2,971	4,245
Mineral property interests and deferred exploration costs (net of recovery)	(1,271,052)	(784,093)	(904,720)
Exploration advances	192,237	46,000	2,000
Net cash used in operating activities, Unites States GAAP	(1,697,027)	(1,233,436)	(858,311)
Net cash provided by financing activities, Canadian GAAP and Unites States GAAP	1,733,225	2,656,762	828,411

- Continued -

(Expressed in Canadian Dollars)

17. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd…)

Statements of cash flows (cont'd…)

	2006	2005 Restated	2004
Continued...			
Net cash used in investing activities, Canadian GAAP	(1,170,015)	(1,735,122)	(865,414)
Mineral property interests and deferred exploration costs (net of recovery)	1,018,559	760,122	896,558
Exploration advances	56,250	(25,000)	1,917
Net cash provided by (used in) investing activities, Unites States GAAP	(95,206)	(1,000,000)	33,061
Change in cash and cash equivalents during the year	(59,008)	423,326	3,161
Cash and cash equivalents, beginning of year	443,754	20,428	17,267
Cash and cash equivalents, end of year	$ 384,746	$ 443,754	$ 20,428

Restatements

(a) The Company has restated its reported results under United States GAAP for fiscal 2006 and 2005 to properly account for the application of Emerging Issues Task Force (“EITF”) No. 04-02 – “Whether Mineral Rights are Tangible or Intangible Assets”. Previously, the Company adopted the provisions of EITF 04-02 for fiscal 2006. The Company has determined that the provisions of EITF 04-02 should have been adopted for fiscal 2005.

(b) The Company had also previously restated its reported results under United States GAAP for fiscal 2005 to properly account for the reconciliation of Canadian GAAP to United States GAAP. Previously, the Company had not adjusted back the $250,000 of mineral property interest costs written off for Canadian GAAP purposes that for United States GAAP purposes had already been written off in prior fiscal years.

The effect of the restatements for United States GAAP purposes was an increase in mineral property interests at January 31, 2006 of $4,512,500 and a reduction of deficit of $4,512,500; a reduction in loss for the year ended January 31, 2005 of $4,762,500; an increase in mineral property interests at January 31, 2005 of $4,512,500 and a reduction of deficit of $4,512,500.

In addition, such restatements reduced loss per common share for fiscal 2005 on a basic and fully diluted basis by $0.83.

The restatements under United States GAAP had no effect on the Company’s primary financial statements and related notes prepared in accordance with Canadian GAAP (other than Note 17.)

17. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd…)

Mineral property interests and deferred exploration costs

Under Canadian GAAP, mineral property interests and deferred exploration costs, including acquisition and exploration costs, are carried at cost and written down if the properties are abandoned, sold or if management determines there to be an impairment in value. Under United States GAAP, mineral property interests and deferred exploration costs are expensed as incurred. Once a final feasibility study has been completed, additional costs incurred to bring the mine into production are capitalized as development costs. Costs incurred to access ore bodies identified in the current mining plan after production has commenced are considered production costs and are expensed as incurred. Costs incurred to extend production beyond those areas identified in the mining plan where additional reserves have been established are deferred as development costs until the incremental reserves are produced. Capitalized costs are amortized using the unit-of-production method over the estimated life of the ore body based on proven and probable reserves.

Effective for reporting periods beginning after April 29, 2004, the Company has adopted the provisions of EITF 04-02 "Whether Mineral Rights are Tangible or Intangible Assets" which concluded that mineral rights are tangible assets. Accordingly, as discussed above, effective for the fiscal year ended January 31, 2005, the Company capitalizes costs related to the acquisition of mineral rights.

Flow-through shares

Under Canadian GAAP, flow-through shares are accounted for as part of the issuance of capital stock at the price paid for the shares, net of any future income tax liability. Under United States GAAP, any difference between the market price of the Company's stock and the fair value of the flow-through shares must be recorded as a liability, if a premium is paid by investors, or as an asset if investors are purchasing the shares at a discount. The asset or liability is charged to income as the flow-through share proceeds are expended on qualifying expenditures.

During the year ended January 31, 2006, the Company issued flow-through shares for total proceeds of $Nil (2005 - $25,024; 2004 - $Nil). As the market price of the Company's stock was not significantly different from the fair value of the flow-through shares issued during fiscal 2005, no asset or liability was recorded.

Stock-based compensation

Under United States GAAP, Statements of Financial Accounting Standards No. 123, "Accounting for Stock-based Compensation" ("SFAS 123") requires companies to establish a fair market value based method of accounting for stock-based compensation plans. Effective February 1, 2003, the Company elected to follow the fair value method of accounting for stock-based compensation.

Under Canadian GAAP, the Company accounts for stock-based compensation using the fair value method as disclosed in Note 2. Accordingly, there is no difference between Canadian GAAP and United States GAAP in the accounting for stock-based compensation for the years ended January 31, 2006, 2005 and 2004.

17. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd…)

Contributed executive services

Pursuant to SAB Topic 1:B(1) and the last paragraph of SAB 5:T, the Company is required to report all costs of conducting its business. Accordingly, the Company has recorded the fair value of contributed executive services provided to the Company at no cost as compensation expense, with a corresponding increase to contributed surplus, in the amount of $39,000, $38,500, and $39,000 for the years ended January 31, 2006, 2005 and 2004, respectively.

New accounting pronouncements

In December 2004, FASB issued Statement of Financial Accounting Standards No. 153, “Exchanges of Nonmonetary Assets – an amendment of APB Opinion No. 29” (“SFAS 153”) which amends Accounting Principles Board Opinion No. 29, “Accounting for Nonmonetary Transactions” to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005.

In December 2004, FASB issued Statement of Financial Accounting Standards No. 123R, “Share Based Payment” (“SFAS 123R”). SFAS 123R supersedes APB 25 and its related implementation guidance by requiring entities to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards (with limited exceptions) and revises SFAS 123 as follows:

i) Public entities are required to measure liabilities incurred to employees in share-based payment transactions at fair value and nonpublic entities may elect to measure their liabilities to employees incurred in share-based payment transactions at their intrinsic value whereas under SFAS 123, all share-based payment liabilities were measured at their intrinsic value.
ii) Nonpublic entities are required to calculate fair value using an appropriate industry sector index for the expected volatility of its share price if it is not practicable to estimate the expected volatility of the entity’s share price.
iii) Entities are required to estimate the number of instruments for which the requisite service is expected to be rendered as opposed to accounting for forfeitures as they occur.
iv) Incremental compensation cost for a modification of the terms or conditions of an award is measured by comparing the fair value of the modified award with the fair value of the award immediately before the modification whereas SFAS 123 required that the effects of a modification be measured as the difference between the fair value of the modified award at the date it is granted and the award’s value immediately before the modification determined based on the shorter of (1) its remaining initially estimated expected life or (2) the expected life of the modified award.

17. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (cont'd…)

New accounting pronouncements (cont'd…)

SFAS 123R also clarifies and expands guidance in several areas, including measuring fair value, classifying an award as equity or as a liability and attributing compensation cost to reporting periods. SFAS 123R does not change the accounting guidance for share-based payment transactions with parties other than employees provided in SFAS 123 as originally issued and Emerging Issues Task Force No. 96-18 "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring or in Conjunction with Selling, Goods and Services" ("EITF 96-18"). SFAS 123R also does not address the accounting for employee share ownership plans which are subject to Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans". Public entities (other than those filing as small business issuers) will be required to apply SFAS 123R as of the first annual reporting period that begins after June 15, 2005. Public entities that file as small business issuers will be required to apply SFAS 123R in the first annual reporting period that begins after December 15, 2005. For nonpublic entities, SFAS 123R must be applied as of the beginning of the first annual reporting period beginning after December 15, 2005.

In May 2005, FASB issued Statement of Financial Accounting Standards No. 154 Accounting Changes and Error Corrections - A Replacement of APB Opinion No. 20 and FASB Statement No. 3 ("SFAS 154"), which is effective for fiscal years ending after December 15, 2005. SFAS 154 requires that changes in accounting policy be accounted for on a retroactive basis.

The adoption of these new pronouncements are not expected to have a material effect on the Company's financial position or results of operations.

Canadian pronouncements

In January 2005, the CICA issued the following new accounting standards, effective October 1, 2006

CICA Handbook Section 1530: "Comprehensive Income" establishes standards for reporting comprehensive income, defined as a change in value of net assets that is not due to owner activities, by introducing a new requirement to temporarily present certain gains and losses outside of net income. The adoption of this new standard by the Company is not expected to have a material impact.

CICA Handbook Section 3251: "Equity" establishes standards for the presentation of equity and changes in equity during the reporting period. The adoption of this new standard by the Company is not expected to have a material impact.

CICA Handbook Section 3855: "Financial Instruments - Recognition and Measurement" establishes standards for the recognition, classification and measurement of financial instruments including the presentation of any resulting gains and losses. Assets classified as available-for-sale securities will have revaluation gains and losses included in other comprehensive income until these assets are no longer included on the balance sheet. The adoption of this new standard by the Company is not expected to have a material impact.