

WESCAN GOLDFIELDS INC.



(A Development Stage Entity)

Consolidated Financial Statements December 31, 2006

Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Wescan Goldfields Inc. are the responsibility of management and have been approved by the Board of Directors.

Management in conformity with Canadian generally accepted accounting principles has prepared the consolidated financial statements. The consolidated financial statements include some amounts that are based on best estimates and judgments.

The management of the Company, in furtherance of the integrity and objectivity of data in the consolidated financial statements, has developed and maintains a system of internal accounting controls. Management believes the internal accounting controls provide reasonable assurance that financial records are reliable and form a proper basis for preparation of consolidated financial statements and that assets are properly accounted for and safeguarded.

The Board of Directors carries out its responsibility for the consolidated financial statements through its audit committee, the majority of which are outside directors. The audit committee reviews the Company's annual consolidated financial statements and recommends their approval to the Board of Directors. The shareholders' auditors have full access to the audit committee, with and without management being present.

The shareholders' auditors, KPMG LLP, Chartered Accountants, in accordance with Canadian generally accepted auditing standards, have examined these consolidated financial statements and their independent professional opinion on the fairness of the consolidated financial statements is attached.



Lorne Green, CA
Chief Financial Officer
Saskatoon, Canada
April 19, 2007



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Chartered Accountants
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AUDITORS' REPORT

To the Shareholders of Wescan Goldfields Inc.

We have audited the consolidated balance sheets of Wescan Goldfields Inc. as at December 31, 2006 and 2005 and the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 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.

KPMG LLP

Chartered Accountants

Saskatoon, Canada
April 19, 2007

Wescan Goldfields Inc.
(A Development Stage Entity)
Consolidated Balance Sheets

	December 31, 2006	December 31, 2005
Assets		
Current assets:		
Cash	\$ 208,857	\$ 338,449
Short-term investments	5,015,417	5,893,010
Receivables	95,017	127,547
Prepays	14,024	10,230
	5,333,315	6,369,236
Mineral properties (note 3)	5,754,069	1,419,206
Equipment (note 4)	173,828	60,499
	\$ 11,261,212	\$ 7,848,941
Liabilities & Shareholders Equity		
Current liabilities:		
Payables and accrued liabilities	\$ 155,034	\$ 276,716
Future income tax liability (note 8)	402,000	-
Shareholders equity:		
Share capital (note 5)	11,205,312	7,749,253
Contributed surplus (note 5)	496,427	245,016
Deficit	(997,561)	(422,044)
	10,704,178	7,572,225
	\$ 11,261,212	\$ 7,848,941

See accompanying notes to the financial statements.

On behalf of the Board



Kenneth E. MacNeill
Chairman & CEO



Arnie E. Hillier
Director

Wescan Goldfields Inc.
(A Development Stage Entity)
Consolidated Statements of Loss and Deficit

	Year Ended December 31,	
	2006	2005
Income		
Interest and other income	\$ 201,800	\$ 95,085
Expenses		
Administration	956,101	340,467
Consulting fees	128,280	114,425
Professional fees	260,263	39,966
Amortization	46,223	24,718
	<u>1,390,867</u>	<u>519,576</u>
Loss before the undernoted item	(1,189,067)	(424,491)
Future income tax recovery (note 8)	613,550	339,000
	<u>(575,517)</u>	<u>(85,491)</u>
Net loss	(575,517)	(85,491)
Deficit, beginning of year	<u>(422,044)</u>	<u>(336,553)</u>
Deficit, end of year	<u>\$ (997,561)</u>	<u>\$ (422,044)</u>
Net loss per share		
Basic and diluted (note 6)	(0.01)	(0.00)
Weighted average number of shares outstanding	49,968,075	36,813,933

Wescan Goldfields Inc.
(A Development Stage Entity)
Consolidated Statements of Cash Flows

	Year Ended December 31,	
	2006	2005
Cash provided by (used in):		
Operations:		
Net loss	\$ (575,517)	\$ (85,491)
Non-cash items:		
Amortization	46,223	24,718
Fair value of stock options vested	308,447	102,450
Future income tax recovery	(613,550)	(339,000)
Net change in non-cash operating working capital items:		
Receivables	38,521	(16,722)
Prepays	(3,794)	(10,230)
Payables and accrued liabilities	22,592	91,637
	(777,078)	(232,638)
Investing:		
Additions to mineral properties	(2,957,180)	(1,131,461)
Additions to equipment	(159,552)	(85,217)
Net change in non-cash investing working capital items:		
Receivables	(5,991)	(99,058)
Payables and accrued liabilities	(144,274)	147,582
	(3,266,997)	(1,168,154)
Financing:		
Issue of common shares (net of issue costs)	3,036,890	5,486,130
Increase in cash and cash equivalents	(1,007,185)	4,085,338
Cash and cash equivalents, beginning of year	6,231,459	2,146,121
Cash and cash equivalents, end of year	\$ 5,224,274	\$ 6,231,459
Cash and cash equivalents consists of:		
Cash and cash equivalents consists of:		
Cash	\$ 208,857	\$ 338,449
Short-term investments	5,015,417	5,893,010

WESCAN GOLDFIELDS INC.

(A Development Stage Entity)

Notes to the Consolidated Financial Statements (years ended December 31, 2006 and 2005)

1. Nature of operations

Wescan Goldfields Inc. was originally incorporated as Shore Resources Inc. under the Business Corporations Act of Alberta on January 17, 2003 and by amended articles dated April 2, 2004 changed its name to Wescan Goldfields Inc. (“Wescan” or the “Company”). Substantially all of the Company’s efforts are directed to the exploration and development of its mineral properties and the Company is considered to be in the development stage with respect to its current mineral property holdings.

2. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Generally accepted accounting principles require that management 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 year. Areas of significance requiring the use of management estimates relate to the determination of the recoverability of capitalized mineral exploration costs and the determination of future income tax assets and liabilities. Actual recovered amounts could differ from those estimates.

A summary of significant accounting policies are as follows:

Consolidation principles

The consolidated financial statements include the accounts of the Company and its subsidiary. Interests in joint ventures are accounted for by the proportionate consolidation method.

Cash and cash equivalents

Cash and cash equivalents includes cash and short-term investments that, on acquisition, have a term to maturity of three months or less.

Mineral properties

The Company holds the right to explore for and develop mineral resources on various Crown property dispositions within the Province of Saskatchewan. These rights are classified as mineral properties for financial statement purposes.

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production from a property, the related accumulated costs are amortized against future income of the project using the unit-of-production method over estimated recoverable ore reserves. Interest on debt associated with the acquisition and development of mineral properties is capitalized until commencement of commercial production. There have been no interest costs capitalized to date. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed.

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable ore reserves; the ability to obtain the necessary financing to establish the existence of ore reserves and to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent

costs incurred to date, less write-downs and recoveries, and does not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

Equipment

Equipment purchases are recorded at cost and amortized using the declining balance method except for leasehold improvements, which are amortized on a straight-line basis over a term equal to the remaining life of the current lease agreement plus one renewal term. Annual amortization rates are as follows:

Automotive equipment	30%
Computer equipment	30%
Computer software	100%
Furniture and equipment	20%

Future income taxes

Future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted and substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are to be recovered or settled. The effect on future income tax assets and liabilities of a change in rates is recognized in earnings in the period which includes the enactment date. Future income tax assets and liabilities are recorded in the financial statements if realization is considered more likely than not. The valuation of future income taxes is adjusted, if necessary, by the use of a valuation allowance to reflect the estimated recoverable amount.

Flow-through shares

The Company finances a portion of its exploration activities through the issue of flow-through shares. The Company renounces the deductions to investors and accordingly records share issue costs related to the future tax liability of the temporary difference arising from the renunciation. As a result, share capital is reduced and future income tax liabilities are increased by the estimated tax benefits when renounced by the Company to the investors, except to the extent that the Company has unused tax benefits on loss carryforwards and tax pools in excess of book values available for deduction that are more likely than not to be realized against which a valuation allowance has been provided. In these circumstances, the future tax liability reduces the valuation allowance, if any, and the reduction is recognized in earnings.

Per share amounts

Basic per share amounts are calculated using the weighted average number of shares outstanding during the period. Diluted per share amounts are calculated based on treasury-stock method, which assumes that any proceeds received on exercise of options and warrants would be used to purchase common shares at the average market price during the period. The weighted average number of shares outstanding is then adjusted by the net change.

Stock-based compensation

The Company has a share option plan that is described in note 5 (i).

Options granted under the share option plan are accounted for using the fair-value method. Under this method, the fair value of stock options granted is measured at the estimated fair value at the grant date and recognized over the vesting period. The fair value of stock-based compensation awards are recorded as contributed surplus at the time of the award. Consideration received on the

exercise of stock options is recorded as share capital and the related contributed surplus is transferred to share capital.

3. Mineral properties

Mineral properties are made up of the following:

	Gold				Uranium	Total
	Fork Lake/ Jasper/ Tamar	Munro	Jojay	Limestone Lake	Athabasca Basin Properties	
Balance, December 31, 2004	\$ 204,731	\$69,561	\$ 13,453	\$ -	\$ -	\$ 287,745
Acquisition & staking	3,135	-	942	8,590	64,329	76,996
Consulting/Personnel	93,742	-	4,663	2,957	1,020	102,382
Drilling	735,961	-	26,323	-	-	762,284
Other	189,476	-	323	-	-	189,799
Balance, December 31, 2005	\$1,227,045	\$ 69,561	\$ 45,704	\$ 11,547	\$ 65,349	\$1,419,206
Acquisition & staking	-	-	1,402,940	37,921	20,880	1,461,741
Consulting/Personnel	204,033	-	-	-	-	204,033
Drilling	1,978,906	-	-	-	-	1,978,906
Surveying	-	-	-	-	407,685	407,685
Other	281,987	280	-	231	-	282,498
Balance, December 31, 2006	\$3,691,971	\$ 69,841	\$1,448,644	\$ 49,699	\$ 493,914	\$5,754,069

The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date and calculated fair-values of properties acquired, less write-downs and recoveries, and does not necessarily reflect present or future values.

a) Fork Lake/Jasper/Tamar Property

The Company holds a 100% interest in the Fork/Jasper/Tamar property, consisting of certain mineral dispositions located approximately 130 kilometers northeast of La Ronge, Saskatchewan.

b) Munro Property

The Company holds a 51% interest in the Munro property, consisting of certain mineral dispositions located approximately 128 kilometers northeast of La Ronge, Saskatchewan.

c) Jojay Property

The Company holds a 100% interest in the Jojay property, consisting of certain mineral dispositions located approximately 150 kilometers northeast of La Ronge, Saskatchewan. The Company acquired the original 25% property interest in 2004 from its then parent company, Shore Gold Inc. On October 24, 2006, the Company acquired the remaining 75% property interest in a non-cash exchange for 3,500,000 shares valued at \$1,365,000.

d) Limestone Lake Property

The Company staked claims on the Limestone Lake gold property located 157 kilometers southeast of La Ronge, Saskatchewan.

e) Athabasca Basin Properties

The Company acquired a 50% interest in six uranium properties in or around the Athabasca basin in northern Saskatchewan. A 50% interest in five additional claims in the same area was added during 2006.

4. **Equipment**

Equipment is made up of the following:

	Cost	Accumulated Amortization	2006 Net Book Value	2005 Net Book Value
Automotive equipment	\$ 86,541	\$ 19,440	\$ 67,101	\$ 21,533
Computer equipment	14,013	2,705	11,308	2,010
Computer software	40,028	38,528	1,500	18,515
Furniture & equipment	65,783	10,267	55,516	18,441
Leasehold improvements	38,403	-	38,403	-
	\$ 244,768	\$ 70,940	\$ 173,828	\$ 60,499

5. **Share capital**

Authorized

The authorized share capital of the Company consists of an unlimited number of common shares.

The common shares of the Company are entitled to dividends pro rated and when declared by the Board of Directors, to one vote per share at meetings of the shareholders and, upon dissolution or any other distribution of assets, to receive pro rated such assets of the Company as are distributable to the holders of the common shares.

Issued and outstanding

	2006			2005		
	Common Shares	Warrants	Amount	Common Shares	Warrants	Amount
Balance, Beginning of year	46,802,464	4,298,814	\$7,749,253	31,074,493	1,197,000	\$2,682,614
Common shares issued (a)	-	-	-	3,250,000	1,625,000	877,500
Common shares issued (b)	-	-	-	5,437,628	2,718,814	1,903,170
Flow-through shares issued (c)	-	-	-	4,691,236	-	2,017,231
Flow-through shares issued (d)	-	-	-	694,444	-	500,000
Common shares issued (e)	5,916,428	2,958,214	2,070,749	-	-	-
Common shares issued (f)	3,500,000	-	1,365,000	-	-	-
Warrants exercised/expired (g)	2,371,509	(4,298,814)	861,779	1,242,000	(1,242,000)	373,500
Broker warrants exercised (h)	154,765	-	100,922	212,663	-	66,245
Options exercised (i)	300,000	-	136,929	200,000	-	76,780
Issue costs – net of tax	-	-	(44,320)	-	-	(408,787)
Future income taxes on renunciation of flow-through shares	-	-	(1,035,000)	-	-	(339,000)
Balance, End of year	59,045,166	2,958,214	\$11,205,312	46,802,464	4,298,814	\$7,749,253

(a) Common shares

In February of 2005 the Company issued 3,250,000 units for gross proceeds of \$877,500. Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.32 for a period of 12 months from the closing date. At December 31, 2006 no warrants remain outstanding.

(b) Common shares

In September of 2005 the Company issued 5,437,628 units for gross proceeds of \$1,903,170. Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.45 for a period of 12 months from the closing date. At December 31, 2006 no warrants remain outstanding.

(c) Flow-through shares

In September of 2005 the Company issued 4,691,236 flow-through shares for gross proceeds of \$2,017,231. The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2006; the deduction of which flows through to the shareholder.

(d) Flow-through shares

In December of 2005 the Company issued 694,444 flow-through shares for gross proceeds of \$500,000. The shares issued require that the Company make certain qualifying expenditures for tax purposes on or before December 31, 2006; the deduction of which flows through to the shareholder.

(e) Common shares

In December of 2006 the Company issued 5,916,428 units for gross proceeds of \$2,070,049. Each unit consisted of one common share and one-half of one common share purchase warrant. Each common share purchase warrant entitles the holder to acquire one common share at an exercise price of \$0.45 for a period of 12 months from the closing date.

(f) Common shares

In October of 2006 the Company issued 3,500,000 shares valued at \$1,365,000 for a 75% interest in the Jojay gold deposit. (see note 3c)

(g) Warrants

On certain issues of common shares, the Company has issued warrants with the common shares entitling the holder to acquire additional common shares of the Company. A summary of the outstanding warrants is as follows:

	Warrants	Average Price
Balance - December 31, 2004	1,197,000	\$0.30
Issued	4,343,814	0.40
Exercised	(1,242,000)	0.30
Balance - December 31, 2005	4,298,814	\$0.30
Issued	2,958,214	0.45
Exercised	(2,371,509)	0.36
Expired	(1,927,305)	0.45
Balance - December 31, 2006	2,958,214	\$0.45

The warrants outstanding expire December 19, 2007.

The warrants issued in 2006 were fair-valued at \$101,467 (2005 - \$649,410). The fair value of the warrants was determined using the Black-Scholes option-pricing model with the following assumptions: volatility 52% (2005 - 89%), risk-free rate of return of 3.92% (2005 - 4.25%), expected dividend of 0% (2005 - 0%), and expected term of 1 year (2005 - 1 year).

(h) Broker warrants

On certain issues of common shares, the Company issued broker warrants as partial consideration to the agent for services associated with the share issuance. Each broker warrant entitles the agent to acquire one common share of the Company for a period of 12 months from closing. A summary of the outstanding broker warrants is as follows:

	Warrants	Average Price
Balance - December 31, 2004	242,183	\$0.30
Issued	493,405	0.45
Exercised	(212,663)	0.30
Expired	(29,520)	0.30
Balance - December 31, 2005	493,405	\$0.45
Issued	66,194	0.45
Exercised	(154,765)	0.45
Expired	(338,640)	0.45
Balance - December 31, 2006	66,194	\$0.45

The broker warrants outstanding expire December 19, 2007.

The broker warrants issued in 2006 were fair-valued at \$1,489 (2005 - \$99,717). The fair value of the broker warrants was determined using the Black-Scholes option-pricing model with the following assumptions: volatility of 43% (2005 – 89%), risk-free rate of return of 3.92% (2005 – 4.25%), expected dividend of 0% (2004 – 0%), and expected term of 1 year (2005 – 1 year).

(i) Share option plan

The Company has established a share option plan whereby options may be granted to directors, officers and key employees to purchase up to an aggregate of 10% of the issued and outstanding shares of the Company. As at December 31, 2006, the number of shares reserved under the plan is 2,754,517. Options granted have an exercise price of not less than the market price (on the date of grant) of the common shares on the stock exchange on which the shares are traded. Options granted vest six to twelve months after grant date and expire 5 years from the date of the grant of the options.

During 2006, the Company granted 2,550,000 (2005 – 300,000) options to officers, directors, consultants and employees. The fair value of these options was determined using the Black-Scholes option-pricing model with the following assumptions:

	2006	2005
Number of options granted	2,550,000	300,000
Average strike price	\$0.61	\$0.37
Expected dividend	-	-
Expected volatility	35.8%	72.8%
Risk-free interest rate	4.27%	4.25%
Expected life of options	5.00	5.00
Weighted average grant date fair values	\$524,625	\$102,450

The fair value of the options granted during 2006, using the Black-Scholes option-pricing model was \$524,625 (2005 - \$102,450). The fair value attributable to options granted during the year and vested was \$321,130 (2005 - \$102,450). Of this amount, \$12,683 (2005 - \$0) was capitalized as an addition to mineral properties and \$308,477 (2005 - \$102,540) was expensed with a corresponding increase of \$321,130 (2005- \$102,540) to contributed surplus.

For options outstanding at December 31, 2006 and 2005, weighted average exercise prices are as follows:

	Options	Average Price
Balance December 31, 2004	1,100,000	\$0.30
Granted	300,000	0.37
Exercised	(200,000)	0.30
Balance December 31, 2005	1,200,000	\$ 0.30
Granted	2,550,000	0.61
Exercised	(300,000)	0.32
Forfeited	(200,000)	0.65
Expired	(100,000)	0.30
Balance December 31, 2006	3,150,000	\$0.54

For options outstanding at December 31, 2006, all of which are exercisable, the range of exercise prices; weighted average exercise price and the weighted average remaining contractual life is as follows:

Option Price Per Share	Outstanding			Exercisable	
	Options December 31, 2006	Weighted Average Exercise Price	Weighted Average Remaining Life	Options December 31, 2006	Weighted Average Exercise Price
\$0.30 – 0.39	800,000	\$0.32	3.0 years	800,000	\$0.32
\$0.40 – 0.49	100,000	0.45	4.68 years	-	-
\$0.50 – 0.59	500,000	0.50	4.58 years	250,000	0.50
\$0.60 – 0.69	1,750,000	0.65	4.32 years	875,000	0.65
	3,150,000	\$0.54	4.04 years	1,925,000	\$0.49

(j) Contributed surplus

The fair-value of stock options and broker warrants have been determined using the Black-Scholes option-pricing model. The fair-value on the grant of these securities has been added to contributed surplus. Upon exercise, the corresponding amount of contributed surplus related to the security is removed from contributed surplus and added to share capital. A summary of the contributed surplus activity is as follows:

	2006	2005
Balance – beginning of year	\$ 245,016	\$ 62,075
Fair value of options vested	342,337	102,450
Fair value of broker warrants granted	1,489	99,717
Less: contributed surplus related to options exercised	(39,930)	(16,780)
Less: contributed surplus related to options forfeited	(21,207)	-
Less: contributed surplus related to broker warrants exercised	(31,278)	(2,446)
Balance – end of year	\$496,427	\$ 245,016

6. **Per share amounts**

Basic loss per common share is computed by dividing net loss applicable to common shares by the weighted average number of common shares issued and outstanding for the relevant period. Diluted loss per common share is computed by dividing net loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued. The calculation of loss per share amounts is based on the following:

	2006	2005
Numerator:		
Loss applicable to common shares	\$575,571	\$85,491
Denominator:		
Weighted average common shares outstanding	49,968,075	36,813,933
Basic and diluted loss per common share	\$ 0.01	\$ 0.00

Excluded from the calculation of diluted loss per common share were the effects of outstanding options and warrants as the effect on basic loss per share would be anti-dilutive.

7. **Related party transactions**

In 2006 Shore Gold Inc. purchased an additional 3,000,000 common shares in the Company for cash consideration of \$1,050,000. As at December 31, 2006 Shore Gold Inc. holds 11,474,086 common shares of the Company representing an 19.4% (2005 - 18.1%) interest in the Company.

During the year management and consulting fees of \$157,024 (2005 - \$114,500) were paid to directors, officers and companies controlled by common directors; \$85,024 (2005 - \$114,500) of these fees were included as consulting fees and \$72,000 (2005 - \$0) was included as administration expense.

During the year, the Company paid \$473,944 (2005 - \$61,587) to Shore Gold Inc. for rent of office space, administration services, and rental of equipment.

The above transactions were in the normal course of operations and are measured at an amount agreed to by the related parties. The fair-value of stock-based compensation was determined using the Black-Scholes model.

8. **Income taxes**

The significant components of future income tax assets and liabilities at December 31, 2006 and 2005 are as follows:

	2006	2005
Future income tax assets		
Non-capital loss carry forwards	\$ 470,000	\$319,000
Share issue costs	119,000	188,000
Future income tax assets before valuation allowance	589,000	507,000
Valuation allowance	-	(192,000)
Future income tax liabilities	(991,000)	(315,000)
Net future income tax liabilities	\$ 402,000	\$ -

The provision for income taxes differs from the amount computed by applying the combined expected federal and provincial income tax rate to earnings before income taxes. The reasons for these differences are as follows:

	2006	2005
Loss before income taxes	\$ 1,189,067	\$ 424,491
Combined federal and provincial tax rate	39.6%	43.1%
Expected tax recovery	(470,870)	(183,041)
Increase (decrease) in taxes resulting from:		
Non-deductible stock option expenses	122,157	44,176
Other non-deductible amounts	1,172	-
Tax benefits not recognized on share issue costs	-	(120,908)
Effect of change in effective tax rates	101,568	(11,227)
Tax benefit not recognized on foreign exploration	91,753	-
Effect of tax rate change on renunciation of tax deductions	(267,330)	-
Change in valuation allowance	(192,000)	(68,000)
Future income tax recovery	\$ (613,550)	\$ (339,000)

As at December 31, 2006, the Company has operating losses for income tax purposes approximating \$1,542,000 that are available to reduce taxes in future years and expire over the period to the year 2026.

The Company finances a portion of its exploration activities through the issuance of flow-through shares. During the first quarter of 2006, the Company renounced the deductions to investors and accordingly recorded share issue costs related to the future tax liability of the temporary difference arising from the renunciation. As a result, share capital is reduced and future income tax liabilities are increased by the estimated tax cost of deductions renounced by the Company to the investors in the amount of \$1,035,000. To the extent the Company has unrecorded tax assets, the future income tax liabilities are reduced with a corresponding credit to income tax recovery.

To satisfy its commitments pursuant to the issuance of flow-through shares, the Company was required to incur and renounce \$2,517,231 of qualifying exploration expenditures for tax purposes on or before December 31, 2006. This amount was incurred and renounced prior to December 31, 2006.

9. **Commitments**

As at December 31, 2006, the Company is committed to an operating lease for office space, as follows:

Year	
2007	\$ 81,180
2008	81,180
2009	81,180
2010	81,180
2011	81,180
Total	\$405,900

10. **Financial Instruments**

The fair values of cash, short-term investments, receivables and payables and accrued liabilities approximate their recorded amounts due to their short-term nature.