VEDRON GOLD INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2006

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AUDITORS' REPORT

To the Shareholders of
Vedron Gold Inc.

We have audited the balance sheets of Vedron Gold Inc. as at December 31, 2006 and 2005 and the statements of income, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 December 31, 2006 and 2005 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Segal LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 13, 2007

VEDRON GOLD INC.

BALANCE SHEET
AS AT DECEMBER 31, 2006

	2006	2005
ASSETS		
Current		
Cash	$ 406,965	$ 409,523
Marketable securities and term deposit, note 15	1,100,000	100,000
Accounts receivable	41,460	38,543
Prepaid expenses and deposits	44,359	46,813
	1,592,784	594,879
Loan receivable, note 3	349,721	260,768
Mineral resource properties and deferred exploration costs, note 4	17,833,602	16,196,017
Royalty interests, note 5	104,000	104,000
Property, plant and equipment, note 6	830,384	31,123
	$ 20,710,491	$ 17,186,787
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 96,152	$ 50,379
Promissory note payable, note 7	200,000	200,000
	296,152	250,379
Commitments and contingent liability, note 8		
SHAREHOLDERS' EQUITY		
Capital stock, note 9	42,587,588	37,962,394
Contributed surplus, note 10	399,575	284,510
Deficit	(22,572,824)	(21,310,496)
	20,414,339	16,936,408
	$ 20,710,491	$ 17,186,787

Approved on behalf of the board:

"Thomas W. Meredith" Director

"Robin Dunbar" Director

See accompanying notes to the financial statements

VEDRON GOLD INC.

STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006	2005
Deficit, beginning of year	$ (21,310,496)	$ (18,990,012)
Net loss for the year	(1,262,328)	(2,320,484)
Deficit, end of year	$ (22,572,824)	$ (21,310,496)

See accompanying notes to the financial statements

VEDRON GOLD INC.

STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006	2005	Cumulative from the Date of Commencement of Development Stage January 1, 1995
Revenue			
Interest and other income	$ 52,647	$ 435	$ 106,062
Option payments	-	-	370,000
	52,647	435	476,062
Expenses			
General and administrative	1,056,603	918,605	4,195,657
Stock based compensation	216,665	175,600	501,175
Loss (gain) on sale of marketable securities	(26,723)	36,893	10,170
Writedown of mineral resource property	-	1,185,052	1,234,492
Loss on disposal of royalty interest	-	-	45,000
Loss on settlement of notes payable	-	-	27,167
Amortization	68,430	4,769	120,756
	1,314,975	2,320,919	6,134,417
Net loss for the year	$ (1,262,328)	$ (2,320,484)	$ (5,658,355)
Loss per share			
Basic	$ (0.02)	$ (0.05)	
Weighted average number of shares	65,991,094	48,117,512	

See accompanying notes to the financial statements

VEDRON GOLD INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006	2005	Cumulative from the Date of Commencement of Development Stage January 1, 1995
Cash flows from operating activities			
Net loss for the year	$ (1,262,328)	$ (2,320,484)	$ (5,658,355)
Adjustments for:			
Amortization	68,430	4,769	120,756
Stock based compensation	216,665	175,600	501,175
Loss (gain) on sale of marketable securities	(26,723)	36,893	10,170
Writedown of mineral resource properties	-	1,185,052	1,234,492
Loss on disposal of royalty interest	-	-	45,000
Write-off of loan payable	-	-	27,167
	(1,003,956)	(918,170)	(3,719,595)
Changes in non-cash working capital balances, note 11	6,081	(38,876)	(7,234,629)
Cash flows used in operating activities	(997,875)	(957,046)	(10,954,224)
Cash flows from investing activities			
Purchase of property, plant and equipment	(867,694)	(1,626)	(886,572)
Increase in loan receivable	(49,721)	(300,000)	(362,221)
Net investment in marketable securities	(973,277)	354,123	(1,137,170)
Increase in mineral resource properties	(1,637,585)	(3,777,431)	(10,286,422)
Increase in royalty interests	-	-	(20,362)
	(3,528,277)	(3,724,934)	(12,692,747)
Cash flows from financing activities			
Issuance of capital stock, net of financing fees and provision for future income taxes	4,523,594	4,154,975	21,656,965
Increase (decrease) in notes payable	-	200,000	(106,977)
Issue of warrants	-	-	2,521,450
Issue of convertible debenture	-	-	(32,141)
	4,523,594	4,354,975	24,039,297
Net increase (decrease) in cash	(2,558)	(327,005)	392,326
Cash, beginning of year	409,523	736,528	14,639
Cash, end of year	$ 406,965	$ 409,523	$ 406,965

See accompanying notes to the financial statements

1. NATURE OF OPERATIONS

Vedron Gold Inc. (the "Company") was incorporated under the laws of Ontario on March 24, 1972 and is principally engaged in the business of exploring and developing precious metal mineral properties. Substantially all of the efforts of the Company are devoted to these business activities and to date has generated minimal revenues. The company is in the process of further exploring its mineral resource properties and expects to generate additional losses and require additional financial resources to reach commercialization. The continuation as a going concern is dependant on the continued support from the Company's investors and on the determination of economically viable reserves contained on its mineral resource properties. Failure to continue as a going concern would then require that stated amounts of assets and liabilities be reflected on a liquidation basis of valuation that could differ materially from the going concern basis of accounting.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Mineral resource properties and deferred exploration costs

Mineral resource properties are carried at cost. The Company considers exploration and development costs and expenditures to have the characteristics of capital assets such as property, plant and equipment, and as such, the Company capitalizes all exploration costs, including acquisition costs, field exploration and field supervisory costs relating to specific properties as incurred, until those properties are brought into production. After the commencement of production these deferred exploration costs will be amortized through charges against income derived from mining operations. Amortization charges will be calculated on a unit-of-production basis, using proven and probable reserves, or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge will be made.

The actual recovery value of capitalized expenditures for mineral properties and deferred exploration costs, will be contingent upon the discovery of economically viable reserves, and the Company's financial ability at that time to fully exploit these properties or determine a suitable plan of disposition.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks.

(c) Stock based compensation

The Company has adopted CICA Handbook Section 3870 which require the company to follow the fair value method of accounting for all stock based compensation arrangements. The fair value of each option granted during the period is accounted for in operations over the vesting period of the option using the Black - Scholes options pricing model on the date of the grant, with the related increase to contributed surplus.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

(d) Flow through shares

The Company has adopted the recommendations of the CICA with respect to the accounting for Flow Through Shares issued March 19, 2004. This results in the Company reducing the net proceeds of the flow through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favour of the flow through share subscribers. This future income tax liability will be calculated net of any benefit resulting from unrecorded income tax loss carry forwards and income tax pools in excess of the accounting value available for deduction.

(e) Share purchase warrants and other shares reserved for issuance

The Company has reserved shares for issuance in accordance with applicable corporate and securities laws. Consideration received on the issuance of reserved shares will be credited to capital stock and will be valued at either the fair market value of the assets received or shares issued whichever is more readily determinable.

(f) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(g) Capital stock issuance costs

Costs incurred in respect of raising capital are charged to capital stock as a reduction of the equity proceeds realized.

(h) Income taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are computed based on differences between the carrying value of assets and liabilities on the balance sheet and their corresponding values for income tax purposes, using the effective income tax rates expected to apply when these differences reverse. Future income tax assets are recognized only to such extent that it is more likely than not that they will be realized in full.

(i) Amortization

The Company provides for amortization of its property, plant and equipment at the following annual rates:

Power lines and electrical equipment	- 10% declining balance basis
Office and computer equipment	- 20% declining balance basis
Mill equipment	- 20% declining balance basis

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued...)

(j) Cumulative information for development stage companies

The Company has adopted CICA Handbook Accounting Guideline #11 with respect to financial statement presentation for development stage companies. Accordingly the statements of income and cash flows have been altered to include a column outlining the cumulative revenues, expenses and cash flows from the date of commencement of development stage activities being January 1, 1995 to the fiscal year end date of the financial statements. As we were appointed auditors during the 2004 fiscal year, the revenue, expenses and cash flows amounts, which included the cumulative balances for the period from January 1, 1995 to December 31, 2003, were audited by other chartered accountants.

3. **LOAN RECEIVABLE**

The Company, as partial consideration of a preferential milling and tailing agreement (note 8), has advanced the mill owner a total of $372,000, repayable on November 1, 2007. This loan is non-interest bearing and as such, the carrying value of the loan has been discounted at an annual rate of 8% consistent with other borrowings available to the Company. The difference between the face value of the loan and the carrying value is being amortized to income to reflect the value of effective interest income and milling benefits received on this balance The loan balance is secured by a first charge on the mill property.

4. **MINERAL RESOURCE PROPERTIES AND DEFERRED EXPLORATION COSTS**

	Acquisition Costs	Exploration Expenditures	2006 Total	2005 Total
Fuller Property (a)	$ 1,303,000	$ 11,005,875	$ 12,308,875	$ 12,098,102
Davidson Tisdale Property (note 8)	2,919,161	1,474,671	4,393,832	3,953,372
Buffalo Ankerite (b)	-	1,056,569	1,056,569	96,385
Windsor	47,500	6,825	54,325	28,158
Augdome Property	20,000	-	20,000	20,000
	$ 4,289,661	$ 13,543,940	$ 17,833,601	16,196,017

a) Fuller Property

The Company has a 100% interest in the Fuller Property. A portion of the property is subject to a net profits interest calculated after all capital and operating costs have been recovered. (note 16).

b) Buffalo Ankerite

The Company commenced work on the Buffalo Ankerite property during the year. The Company has the option to purchase a 100% interest in the property, prior to November 4, 2007, for $25,000, subject to an existing net profits interest (note 16).

5. ROYALTY INTERESTS

	2006	2005
Pipestone Bay Property - Red Lake	$ 51,000	$ 51,000
Augdome Property	53,000	53,000
	$ 104,000	$ 104,000

a) The Company has a 1.5% net smelter royalty interest on the Pipestone Bay Property in Red Lake, Ontario.
b) The Company has a 2% net smelter royalty interest on the Augdome Property in Timmins, Ontario.

6. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	2006 Net Book Value	2005 Net Book Value
Powerlines and electrical equipment	$ 141,921	$ 123,721	$ 18,200	$ 20,222
Office and computer equipment	28,577	10,643	17,934	10,901
Mill equipment	858,000	63,750	794,250	-
	$ 1,028,498	$ 198,114	$ 830,384	$ 31,123

7. PROMISSORY NOTE PAYABLE

	2006	2005
Mill equipment	$ 200,000	$ -
Laurion Gold Inc.	-	200,000
	$ 200,000	$ 200,000

A promissory note payable of $200,000 was repaid on July 31, 2006 to Laurion Gold Inc. as partial consideration due under the terms of the second amendment of the Laurion option agreement with respect to the Davidson Tisdale Property. The promissory note was interest bearing at 6%, unsecured and due the earlier of July 31, 2006 and the date the Company completed certain securities financing arrangements.

A promissory note, due February 7, 2007 for $200,000 bearing interest at 8%, is convertible, upon maturity in whole or in part into shares of the Company, at a rate of $0.60 per share. This resulted from the completion in February 2006 of an August 2005 agreement to purchase gold mining equipment with an estimated grinding capacity of up to 1,000 tons per day. The transaction was from an arm's length vendor.

8. COMMITMENTS

The Company has the following contractual obligations with respect to mineral properties and deferred exploration expenditures:

Davidson Tisdale Property

The company has the option to earn a 75% interest on the Davidson Tisdale Property, and as at December 31, 2006 the Company has earned a 60% interest in the property. The Company initially entered into an option agreement with Laurion Gold Inc. (Formerly Northcott Gold Inc.) dated March 14, 2003 and amended December 17, 2004, December 30, 2005 and September 2, 2006 (the "Laurion Agreement") regarding the exploration and development of certain mining claims situated in Tisdale Township, Ontario (the "Davidson Tisdale Property") as well as permitting the Company the option of earning an additional 50% interest in certain other claims owned by Laurion (the "Laurion Property").

The remaining 15% interest in the property is comprised of two distinct options at 6% and 9% respectively. The terms under which each interest is earned by the Company is described below.

The Company can earn an additional 9% undivided interest in the property by making a quarterly cash payment in the amount of $10,000 during the term of the option agreement ending September 14, 2008. Further the Company must incur minimum exploration expenditures on the property totaling $600,000 prior to September 14, 2007 and $1,000,000 in aggregate expenditures prior to September 14, 2008. The Company's interest in these claims will vest an additional 1% for every $111,111 in exploration expenditures.

The 6% undivided interest will be earned by the Company by paying to Laurion $150,000 on April 30, 2007 and reimbursing expenditures made by Laurion on the property totaling $375,000 prior to March 31, 2007. The Company must reimburse Laurion a further $375,000 in exploration expenditures prior to March 31, 2008. (see table below for timing requirements of specific expenditures). The Company's additional interest in the Davidson Tisdale Property will vest 1% for every $105,000 expended for both the exploration of, and the option payments on, the Davidson Tisdale Claims.

Upon completion of the Company's obligations under these option agreements, the Company will have earned an undivided 75% interest in the Davidson Tisdale Property and a joint venture with Laurion will automatically be formed for the purposes of further exploration, development and commercial production on the properties. Under the terms of the joint venture agreement the Company will be the Operator for the purposes of conducting future mining operations until such time as the Company's interest in the joint venture is reduced below 10%.

8. **COMMITMENTS** (Continued...)

Further, the Company has the back in right to acquire up to a 50% interest in the 19-claim Laurion Property situated adjacent to the Davidson Tisdale Property and owned by Laurion, by paying to Laurion, prior to December 31, 2008, 60% of all expenditures incurred by Laurion on the respective claims.

The minimum annual cash payments and expenditures required under the terms of the contractual obligations on mineral resource properties for the next two years are as follows:

	Davidson Tisdale	Windsor	Total
2007	$ 1,165,000	$ 10,000	$ 1,175,000
2008	805,000	10,000	815,000

Other commitments

The Company is committed to minimum annual rental payments on its premises as follows:

2007	$ 60,000

Minimum annual payments under the Mill & Tailings funding agreement required under the terms of the contractual agreement are $40,000 annually from 2007 to 2015.

Contingent liability

On December 17, 2002 the Mining Lands Commissioner issued an Order with respect to the Buffalo Ankerite mine site formerly owned by the Company. The Order requires the Company to use its best efforts to remediate the open pit on the site and maintain site security. The estimated cost to perform this work is $284,000 of which no liability has been accrued in these financial statements as mining activities on the property have not been determined to be completed in their entirety.

9. CAPITAL STOCK

Authorized
Unlimited Common shares without par value

Common shares	Number of Shares	Amount
Balance December 31, 2004	43,308,947	$ 33,807,419
Issued on private placement August 15, 2005	5,064,000	759,600
Issued on private placement September 12, 2005	5,000,000	1,250,000
Issued flow through share on private placement October 31, 2005	724,250	289,700
Issued on warrant exercise	18,750	3,750
Issued for property acquisitions	6,581,035	1,870,031
Finders fees on August 25, 2005 private placement	722,750	-
	61,419,732	37,980,500
Less: Issuance costs related to common share offerings	-	(18,106)
Balance December 31, 2005	**61,419,732**	**37,962,394**
Issued on flow through shares on private placement January 9, 2006	275,750	110,300
Issued on private placement May 12, 2006	4,912,334	2,418,436
Issued on flow through shares on private placement May 12, 2006	1,100,000	660,080
Issued on exercise of options	1,080,000	370,350
Issued on warrant exercise	577,500	115,500
Issued as consideration for mill equipment acquisition	800,000	608,000
Finders fee, January 9 , 2006 private placement	6,948	2,780
Issued for property acquisitions	50,000	12,500
	70,222,264	42,260,340
Less issuance cost related to common share offerings	-	(201,716)
Balance December 31, 2006	**70,222,264**	**$ 42,058,624**

On January 9, 2006, the Company completed a private placement of flow through common shares, issuing 275,750 shares. The shares were issued at \$0.40 for proceeds of \$110,300. The Company also paid finder's fees of 6,948 common shares.

On May 12, 2006, the Company issued 4,912,334 units at \$0.60 per unit and 1.1 million flow through shares at \$0.60 per share, for gross proceeds of \$3,607,400. Each unit consists of one common share and one half of one common share purchase warrant. Each full warrant entitled the holder to purchase one common share of the Company at a price of \$0.66 until June 29, 2007. An agency fee of 5% in cash and 10% in broker warrants, expiring 12 months from closing, was paid to Coniston Investment Corp.

9. **CAPITAL STOCK** (Continued...)

A summary of warrants outstanding and changes during the year is presented below:

	December 31, 2006			December 31, 2005	
	Number of Warrants	Weighted Average Exercise Price	Fair Value	Weighted Number of Warrants	Average Exercise Price
Outstanding, beginning of period	5,263,250	$0.27	-	1,558,000	$0.75
Issued	3,057,400	$0.65	528,964	5,282,000	$0.25
Expired	-	$0.66	-	(1,558,000)	$0.75
Exercised	(609,500)	$0.20	-	(18,750)	$0.20
Outstanding, end of period	7,711,150	$0.67	$ 528,964	5,263,250	$0.27

Common Share Purchase Warrants

The following common share purchase warrants are outstanding at December 31, 2006:

	Number of Warrants	Exercise Price	Expiry
Common share purchase warrants Issued on private placement August 20, 2005	2,153,750	$0.20	February 12, 2007
Common share purchase warrants Issued on private placement September 12, 2005	2,500,000	$0.35	September 6, 2007
Common share purchase warrants Issued on private placement dated May 12, 2006	2,456,167	$0.66	June 29, 2007
Broker warrants issued on private placement dated May 12, 2006	596,333	$0.60	May 12, 2007
Broker warrants issued on private placement dated May 12, 2006	4,900	$0.60	May 26, 2007
	7,711,150		

9. **CAPITAL STOCK** (Continued...)

Common Share Purchase Options

The Company has a stock option plan available to its employees, officers, directors and service providers. The number of common shares reserved for the purpose of the plan is 3,390,000.

The exercise price of options granted in accordance with the plan must not be lower than the fair market value share price as quoted on the TSX Venture Exchange on the last business day prior to the date of the grant less any discounts permitted by the TSX Venture Exchange. The period for exercising an option shall not extend beyond a period of five years following the date the option is granted.

The total number of options held by insiders of the Company must not exceed 10% of the total number of shares issued and outstanding.

The following table summarizes the options activity for the years ending December 31, 2005 and December 31, 2006:

	Number of Options	Weighted Average Exercise Price
Balance December 31, 2004	2,000,000	0.30
Granted	800,000	0.24
Exercised	-	-
Expired	-	-
Balance December 31, 2005	2,800,000	0.28
Granted	200,000	0.55
Granted	1,000,000	0.40
Exercised	(1,080,000)	0.25
Balance December 31, 2006	2,920,000	0.31

9. **CAPITAL STOCK** (Continued...)

The following common share purchase options are outstanding at December 31, 2006:

	Date of Grant	Number of Shares	Exercise Price	Expiry Date
Directors	October 8, 2003	100,000	$ 0.20	October 8,2008
	December 19, 2003	25,000	$ 0.35	December 19, 2008
	September 29, 2004	50,000	$ 0.35	September 29,2009
	May 18, 2005	200,000	$0.20	May 18, 2010
	September 14, 2005	250,000	$ 0.25	September 14,2010
	July 24, 2006	300,000	$ 0.40	July 24, 2011
Officers	October 8, 2003	100,000	$ 0.20	October 8, 2008
	December 19, 2003	350,000	$ 0.35	December 19, 2008
	September 29, 2004	150,000	$ 0.35	September 29, 2009
	January 19, 2006	100,000	$ 0.55	January 19, 2011
	July 24, 2006	200,000	$ 0.40	July 24, 2011
Service Providers	October 8, 2003	25,000	$ 0.20	October 8, 2008
	December 19, 2003	125,000	$ 0.35	December 19, 2008
	September 29, 2004	250,000	$ 0.35	September 29, 2009
	September 14, 2005	95,000	$ 0.25	September 14, 2010
	January 19, 2006	100,000	$ 0.55	January 19, 2011
	July 24, 2006	500,000	$ 0.40	July 24, 2011
		2,920,000		

The Company has adopted CICA Handbook Section 3870, which requires a fair value method of accounting to be applied to all stock-based compensation arrangements. The fair value of each option is accounted for in operations over the vesting period of the options, and the related credit is included in contributed surplus. The fair value of the options granted during the year ended December 31, 2006 were estimated using the Black-Scholes options pricing model with the following assumptions: (i) risk free rate of 4% (ii) expected life of 5 years (iii) and expected volatility of 70%.

10. **CONTRIBUTED SURPLUS**

Balance, December 31, 2004	$ 108,910
Stock based compensation for the period	175,600
Balance, December 31, 2005	$ 284,510
Stock-based compensation, for the period	216,665
Fair value of options exercised during the year	(101,600)
Balance, December 31, 2006	$ 399,575

11. SUPPLEMENTAL CASH FLOW INFORMATION

	2006	2005
Changes in non-cash working capital balances		
Accounts receivable	$ (2,917)	$ (18,963)
Prepaid expenses and deposits	(36,778)	(1,486)
Accounts payable and accrued liabilities	45,776	(18,427)
	$ 6,081	$ (38,876)
Interest paid (received)	$ (52,647)	$ (435)
Income taxes paid	$ -	$ -

12. RELATED PARTY TRANSACTIONS

Included in the accounts are payments made to companies under the control or significant influence of officers and directors as follows:

Management fees paid to directors and officers of the Company.	$ 200,000
The Company entered into a sub-lease agreement to rent office space at $1,500 per month from a company with one director who is also a director of the Company.	$ 18,000
The Company paid legal fees to a firm in which an officer of the Company is also a partner of the law firm.	$ 70,016

All related party transactions entered into by the Company are recorded at fair market value as determined by the Company's directors with no beneficial interest in respect of a particular transaction.

13. LOSS PER SHARE

Basic loss per share has been calculated by dividing the net loss per the financial statements by the weighted average number of shares outstanding during the year. The fully diluted loss per share would be calculated using a common share balance increased by the number of common shares that could be issued under outstanding warrant and options of the Company. As the company is in a loss position for the years ended December 31, 2006 and 2005, no dilutive effect would result from the potential increase in common shares.

14. INCOME TAXES

Current year income tax expense (recovery) differs from the amounts that would have been computed by applying the combined Federal and Ontario statutory income tax rates of approximately 35% to the loss before the recovery of future income taxes. This difference is the result of the following:

	2006	2005
Loss before recovery of future income taxes for accounting	$ (1,262,328)	$ (2,320,484)
Expected tax recovery at statutory rates	(493,299)	(812,169)
Stock based compensation not deductible for income taxes	75,833	61,460
Common share financing fees deducted for income tax	(30,179)	(9,291)
Other timing differences	23,951	1,669
Writedown of mineral resource properties and deferred exploration expenses	-	414,768
Recovery of future income taxes	(423,694)	(343,563)
Non-capital losses not utilized in current year	423,694	343,563
Provision for income taxes	$ -	$ -

The Company has non-capital loss carryforwards in the amount of $ 2,964,105 which may be used prior to 2026 to reduce future taxable income.

2007	$ 132,720
2008	23,386
2009	80,623
2010	212,587
2014	508,495
2015	928,587
2026	1,077,707
	$ 2,964,105

In addition, the Company has the following resource deductions which may be applied against certain profits realized on its mining properties exclusive of amounts transferred to investors of flow through shares as follows:

Canadian Development Expenditures	$ 115,000
Foreign Exploration and Development Expenditures	$ 151,343

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, marketable securities and term deposits, accounts receivable, loan receivable, accounts payable and accrued liabilities and promissory note payable. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, except as noted below.

Marketable securities

Securities	Number of Shares	Cost 2006	Fair Market Value 2006	2005
Zenda Capital	-	$ -	$ -	$ 56,000
Term deposits 3.8% due July 2007	-	1,100,000	1,100,000	-
		$ 1,100,000	$ 1,100,000	$ 56,000

As disclosed in note 3, the face value of the loan receivable is $372,000 on maturity November 1, 2007.

16. SUBSEQUENT EVENTS

On January 19, 2007 the Company granted 1,600,000 common share purchase options at a price of $0.60 to certain officers, directors, employees and consultants of the Company. The options have a term of 5 years from the date of grant to be exercised.

On February 14, 2007 the Company completed a private placement of 13,750,000 units of securities of the Company at a price of $0.40 per units. The offering consisted of 8,700,000 flow through units and 5,050,000 hard dollar units of securities of the Company. Each flow through unit is comprised of one flow through common share and one half of one common share purchase warrant. Each hard dollar unit is comprised of one common share of the Company and one common share purchase warrant. Each common share purchase warrant is exercisable at a price of $0.60 until August 13, 2008 under certain conditions. Should the close price of the common shares of the Company be equal to or in excess of $0.90 for 20 consecutive days after June 14, 2008, the warrant term shall automatically be reduced to 30 days from the date the Company provides notice to the warrant holders of the new expiry date. The agents for the offering were paid a cash commission of 5% of the gross proceeds, being $275,000 in the aggregate. The agents were granted further compensation by way of broker warrants equal to 7% of the total number of units placed in the offering, being 962,500 in the aggregate. Each broker warrant allows the agent to purchase one hard dollar unit at a price of $0.40 until August 13, 2008 subject to the Company's right to accelerate the warrant term.

On February 2007 the Company exercised its option to acquire 100% of the Buffalo Ankorite property for $25,000.

16. **SUBSEQUENT EVENTS** (Continued...)

In March 2007, the Company agreed with the holder of the 20% net profits interest on the Dobie Claims included in the Fuller property to purchase for US $200,000 a reduction in the net profits interest from 20% to 10% on the claims, with the exception of the "south pit" area of the South Mine where the net profits interest remains at 20% on all ore produced using open pit mining methods.

17. **FUTURE ACCOUNTING CHANGES**

The Canadian Institute of Chartered Accountants (CICA) has issued three new accounting standards: Financial instruments - recognition and measurement, Hedges and Comprehensive income which the Company will adopt effective January 1, 2007.

(a) **Financial instruments - recognition and measurement**

Certain of the Company's financial assets and liabilities will be carried at fair value in its balance sheet including portfolio investments which are quoted in an active market but excluding investments accounted for using the equity method or designated as held to maturity. Receivables and non-trading financial liabilities, will be carried at amortized cost. Realized and unrealized gains and losses on financial assets and liabilities which are held for trading will be recorded in the statement of earnings. Unrealized gains and losses on financial assets which are held as available for sale will be recorded in other comprehensive income until realized or until an other-than-temporary decline in the value of the investment occurs, at which time the gain or loss will be recorded in the statement of earnings. When unrealized losses on investments are determined to be other-than-temporary, the financial asset will be written down to market value with the change recorded as realized losses on investments in the statement of earnings. All derivatives, including instruments with embedded derivatives which the Company has designated as held for trading under a fair value option will be recorded at fair value in the balance sheet with changes in fair value recorded in the statement of earnings.

(b) **Hedges**

For fair value hedges, the change in fair value of the hedging derivative will be offset in the statement of operations against the change in the fair value of the hedged item relating to the hedged risk. For cash flow hedges, the change in fair value of the derivative to the extent effective will be recorded in other comprehensive income until the asset or liability being hedged affects the statement of operations, at which time the related change in fair value of the derivative will also be recorded in the statement of operations. Any hedge ineffectiveness will be recorded in the statement of operations.

(c) **Comprehensive income**

Unrealized gains and losses on financial assets which are classified as available for sale and changes in the fair value of cash flow hedging instruments will be recorded in a statement of other comprehensive income and will be included in accumulated other comprehensive income until recognized in the statement of operations. Accumulated other comprehensive income will form part of shareholders' equity.