GOLDEN REIGN RESOURCES LTD.

FINANCIAL STATEMENTS

JULY 31, 2006

AUDITORS' REPORT

To the Directors of
Golden Reign Resources Ltd.

We have audited the balance sheets of Golden Reign Resources Ltd. as at April 30, 2006 and 2005 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada

Chartered Accountants

June 29, 2006
(except as to Notes 12 and 13
which are as of October 31, 2006)

GOLDEN REIGN RESOURCES LTD.
BALANCE SHEETS

	July 31, 2006 (Unaudited)	April 30, 2006	April 30, 2005
ASSETS			
Current			
Cash and cash equivalents	$ 61,798	$ 423,142	$ 323,931
Receivables	11,547	4,722	3,948
Prepaid expenses	19,634	15,771	11,346
	92,979	443,635	339,225
Exploration advances (Note 3)	174,940	-	-
Mineral properties (Note 3)	233,231	89,225	189,834
Equipment (Note 4)	17,416	16,258	21,422
Deferred financing costs (Note 12)	63,064	17,500	10,000
	$ 581,630	$ 566,618	$ 560,481
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	$ 62,093	$ 99,760	$ 10,854
Shareholders' equity			
Share capital (Note 5)	1,353,635	1,177,448	683,885
Deficit	(834,098)	(710,590)	(134,258)
	519,537	466,858	549,627
	$ 581,630	$ 566,618	$ 560,481

Nature and continuance of operations (Note 1)
Commitments (Note 9)
Initial public offering (Note 12)
Subsequent events (Note 13)

On behalf of the Board:

"*Andrew Milligan*" Director — "*Kim Evans*" Director
Andrew Milligan — Kim Evans

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

GOLDEN REIGN RESOURCES LTD.
STATEMENTS OF OPERATIONS AND DEFICIT

	Three Months Ended July 31, 2006	Three Months Ended July 31, 2005	Year Ended April 30, 2006	Year Ended April 30, 2005
	(Unaudited)	(Unaudited)		
EXPENSES				
Amortization	$ 1,046	$ 1,341	$ 5,383	$ 1,234
Consulting	49,000	-	39,812	-
Management fees	19,500	19,500	78,000	32,500
Office and miscellaneous	7,907	8,499	26,362	12,268
Professional fees	10,846	5,348	60,159	19,731
Property investigation	-	7,068	11,568	-
Regulatory and listing fees	1,315	-	-	1,200
Wages and benefits	31,738	32,185	127,446	35,810
Telecommunications	1,164	1,141	4,334	3,743
Travel and promotion	2,250	4,420	7,220	29,080
	(124,766)	(79,502)	(360,284)	(135,566)
OTHER ITEMS				
Write-down of equipment	(80)	-	-	-
Write-down of mineral properties (Note 3)	-	(195,834)	(220,834)	-
Interest income	1,338	-	4,786	1,349
	1,258	(195,834)	(216,048)	1,349
Loss for the period	(123,508)	(275,336)	(576,332)	(134,217)
Deficit, beginning of period	(710,590)	(134,258)	(134,258)	(41)
Deficit, end of period	$ (834,098)	$ (409,594)	$ (710,590)	$ (134,258)
Basic and diluted loss per common share	$ (0.01)	$ (0.02)	$ (0.05)	$ (0.01)
Weighted average number of basic and diluted common shares outstanding	14,795,640	12,574,300	11,754,866	9,357,247

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

GOLDEN REIGN RESOURCES LTD.
STATEMENTS OF CASH FLOWS

	Three Months Ended July 31, 2006	Three Months Ended July 31, 2005	Year Ended April 30, 2006	Year Ended April 30, 2005
	(Unaudited)	(Unaudited)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the period	$ (123,508)	$ (275,336)	$ (576,332)	$ (134,217)
Items not affecting cash:				
Amortization	1,046	1,341	5,383	1,234
Write-down of equipment	80	-	-	-
Write-down of mineral properties	-	195,834	220,834	-
Shares for services	40,000	-	-	-
Changes in non-cash working capital items				
Increase in receivables	(6,825)	(2,310)	(774)	(3,946)
Decrease (increase) in prepaid expenses	(18,333)	1,551	(4,425)	(11,346)
Increase (decrease) in accounts payable and accrued liabilities	(26,684)	13,246	88,906	(2,680)
Cash flows used in operating activities	(134,224)	(65,674)	(266,408)	(150,955)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of equipment	(2,284)	-	(219)	(22,656)
Expenditures on mineral properties	(33,536)	(31,000)	(120,225)	(176,334)
Exploration advances	(174,940)	-	-	-
Cash flows used in investing activities	(210,760)	(31,000)	(120,444)	(198,990)
CASH FLOWS FROM FINANCING ACTIVITIES				
Deferred financing costs	(16,547)	-	(7,500)	(10,000)
Shares subscribed (refunded)	-	-	(187)	-
Issuance of shares	187	2,000	493,750	557,125
Share issue costs	-	-	-	(2,040)
Cash flows provided by (used in) financing activities	(16,360)	2,000	486,063	545,085
Change in cash and cash equivalents during the period	(361,344)	(94,674)	99,211	195,140
Cash and cash equivalents, beginning of period	423,142	323,931	323,931	128,791
Cash and cash equivalents, end of period	$ 61,798	$ 229,257	$ 423,142	$ 323,931
Cash and cash equivalents consist of:				
Cash	$ 11,798	$ (1,743)	$ 273,142	$ (4,069)
Guaranteed Investment Certificates	50,000	231,000	150,000	328,000
	$ 61,798	$ 229,257	$ 423,142	$ 323,931
Cash paid during the period for:				
Interest	$ -	$ -	$ -	$ -
Income taxes	-	-	-	-

Supplemental disclosure with respect to cash flows (Note 8)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Golden Reign Resources Ltd. (the "Company") was incorporated on April 1, 2004 under the laws of the Yukon Territory and its principal business activity is the acquisition and exploration of mineral properties. The Company is considered to be in the exploration stage. The Company is in the process of filing a prospectus for an initial public offering ("IPO") to gain a listing on the TSX Venture Exchange (TSX-V) (Note 12).

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	July 31, 2006 (Unaudited)	April 30, 2006	April 30, 2005
Working capital	$ 30,886	$ 343,875	$ 328,371
Deficit	(834,098)	(710,590)	(134,258)

2. SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

Cash and cash equivalents

Cash and cash equivalents consist of cash and guaranteed investment certificates that are readily convertible to cash.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost less option payments received and other recoveries. All direct and indirect costs relating to the acquisition and exploration of these interests are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold, abandoned or management has determined there to be an impairment. These costs will be amortized over the proven reserves available on the related property following commencement of production.

Mineral properties which are sold before that property reaches the production stage will have all revenues from the sale of the property credited against the cost of the property. Properties which have reached the production stage will have a gain or loss calculated based on the portion of that property sold.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Equipment

Equipment is recorded at cost and is amortized over the estimated useful life at the following rates:

Computer equipment	30% per annum, declining balance
Office equipment and furniture	20% per annum, declining balance

Deferred financing costs

Costs directly identifiable with the raising of capital will be charged against the related share capital. Costs related to shares not yet issued are recorded as deferred financing costs. These costs will be deferred until the issuance of the shares to which the costs relate, at which time the costs will be charged against the related share capital or charged to operations if the shares are not issued.

Foreign currency translation and transactions

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses denominated in a foreign currency are translated at an average exchange rate for the period. Realized foreign exchange gains and losses are included in loss for the period.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Asset retirement obligations

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.

Earnings (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 period.

Basic earnings (loss) per share is calculated using the weighted-average number of shares outstanding during the period.

Future income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using 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.

3. MINERAL PROPERTIES

Pravo-Berelehskoe and Rodionovskoe Properties, Magadan, Russia

On November 17, 2005, the Company entered into an agreement to explore and develop the Pravo-Berelehskoe and the Rodionovskoe properties located in Magadan, Russia.

Pursuant to the terms of the agreement, the Company committed to spend a minimum of US$300,000 on direct exploration expenditures on the properties, prior to December 31, 2006, with additional direct exploration expenditures of US$400,000 due on or before December 31, 2007. During the period ended July 31, 2006 (unaudited), the Company advanced $174,940 to be spent on exploration of this property and issued 240,000 common shares valued at $96,000 as finders' fees. An additional $168,405 (US$150,000) was advanced subsequent to July 31, 2006 (unaudited).

3. MINERAL PROPERTIES (cont'd…)

Pravo-Berelehskoe and Rodionovskoe Properties, Magadan, Russia (cont'd…)

Under the agreement, the vendor is committed to:

(a) organizing and conducting geological exploration work at the request and direction of the Company;

(b) arranging all work permits and assuming responsibility to ensure ecological safety and labour regulations are met; and

(c) assisting the Company, or its subsidiaries, to obtain licenses for subsoil use on the Pravo-Berelehskoe and Rodionovskoe properties.

All subsoil in Russia and mineral resources within the subsoil are State-owned. The Russian Federal government issues licences on the basis of up to five years for geological exploration and for the term of production life of the field for production of mineral resources. The vendor holds valid licenses for the Pravo-Berelehskoe and Rodionovskoe properties, permitting geological exploration through December 31, 2007 and December 31, 2006, respectively.

Arn Property, Yukon Territory, Canada

On June 7, 2005, the Company entered into a mineral property option agreement with ATAC Resources Ltd. to acquire at 50% undivided interest in and to the Arn Property located in Yukon Territory. Under the terms of the option agreement, the Company agreed to:

(a) make cumulative cash payments of $200,000 on or before March 1, 2006, with the sum of $25,000 (paid) to be paid concurrent with the signing of the agreement; and

(b) incur minimum aggregate exploration expenditures of $1,000,000 on or before March 1, 2006.

During the fiscal year ended April 30, 2006, the Company elected not to proceed with this option agreement and wrote-off costs of $25,000.

Ofoase Property, Ghana, West Africa

Pursuant to a Letter Agreement dated April 15, 2004, the Company entered into an option agreement to acquire up to 100% of Goknet Mining Company Limited's ("Goknet") interest, subject to carried interests, in and to the Ofoase Property located in Ghana. Under the terms of the option agreement, the Company was required to pay US$10,000 on signing the agreement ($13,500 paid June 29, 2004), issue 500,000 common shares from its treasury and incur aggregate exploration expenditures of US$500,000 on or before the second anniversary date of the agreement. Pursuant to an underlying option agreement, the Company was also required to pay US$4,000 every three months until production of a positive feasibility study ($25,866 paid in the year ended April 30, 2005). During the fiscal year ended April 30, 2006, the Company determined that the development of this property was not likely and wrote-off the $195,834 previously expended.

3. MINERAL PROPERTIES (cont'd…)

	July 31, 2006 (Unaudited)	April 30, 2006	April 30, 2005
Pravo-Berelehskoe and Rodionovskoe Properties, Russia			
Mineral properties			
Balance, beginning of period	$ -	$ -	$ -
Finder's fee payments	96,000	-	-
	96,000	-	-
Deferred Exploration Costs			
Balance, beginning of period	89,225	-	-
Assaying	610	6,031	-
Consulting	17,847	51,584	-
Field supplies	321	-	-
Graphics, mapping	231	4,144	-
Office expenses	676	-	-
Translation	2,000	5,595	-
Transportation and travel	26,321	21,871	-
	137,231	89,225	-
Pravo-Berelehskoe and Rodionovskoe Properties Balance, end of period	233,231	89,225	-
Ofoase Property, Ghana			
Mineral Properties			
Balance, beginning of period	-	39,366	13,500
Option payments	-	-	-
Quarterly installment payments	-	-	25,866
	-	39,366	39,366
Deferred Exploration Costs			
Balance, beginning of period	-	150,468	-
Assaying	-	-	7,037
Contract labour	-	6,000	40,885
Exploration costs	-	-	12,763
Geophysical survey	-	-	76,345
Office	-	-	7,269
Transportation and travel	-	-	6,169
	-	156,468	150,468
Write-down of mineral property interest	-	(195,834)	-
Ofoase Property - Balance, end of period		-	189,834

- Continued -

3. MINERAL PROPERTIES (cont'd…)

	July 31, 2006 (Unaudited)	April 30, 2006	April 30, 2005
Continued…			
Arn Property, Yukon Territory			
Mineral Properties			
Balance, beginning of period	-	-	-
Option payments	-	25,000	-
	-	25,000	-
Write-down of mineral property interest	-	(25,000)	-
Arn Property, Balance end of period	-	-	-
Total of all mineral properties and deferred exploration costs - Balance, end of period	$ 233,231	$ 89,225	$ 189,834

4. EQUIPMENT

	July 31,2006 (Unaudited)		
	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 14,093	$ 4,752	$ 9,341
Equipment and furniture	11,066	2,991	8,075
	$ 25,159	$ 7,743	$ 17,416

	April 30, 2006			April 30, 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	$ 11,809	$ 4,052	$ 7,757	$ 11,590	$ 794	$ 10,796
Equipment and furniture	11,066	2,565	8,501	11,066	440	10,626
	$ 22,875	$ 6,617	$ 16,258	$ 22,656	$ 1,234	$ 21,422

5. SHARE CAPITAL

The following is a description of the authorized and issued share capital:

	Number of Shares	Amount
Authorized:		
Unlimited number of Common shares, without par value		
Balance at April 30, 2004	6,125,000	613
Private placement	1,875,000	187
Private placements	4,567,500	685,125
Finder's fee	6,800	1,020
Share issue costs	-	(3,060)
Balance at April 30, 2005	12,574,300	683,885
Cancellation of shares	(1,875,000)	(187)
Private placements	2,291,666	493,750
Balance at April 30, 2006	12,990,966	1,177,448
Private placements	1,875,000	187
Finder's fee	240,000	96,000
Debt settlement	100,000	40,000
Shares for services	100,000	40,000
Balance at July 31, 2006 (unaudited)	15,305,966	$ 1,353,635

At July 31, 2006 (unaudited), a total of 8,346,667 (April 30, 2006 - 6,391,667; April 30, 2005 – 8,266,667) shares are subject to an escrow agreement and will be released from escrow 10% on the date the Company's shares are listed on the TSX-V and an additional 15% every six months thereafter.

Private placements

During the year ended April 30, 2005, the Company issued an aggregate 4,567,500 common shares in four seed placement tranches, at a price of $0.15 per share to raise gross proceeds of $685,125. Finder's fees of 6,800 common shares valued at $1,020 were issued and $2,040 cash was paid in connection with these placements.

During the fiscal year ended April 30, 2006, the Company issued 1,541,666 common shares at a price of $0.15 per share for gross proceeds of $231,250. The Company also issued a further 750,000 units at a price of $0.35 per unit, each unit, comprised of one common share and one share purchase warrant entitling the holder thereof to purchase one additional share at a price of $0.50 per share up to and including that date which is two years from the later of (i) April 12, 2006 or (ii) the date the Company becomes a reporting issuer in any province or territory.

5. SHARE CAPITAL (cont'd…)

Private placements (cont'd…)

During the three months ended July 31, 2006 (unaudited), the Company:

a) issued 1,875,000 common shares at $0.0001 per share for gross proceeds of $187.

b) issued 240,000 common shares valued at $96,000 as finder's fees with respect to the Russian mineral properties (Note 3).

c) issued 100,000 common shares to settle debts totalling $40,000.

d) issued 100,000 common shares valued at $40,000 in payment of consulting fees.

Warrants

At July 31, 2006 (unaudited) and April 30, 2006, there were 750,000 (2005 – Nil) shares purchase warrants exercisable as described above.

Stock Options (unaudited)

On May 20, 2006, the Company's directors approved a stock option plan in accordance with the policies of the TSX-V, under which the board is authorized to grant options to employees, consultants, officers and directors enabling them to acquire up to 10% of the issued and outstanding share capital of the Company. Under the policies of the TSX-V, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options can be granted for a maximum term of five years.

During the period ended July 31, 2006 (unaudited), the Company granted a total of 2,300,000 stock options which will have an effective grant date of the IPO completion date, exercisable at $0.40 per share for a period of five years following the completion of the IPO (Note 12).

6. RELATED PARTY TRANSACTIONS

During the year ended April 30, 2006, the Company paid or accrued management fees of $78,000 (2005 - $32,500) to a director of the Company.

During the period ended July 31, 2006 (unaudited), the Company paid or accrued management fees of $19,500 (2005 - $19,500) to a director of the Company. Consulting fees totalling $9,000 (2005 - $Nil) were paid or accrued to an officer of the Company for the provision of consulting services.

7. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, receivables and accounts payable and accrued liabilities 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 approximates their carrying value, unless otherwise noted.

7. FINANCIAL INSTRUMENTS (cont'd…)

Risk management

The Company's largest non-monetary assets are its mineral exploration interests in Russia. The Company could accordingly be at risk for foreign currency fluctuations and developing legal and political environments.

The Company relies on local consultants for the management of its exploration activities and for legal and accounting matters.

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash investing or financing transactions for the period ended July 31, 2006 (unaudited) included the issuance of 240,000 common shares with a value of $96,000 for finder's fees on mineral properties and 100,000 common shares valued at $40,000 to settle debts. A further 100,000 common shares valued at $40,000 were issued in payment of corporate advisory services. The Company accrued $29,017 for deferred financing costs and allocated $14,470 of mineral property expenditures from prepaid expenses.

There were no significant non-cash investing or financing transactions for the year ended April 30, 2006.

Significant non-cash investing or financing transactions for the year ended April 30, 2005 included the issuance of 6,800 common shares with a value of $1,020 for a finders fee and 853,333 common shares for $128,000 of share subscriptions received in the prior period.

9. COMMITMENTS

During the period ended July 31, 2006 (unaudited), the Company:

(a) entered into a management agreement with a director of the Company to pay $6,500 per month for management fees. In the event the Company terminates the agreement without cause, the Company is obligated to pay severance equal to one year's salary.

(b) entered into a consulting agreement with an officer of the Company to pay $4,500 per month for consulting fees. In the event the Company terminates the agreement without cause, the Company is obligated to pay severance equal to three month's salary.

10. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	April 30, 2006	April 30, 2005
Loss before income taxes	$ (576,332)	$ (134,217)
Expected income tax recovery	$ (217,000)	$ (54,000)
Non-deductible items	143,000	41,000
Unrecognized benefit of non-capital losses carried forward	74,000	13,000
Total income tax recovery	$ -	$ -

Significant components of the Company's future income tax assets are as follows:

	April 30, 2006	April 30, 2005
Future income tax assets (liabilities)		
Equipment	$ 2,000	$ 400
Share issuance costs	(1,000)	-
Mineral properties	137,000	33,400
Non-capital losses available for future periods	72,000	10,000
	210,000	43,800
Valuation allowance	(210,000)	(43,800)
Net future income tax assets	$ -	$ -

The Company has not recorded in these financial statements, the future income tax benefits of approximately $483,000 of non-capital losses which may be applied to reduce taxable income in future years. If not utilized, the losses expire through to 2016. In addition, the Company has exploration and development expenditures of approximately $310,000 available to reduce taxable income of future years. Future tax benefits which may arise as a result of these future income tax assets have not been recognized in these financial statements and have been offset by a valuation allowance.

11. SEGMENTED INFORMATION

The Company operates in one business segment, being the acquisition and exploration of mineral properties. The Company's identifiable capital assets are located primarily in Russia. Geographic information is as follows:

	July 31, 2006 (Unaudited)	April 30, 2006	April 30, 2005
Capital assets			
Russia	$ 233,231	$ 89,225	$ -
West Africa	-	-	189,834
Canada	17,416	16,258	21,422
	$ 250,647	$ 105,483	$ 211,256

12. INITIAL PUBLIC OFFERING

Through its Agent, the Company is pursuing an initial public offering ("Offering") of up to 10,000,000 units at $0.40 per unit for maximum gross proceeds of $4,000,000. Each unit will consist of one common share and one common share purchase warrant. Each share purchase warrant will entitle the holder to purchase one additional common share of the Company for a period of two years following completion of the Offering at an exercise price of $0.50. The warrants are subject to an early expiry provision such that after three months of the closing of the Offering, if the shares trade at a weighted average price of $0.75 for 20 consecutive trading days, the Company can provide notice that the warrants will expire 30 days from such notice.

The Company has agreed to pay a commission to the Agent equal to 8% of the gross proceeds of the Offering, which the Agent may elect to be paid in cash or units or any combination thereof. The Company will also issue to the Agent transferable share purchase warrants (the "Agent's Warrants") to acquire the number of shares which is equal to 20% of the total number of shares sold pursuant to the Offering, exercisable at a price of $0.50 per share for a period of two years from the date of closing of the Offering.

The Company will also pay for all reasonable expenses incurred by the Agent in connection with the Offering, including the Agent's fees, out-of-pocket expenses and fees and disbursements of the Agent's legal counsel. A retainer of $10,000 was advanced to the Agent during the year ended April 30, 2006. The Company will also pay a corporate finance fee of 150,000 units to the Agent. Each unit will consist of one common share and one share purchase warrant exercisable for an additional common share at $0.50 for two years. A work fee of $15,000, $7,500 of which was paid during the year ended April 30, 2006 and is non-refundable, is payable upon closing of the Offering.

A retainer of $10,000 advanced to another agent during the year ended April 30, 2005 was refunded during the year ended April 30, 2006. As at July 31, 2006, the Company has incurred costs totalling $63,064 (unaudited) (April 30, 2006 - $17,500; April 30, 2005 - $10,000) towards its initial public offering.

13. SUBSEQUENT EVENTS

Subsequent to July 31, 2006 (unaudited), the Company:

(a) received a short-term loan of $30,000 from one of its directors. The loan is non-interest bearing with no fixed terms of repayment;

(b) issued promissory notes of $247,500, representing cash loans of $225,000 plus 10% of the principal amount payable as a bonus to lenders. The promissory notes are convertible at the option of the lenders, at any time, in such amounts as the lender may elect, into units of the Company. Each unit is convertible at $0.40 and consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder thereof to purchase one additional common share of the Company at a price of $0.50 per share for a period of two years from the date of closing of the Initial Public Offering (Note 12). The promissory notes are due and payable on the earlier of five days after the completion of the Initial Public Offering or January 2, 2007. The conversion feature is exercisable by lenders at any time up to the completion of the Initial Public Offering.

(c) paid filing fees of $46,800 related to the prospectus.