COMMERCE RESOURCES CORP.

REPORT AND FINANCIAL STATEMENTS

April 30, 2006

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June 20, 2006

THESE FINANCIAL STATEMENTS FOR THE PERIODS ENDED APRIL 30, 2006 AND 2005 HAVE NOT BEEN REVIEWED OR AUDITED BY THE COMPANY'S AUDITORS.

COMMERCE RESOURCES CORP.
BALANCE SHEETS
Unaudited

ASSETS		April 30, 2006		October 31, 2005
Current				
Cash	$	955,039	$	35,496
Marketable securities (market value – $72,617; 2005: $75,148)		53,352		53,352
Accounts receivable		26,531		20,925
Prepaid expenses – Note 7		-		-
		1,034,922		109,773
Reclamation bonds		12,000		12,000
Due from related parties – Note 7		13,749		40,208
Equipment – Note 3		3,361		3,783
Resource properties – Notes 4, 7 and Schedule I		1,162,302		1,115,628
	$	2,226,334	$	1,281,392
LIABILITIES				
Current				
Accounts payable – Note 7	$	20,832	$	108,742
Accrued interest payable – Note 6		-		-
Due to related party – Note 7		-		-
	$	20,832		108,742
SHAREHOLDERS' EQUITY				
Share Capital – Notes 5 and 11		5,206,497		3,744,715
Convertible debenture – Note 6		0		-
Common shares subscribed – Notes 9 and 11		0		193,552
Contributed surplus		450,144		147,750
Deficit		(3,451,139)		(2,913,367)
		2,205,502		1,172,650
	$	2,226,334	$	1,281,392

Nature and Continuance of Operations – Note 1
Commitments – Notes 5 and 11
Contingency – Note 10
Subsequent Events – Notes 4, 5 and 11

APPROVED BY THE DIRECTORS:

"David Hodge"	Director	*"Shaun Ledding"*	Director
David Hodge		Shaun Ledding	

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF LOSS AND DEFICIT
For the six months ended
Unaudited

	For the three months ended April 30		For the six months ended April 30	
	2006	2005	2006	2005
Administrative costs				
Professional fees	$ 5,000	$ 13,600	$ 5,000	$ 13,600
Administration fees – Note 7	4,500	8,800	10,500	15,100
Advertising and website	45,181	16,530	77,584	28,509
Amortization	211	276	422	551
Bank charges and interest	78	179	299	468
Consulting fees – Note 7	6,000	885	12,500	4,885
Filing fees and transfer agent	10,151	6,658	23,862	16,554
Interest on convertible debenture	0	-	-	6,630
Investor relations	3,450	2,728	13,080	9,748
Office telephone and miscellaneous	4,444	6,279	9,729	17,252
Rent – Note 7	6,000	3,000	14,000	6,000
Stock-based compensation – Note 5	313,294	0	313,294	10,000
Travel and promotion	7,913	2,825	10,720	7,743
Wages and benefits – Note 7	21,050	27,776	49,562	53,857
Loss before other	$ 427,272	$ 89,536	$ 540,552	$ 190,897
Other:				
Miscellaneous (income)/expense	(928)	(184)	(2,780)	(345)
(Gain)/Loss on disposition of marketable securities	-	551	-	551
(Gain)/Loss on disposition of resource properties	-	(23,784)	-	23,784
Net loss for period	$ 426,344	66,119	$ 537,772	167,319
Deficit, beginning of the period	3,024,795	2,704,135	2,913,367	2,602,935
Deficit, end of the period	$ 3,451,139	$ 2,770,254	$ 3,451,139	$ 2,770,254
Basic and diluted loss per share	$ 0.01	$ 0.00	$ 0.02	$ 0.01
Weighted average number of shares outstanding	31,274,528	23,900,000	31,274,528	23,900,000

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP.
STATEMENTS OF CASH FLOWS
Unaudited

	For the three months ended April 30 2006	2005	For the six months ended April 30 2006	2005
Operating Activities:				
Net loss for the period	$ (426,344)	$ (66,119)	$ (537,772)	$ (167,319)
Add (deduct) items not affecting cash:				
Loss on disposition of marketable securities	-	551	-	551
Gain on Disposition of Resource Properties	-	(23,784)	-	(23,784)
Amortization	211	276	422	551
Consulting fees	-	-	-	4,000
Stock-based compensation	302,394	-	302,394	10,000
	(123,739)	(89,076)	(234,956)	(176,001)
Changes in non-cash working capital items related to operations:				
Accounts receivable	14,310	604	(5,606)	1,447
Prepaid expenses	-	(1,809)	-	(1,024)
Accounts payable	832	6,588	(87,910)	(33,060)
Accrued interest payable	-	-	-	(20,000)
Cash used in operating activities	(108,597	(83,693)	(328,472)	(228,638)
Financing Activities:				
Issue of share capital for cash	55,800	7,200	1,461,782	235,125
Common shares subscribed	-	-	(193,552)	-
Due to related parties	32,155	(31,573)	26,459	(40,560)
Cash provided by financing activities	87,954	38,773	1,294,689	194,565
Investing Activities:				
Acquisition of resource properties	-	(18,705)	-	(18,705)
Proceeds from property option agreements	5,000	-	-	
Proceeds from sale of marketable securities	-	10,780	-	10,780
Deferred exploration and development costs	(46,674)	(9,355)	(46,674)	(14,151)
Cash provided by (used in) investing activities	(41,674)	(17,280)	(46,674)	(22,076)
Increase (decrease) in cash during the period	(62,317)	(62,200)	919,543	(56,149)
Cash, at beginning of period	1,017,356	68,623	35,496	62,572
Cash, at end of period	$ 955,039	$ 6,423	$ 955,039	$ 6,423
Supplemental disclosure of cash flow information:				
Cash paid for:				
Interest	$ -	$ -	$ -	$ -
Income taxes	$ -	$ -	$ -	$ -

Non-cash Transactions – Note 9

SEE ACCOMPANYING NOTES

COMMERCE RESOURCES CORP. Schedule I

SCHEDULE OF RESOURCE PROPERTIES

For the six months ended April 30, 2006

(Unaudited)

	Au/WEN Property	Verity & Fir Claims	Other Claims	Totals
Acquisition costs				
Balance, beginning of the year	$ 9,000	$ -	$ 19,767	$ 28,767
Cash	-	-	5,000	5,000
Less: option proceeds	-	-	-	-
Balance, end of the period	9,000	-	24,767	33,767
Deferred exploration and development costs				
Balance, beginning of the year	840	1,080,569	5,452	1,086,861
Assays	-	-	-	-
Consulting	-	667	217	884
Drilling	-	-	-	-
Equipment rent	-	3,862	-	3,862
Geological consulting fees	-	-	-	-
Lab analysis	-	275	-	275
Mapping	-	11,642	-	11,642
Metallurgy	-	4,255	-	4,255
Overhead	-	2,409	-	2,409
Recording fees	-	12,517	-	12,517
Sampling and staking	-	3,558	1,251	4,809
Supplies and miscellaneous	-	654	-	654
Travel	-	288	-	288
Less: mining tax credit received	-	-	-	-
	-	40,206	1,468	41,674
Balance, end of the period	840	1,120,775	6,920	1,128,535
Balance, April 30, 2006	$ 9,840	$ 1,120,775	$ 31,687	$ 1,162,302

SEE ACCOMPANYING NOTES

Note 1 Nature and Continuance of Operations

Commerce Resources Corp. (the "Company") is a public company listed on the TSX Venture Exchange trading under the symbol CCE. The Company was incorporated on May 19, 1999 under the Company Act of British Columbia and is in the business of acquiring, exploring, developing and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At April 30, 2006, the Company was in the exploration stage and had interests in properties located in British Columbia.

The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, continuation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At April 30, 2006, the Company had not yet achieved profitable operations, and has accumulated losses of $3,451,139 since its inception, and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results could vary from these estimates.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Note 2 Summary of Significant Accounting Policies – (cont'd)

a) Marketable Securities

Marketable securities are carried at the lower of cost and market value.

b) Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

c) Equipment

Equipment is recorded at cost and amortized over their useful lives using the declining balance method using the following annual rates:

Furniture and equipment	20%
Computer equipment	30%

Additions during the year are amortized at one-half the annual rates.

d) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities are exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities if the "if converted" method. Fully dilutive amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Note 2 Summary of Significant Accounting Policies – (cont'd)

e) Fair Market Value of Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash, marketable securities, amounts receivable, accounts payable, due to/from related parties and convertible debenture approximate their fair values due to the short maturity of such instruments. The fair market value of amounts due to/from related parties is also assumed to approximate their carrying amount. 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.

f) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely-than-not that they can be realized.

g) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at April 30, 2006.

h) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At April 30, 2006 the Company cannot reasonably estimate the fair value of the resource properties' site restoration costs, if any.

Note 2 Summary of Significant Accounting Policies – (cont'd)

i) Mining Tax Credits

Mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to obtain the credits. These non-repayable mining tax credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related deferred exploration expenditures.

j) Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at exchange rates prevailing at the transaction dates. Foreign currency denominated revenues and expenses are translated at exchange rates prevailing at the transaction dates. Gains or losses arising from the translations are recognized in the current year.

k) Stock-based Compensation

The fair value of all share purchase options granted subsequent to November 1, 2002 is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

l) Flow-through Shares

Under the terms of flow-through share agreements, the related expenditures are renounced to the subscribers of such shares. In March 2004, the CICA issued Emerging Issue Committee Abstract No. 146, Flow-through Shares, which clarifies the recognition of previously unrecorded future income tax assets caused by renouncement of expenditures relating to flow-through shares. For flow-through shares issued after March 19, 2004, the Company records the tax effect related to the renounced deductions as a reduction of income tax expense in the statement of operations on the date that the Company renounces the deductions for investors.

Note 3 Equipment

	2006			2005
	Cost	Accumulated Amortization	Net	Net
Computer equipment	$ 4,261	$ 3,521	$ 740	$ 869
Furniture and equipment	7,903	5,282	2,621	2,914
	$ 12,164	$ 8,803	$ 3,361	$ 3,783

Note 4 Resource Properties

Au/WEN Property

The Company has a 100% interest (subject to a 2% net smelter return royalty) in certain mineral claims located in the Nicola Mining Division of British Columbia known as the Au Property. During the year ended October 31, 2005, the Company granted an option to another non-related public company, Victory Resources Corp. ("Victory"), to earn up to a 70% interest in the Au property. Consideration for an initial 50% interest in the property is as follows:

a) Cash payments of $20,000:
   - $10,000 upon execution of the agreement (received);
   - $10,000 on or before March 1, 2006 (received);

b) Issue 200,000 common shares:
   - 100,000 shares upon regulatory approval (received);
   - 100,000 shares on or before March 1, 2006 (received);

c) Incur $250,000 in exploration and development expenditures on the property on or before March 1, 2007

The additional 20% interest in the property will be earned by paying to the Company, on or before the third anniversary of the agreement, additional consideration of $10,000 cash and 50,000 common shares.

The Company acquired an option in late 2005 to earn a 100% interest in three mineral claims adjacent to the Au Property. Consideration is one-half of the amounts received from Victory, payable as follows:

a) $5,000 on the first cash payment received from Victory (paid);

b) 50,000 common shares of Victory on the first issuance of common shares of Victory received by the Company (paid);

Note 4 Resource Properties – (cont'd)

Au/WEN Property – (cont'd)

c) $5,000 on the second cash payment received from Victory (paid);

d) 50,000 common shares of Victory on the second issuance of common shares from Victory when received by the Company (paid).

Verity and Fir Claims

The Company has a 100% interest in its Verity and Fir claims, located in the Blue River region of the Kamloops Mining District of British Columbia, which were previously acquired by staking.

Other Claims

a) Cable Creek

During the year ended October 31, 2004, the Company acquired an option to earn a 100% interest in certain mineral claims located in the Skeena Mining District of British Columbia known as the Cable Creek project. Consideration payable was $5,000 upon signing and incurring exploration expenditures of $250,000 including $5,000 annual payments beginning in February 2005. Prior to incurring any exploration expenditures, the Company assigned the option agreement to another non-related public company (the "Assignee") for $20,000 and 120,000 shares of the other public company.

During the year ended October 31, 2005, the Assignee incurred total exploration expenditures of $77,578 on the property before deciding to abandon the project. The Company has decided to continue with the original option agreement and paid the original optionor $10,000 for the annual payment required. In addition, a finder's fee of $500 was paid.

b) Mud Lake

During the year ended October 31, 2005, the Company acquired a 100% interest in six mineral claims located in the Blue River region of the Kamloops Mining District of British Columbia for total consideration of $13,205.

c) Carbo Claims

During the year ended October 31, 2005, the Company acquired three mineral claims (Carbo 1, 2 and 3) located in British Columbia by incurring staking costs of $1,062.

Note 5 Share Capital – Notes 6, 9 and 11

Authorized:

100,000,000 common shares without par value

Issued:

		Number	Amount
Balance, October 31, 2004		21,333,574	$ 3,055,540
Issued for cash:			
– Private placement	- at $0.15	1,300,000	195,000
Less: finders fee		-	(5,250)
– Exercise of warrants	- at $0.10	1,020,851	102,085
	- at $0.12	536,000	64,320
	- at $0.14	103,000	14,420
– Exercise of options	- at $0.10	25,000	2,500
	- at $0.13	20,000	2,600
Transfer of contributed surplus on exercise of options		-	3,500
Issued on conversion of a convertible debenture			
– Principal	- at $0.12	2,083,333	250,000
– Interest	- at $0.15	400,000	60,000
Balance, October 31, 2005		26,821,758	$ 3,744,715
Issued for cash:			
– Private placements	- at $0.12	10,576,000	1,269,120
– Private placement (Flow Through)	- at $0.16	930,950	148,952
– Exercise of warrants	- at $0.18	315,000	56,700
– Exercise of options	- at $0.13	140,000	18,200
Less: finders fees		-	(42,090)
Issued for finders fees:			
– Private placements	- at $0.12	152,416	18,290
Less: finders fees		-	(18,290)
Options (benefit):			10,900
Balance, April 30, 2006		38,936,124	$ 5,206,497

The Company issued 11,659,366 common shares pursuant to the following private placements:

a) Issued 2,441,000 units at $0.12 per unit for total proceeds of $292,920. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $0.18 per share for a period of one year. Finders' fees relating to this offering were 102,416 common shares and cash of $12,090. As at October 31, 2005, the Company had received $92,432 of the total proceeds and paid a finder's fee of $2,400.

Note 5 Share Capital – Notes 6, 9 and 11 – (cont'd)

Commitments: – (cont'd)

b) Issued 930,950 units at $0.16 per unit for total proceeds of $148,952. Each unit consists of one flow-through common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $0.18 per share for a period of one year.

c) Issued 535,000 units at $0.12 per unit for total proceeds of $64,200. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $0.18 per share for a period of one year. A finder's fee relating to this offering was 50,000 common shares and cash of $5,000.

d) Issued 7,600,000 units at $0.12 per unit for total proceeds of $912,000. Each unit consists of one common share and one share purchase warrant entitling the holder thereof to purchase an additional common share for each warrant held for $0.18 per share for a period of one year.

Stock-based Compensation Plan

The Company has granted employees and directors common share purchase options. These options were granted with an exercise price equal to their fair value on the date of the grant and vest immediately.

A summary of the stock option plan is presented below:

	April 30, 2006		October 31, 2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at the beginning of the year	1,765,000	$0.11	1,960,000	$0.11
Granted	2,485,000	$0.19	100,000	$0.20
Exercised	(140,000)	$0.13	(45,000)	$0.11
Cancelled/Expired	(500,000)	$0.14	(250,000)	$0.10
Options outstanding and exercisable at the end of the period	3,610,000	$0.17	1,765,000	$0.12

During the period ended April 30, 2006, a compensation charge associated with stock-based compensation in the amount of $Nil (2005: $10,000) has been recorded in the financial statements. The fair value of the compensation charges has been determined using the Black-Scholes option pricing model with the following assumptions:

Note 5 Share Capital – Notes 6, 9 and 11 – (cont'd)

Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

	2006	2005
Weighted average fair value of options granted	$0.20	$0.10
Expected dividend yield	0.0%	0.0%
Expected volatility	63.0%	90.8%
Risk-free interest rate	4.00%	3.06%
Expected term in years	2-5 years	2 years

At April 30, 2006, the Company had 3,610,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share as follows:

April 30, 2006	October 31, 2005	Exercise Price	Expiry Date
-	500,000	$0.14	December 29, 2005
-	140,000	$0.13	April 30, 2006
100,000	100,000	$0.20	January 6, 2007
1,025,000	1,025,000	$0.10	January 23, 2007
750,000	750,000	$0.15	February 6, 2011
810,000	810,000	$0.18	February 20, 2011
425,000	425,000	$0.21	February 20, 2011
500,000	500,000	$0.30	March 15, 2011
3,610,000	3,610,000		

Warrants

At April 30, 2006, the Company had 13,275,283 share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held:

April 30, 2006	October 31, 2005	Exercise Price	Expiry Date
-	650,000	$0.25	November 9, 2005
3,056,950	-	$0.18	November 25, 2006
535,000	-	$0.18	December 6, 2006
7,600,000	-	$0.18	December 20, 2006
2,083,333	2,083,333	$0.12	January 18, 2007
13,275,283	2,733,333		

a) 650,000 warrants expiring November 9, 2005 were not exercised.

Note 6 Convertible Debenture – Notes 5 and 9

The convertible debenture of US$160,462 was secured by a charge over the assets of the Company. During the year ended October 31, 2004, the date due was amended to March 1, 2005 and the Company and the lender agreed to fix the amount at CDN$250,000 and to retroactively pay interest at 12% per annum Accrued interest payable of $80,000 was recorded during the year ended October 31, 2004. The debenture can be converted into units of the Company at the rate of $0.12 per unit, at the option of the lender, at any time prior to the due date provided a minimum of $50,000 is converted. Each unit is to consist of one common share and one non-transferable share purchase warrant entitling the lender the right to purchase one additional common share of the Company for a period of two years at $0.12 per share. During the year ended October 31, 2005, the debenture was converted into 2,083,333 units of the Company and $60,000 of the accrued interest payable was paid by the issuance of 400,000 common shares.

Note 7 Related Party Transactions

The Company incurred charges with directors of the Company and a company with a common director as follows:

	Period ended April 30, 2006	October 31, 2005
Administration fees	$ 10,500	$ 25,200
Consulting fees	0	4,149
Deferred exploration and development costs	0	5,505
Office	7,000	-
Rent	14,000	14,000
Wages and benefits	49,000	91,494
	$ 80,500	$ 140,348

These charges were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

At April 30, 2006, due from related parties of $13,749 (2005: $40,208) is due from a director of the Company and a company with a director in common. The amounts are unsecured, non-interest bearing and have no specific terms of repayment.

At April 30, 2006, accounts payable includes $Nil (2005: $35,652) due to directors of the Company and to a company with a common director.

During the period ended April 30, 2006, the Company issued 571,000 shares (2005 – 360,000 shares) valued at $79,200 (2005 - $48,010) pursuant to private placements and the exercise of share purchase warrants and options to directors, officers and companies with common directors.

Note 8 Corporation Income Taxes

The Company has accumulated $1,238,656 of Canadian development and resource expenditures and non-capital losses totalling $2,244,920 that are available to offset future years' taxable income. The non-capital losses expire as follows:

2007	$	29,847
2008		386,319
2009		386,658
2010		254,663
2011		296,389
2012		353,272
2013		537,772
	$	2,244,920

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

		2006		2005
Non-capital losses	$	800,000	$	608,000
Canadian development and exploration expenditures		14,000		13,000
Other		15,000		15,000
		829,000		636,000
Less: valuation allowance		(829,000)		(636,000)
	$	-	$	-

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will not be realized during the carry-forward period to utilize all the future tax assets.

Note 9 Non-cash Transactions – Notes 6 and 7

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statement of cash flows. The following transactions have been excluded from the statement of cash flows:

During the year ended October 31, 2005:

a) The Company issued 2,083,333 units at $0.12 per unit for a total of $250,000 pursuant to the conversion of a convertible debenture.

b) The Company issued 400,000 common shares at $0.15 per share for a total of $60,000 for interest owing on a convertible debenture.

Note 9 Non-cash Transactions – (cont'd)

c) The Company issued 645,000 units at $0.15 per unit for a total of $96,750 in respect of common share subscriptions previously received.

d) The Company received 100,000 common shares of another public company, having a market value of $32,000, pursuant to an agreement to sell certain mineral claims;

e) The Company received 75,000 common shares of another public company, having a market value of $3,784, pursuant to an agreement to sell certain mineral claims.

During the period ended April 30, 2006:

a) The Company issued 152,416 units at $0.12 per unit for a total of $18,290 pursuant to finders' fees on the private placements.

b) The Company issued 862,670 units at $0.12 per unit for a total of $103,520 in respect of common share subscriptions previously received.

c) The Company issued 592,700 units at $0.16 per unit for a total of $92,432 in respect of common share subscriptions previously received.

Note 10 Contingency

A claim has been filed against the Company seeking an enforcement of a trust agreement in respect of certain mineral claims. Management is of the opinion that this claim is without merit. The amount of potential loss, if any, from this claim is not determinable.

Note 11 Subsequent Events – Note 5

On May 8, 2006 the Company announced that it had entered into a strategic alliance with Fogang Jiata Metals Co. Ltd whereby Jiata will process representative concentrate from the Company's upcoming commercial bulk sample.

On May 17, 2006 the Company announced the retention of AXINO AG, a privately owned German investor relations firm, to provide investor relations services in Europe. Axino was granted 250,000 options at an exercise price of $0.50 for a period of two years.

On June 7, 2006 the Company announced that it had entered into a strategic alliance with NAC KazAtomProm whereby KazAtomProm's tantalum division, Ulba Metallurgical Plant JSC ("Ulba") will process representative concentrate from the Company's upcoming commercial bulk sample.

80,000 warrants were exercised for proceeds of $14,400.