

SKEENA RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2006

SKEENA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30, 2006

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

"Rupert Allan"

Rupert Allan
President and CEO

Vancouver, British Columbia
August *, 2006

"Robert V. Matthews"

Robert V. Matthews
Chief Financial Officer

SKEENA RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30

	June 30 2006	December 31 2005
ASSETS		
Current		
Cash	\$ 818,509	\$ 272,002
Marketable securities (Note 3)	11,368	23,387
Receivables	12,312	15,700
Prepaid expenses	<u>12,173</u>	<u>3,872</u>
	854,362	314,961
Mineral property interests (Note 4)	4,687,259	4,396,105
Equipment (Note 5)	<u>15,133</u>	<u>17,477</u>
	<u>\$ 5,556,754</u>	<u>\$ 4,728,543</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	<u>\$ 60,077</u>	<u>\$ 104,182</u>
Shareholders' equity		
Capital stock (Note 7)	12,709,898	11,164,873
Commitment to issue shares (Note 7)	-	600,000
Contributed surplus (Note 7)	917,981	876,206
Deficit	<u>(8,131,202)</u>	<u>(8,016,718)</u>
	<u>5,496,677</u>	<u>4,624,361</u>
	<u>\$ 5,556,754</u>	<u>\$ 4,728,543</u>

Nature and continuance of operations (Note 1)

On behalf of the Board:

"J. Rupert Allan"

J. Rupert Allan

Director

"Ronald K. Netolitzky"

Ronald K. Netolitzky

Director

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

SKEENA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
(Unaudited – Prepared by Management)

	For the three months ended June 30		For the six months ended June 30	
	2006	2005	2006	2005
ADMINISTRATION EXPENSES				
Amortization	\$ 1,101	\$ 290	\$ 2,344	\$ 379
Consulting	28,050	28,358	54,290	58,068
Foreign exchange	(82)	-	(2,699)	-
Financing costs	-	-	-	20,000
Insurance	3,219	-	3,219	-
Investor relations	5,108	6,250	12,608	6,250
Office and miscellaneous	2,931	3,704	4,037	6,037
Professional fees	3,338	20,646	5,459	54,948
Property assessment	244	-	244	-
Rent and administration	6,525	2,844	12,775	5,046
Shareholder communications	1,674	1,147	1,674	5,784
Stock-based compensation (Note 7)	-	33,657	-	394,429
Telecommunications	536	722	1,004	906
Transfer agent and listing fees	1,273	18,044	6,900	23,870
Travel	2,623	-	2,921	2,876
Loss before other items	(56,540)	(115,662)	(104,776)	(578,593)
OTHER ITEMS				
Interest income	1,391	1,759	2,309	3,214
Write-down of marketable securities	(12,018)	(32,741)	(12,018)	(32,741)
Write-down of long term investment	-	-	-	-
	(10,627)	(30,982)	(9,708)	(29,527)
Loss for the period	(67,167)	(146,644)	(114,484)	(608,120)
Deficit, beginning of period	(8,064,035)	(7,388,430)	(8,016,718)	(6,926,954)
Deficit, end of period	\$ (8,131,202)	\$ (7,535,074)	\$ (8,131,202)	\$ (7,535,074)
Basic and diluted loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.02)
Weighted average number of common shares outstanding	39,639,847	28,475,429	37,732,183	28,475,429

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

SKEENA RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited – Prepared by Management)

	For the three months ended June 30		For the six months ended June 30	
	2006	2005	2006	2005
CASH USED IN OPERATING ACTIVITIES				
Loss for the period	\$ (67,167)	\$ (146,644)	\$ (114,484)	\$ (608,120)
Items not affecting cash:				
Amortization	1,101	290	2,344	379
Write-down of long term investments	-	32,741	-	32,741
Write-down of marketable securities	12,018	-	12,018	-
Stock-based compensation	-	33,657	-	394,429
Changes in non-cash working capital items:				
Decrease (increase) in receivables	(2,351)	(4,380)	3,388	(7,641)
Increase in prepaid expenses	(8,301)	(44,977)	(8,301)	(52,720)
Increase (decrease) in accounts payable	(1,190)	(54,881)	(44,104)	(166,301)
Net cash used in operating activities	<u>(65,890)</u>	<u>(184,194)</u>	<u>(149,139)</u>	<u>(407,233)</u>
CASH USED IN FINANCING ACTIVITIES				
Proceeds on issuance of capital stock	1,004,500	633,420	1,004,500	1,207,919
Share issue costs	(59,475)	-	(59,475)	-
Net cash provided by financing activities	<u>945,025</u>	<u>633,420</u>	<u>945,025</u>	<u>1,207,919</u>
CASH FROM INVESTING ACTIVITIES				
Expenditures on mineral property interests	(149,249)	(349,959)	(249,379)	(652,794)
Purchase of equipment	-	(4,288)	-	(4,840)
Net cash used in investing activities	<u>(149,249)</u>	<u>(354,247)</u>	<u>(249,379)</u>	<u>(657,634)</u>
Change in cash during the period	729,886	94,979	546,507	143,052
Cash, beginning of period	<u>88,623</u>	<u>552,433</u>	<u>272,002</u>	<u>504,360</u>
Cash, end of period	\$ 818,509	\$ 647,412	\$ 818,509	\$ 647,412

Supplemental disclosure with respect to cash flows (Note 8)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company operates primarily in the mining industry. The Company is in the exploration stage with respect to its mineral property interests and has not, as yet, achieved any commercial production.

These financial statements are prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The financial statements do not include adjustments to amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue operations. The recoverability of the amounts shown for mineral property interests is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete exploration and development of the properties, the timing of legislative or regulatory developments relating to environmental protection, and upon future profitable operations or proceeds from the disposition thereof.

	June 30	December 31
	2006	2005
Working capital	\$ 794,285	\$ 210,779
Deficit	(8,131,202)	(8,016,718)

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. Significant inter-company transactions and balances have been eliminated on consolidation.

Use of estimates

The preparation of consolidated 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 these estimates.

Marketable securities

Marketable securities are recorded at the lower of cost or market value.

Realized gains or losses on sale of marketable securities are determined based on the specific cost basis.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral property interests

All costs related to the acquisition, exploration and development of mineral property interests are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

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.

Asset retirement obligations

Asset retirement obligations are legal obligations associated with the retirement of tangible long-lived assets that the Company is required to settle. The Company recognizes the fair value of liabilities for asset retirement obligations in the period in which they occur or in the period in which a reasonable estimate of such costs can be made. Liabilities include those liabilities related to environmental protection and rehabilitation due to environmental law or contracts. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on a declining balance basis at the following annual rates:

Computer equipment	30%
Telephone equipment	20%
Field equipment	20%
Furniture	20%
Computer software	100%

Foreign currency translation

The Company's subsidiary is an integrated foreign operation and is translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transactions. Translation gains and losses are reflected in the statement of operations for the year.

Stock-based compensation

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock. Any consideration paid by the option holders to purchase shares is credited to capital stock.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

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 loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

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

3. MARKETABLE SECURITIES

	June 30	December 31
	2006	2005
Diadem Resources Ltd. (market value - \$11,368)	\$ 11,368	\$ 23,387

During fiscal 2005, the Company received 32,481 common shares of Diadem Resources Ltd. in exchange for 61,325 Series B First Preferred Shares (Note 4) of Diadem Explorations Inc.

At June 30, 2006, marketable securities have an aggregate market value of \$11,368 (2005 - \$23,387). During fiscal 2006, the Company recorded an allowance for the decline in value of the securities of \$12,018 (2005 - \$37,938).

SKEENA RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2006

4. MINERAL PROPERTY INTERESTS

	British Columbia Claims	Ecuador Claims	Total
Balance, December 31, 2004	<u>433,313</u>	<u>1,844,415</u>	<u>2,277,728</u>
Analyses	-	57,576	57,576
Drilling/trenching	-	716,452	716,452
Field and camp support	-	468,560	468,560
Geology/geophysics/geochemical	-	261,480	261,480
Local office costs	-	61,150	61,150
Land acquisition, assessment costs and option payments	116,541	593,457	709,998
Legal	-	143,646	143,646
Stock-based compensation	-	38,926	38,926
Travel and accommodation	<u>-</u>	<u>78,065</u>	<u>78,065</u>
	<u>116,541</u>	<u>2,419,312</u>	<u>2,535,853</u>
	549,854	4,263,727	4,813,581
Recovery during the year	(5,500)	-	(5,500)
Written-off during the year	<u>(411,976)</u>	<u>-</u>	<u>(411,976)</u>
Balance, December 31, 2005	\$ 132,378	\$ 4,263,727	\$ 4,396,105
Analyses	-	22,775	22,775
Drilling/trenching	-	-	-
Field and camp support	-	22,135	22,135
Geology/geophysics/geochemical	-	56,192	56,192
Local office costs	-	40,951	40,951
Land acquisition, assessment costs and option payments	3,112	56,000	59,112
Legal	-	34,073	34,073
Stock-based compensation	-	41,775	41,775
Travel and accommodation	<u>-</u>	<u>14,141</u>	<u>14,141</u>
	<u>3,112</u>	<u>288,042</u>	<u>291,154</u>
	135,490	4,551,769	4,687,259
Recovery during the year	-	-	-
Written-off during the year	<u>-</u>	<u>-</u>	<u>-</u>
Balance, June 30, 2006	\$ 135,490	\$ 4,551,769	\$ 4,687,259

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

Title to mineral properties

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties is in good standing.

British Columbia Claims

Ice Claims Project, Elk Valley, British Columbia

The Company entered into an option agreement to earn a 75% interest in the Ice Claims Project located in Elk Valley, British Columbia pursuant to which the Company paid \$50,000 and issued 100,000 common shares at a value of \$8,000. The Company also issued 25,000 common shares at a value of \$2,000 for finder's fees and paid \$30,000 and issued 200,000 common shares at a value of \$40,000 pursuant to extension and amending agreements.

During fiscal 2005, the Company returned the claims to the vendor and wrote off \$411,976 of capitalized costs attributed to this project.

Ronoke and Blackhorn Claims, British Columbia

The Company entered into an option agreement to earn a 100% interest in certain claims in the Clinton and Nelson mining districts of British Columbia pursuant to which the Company paid \$5,000 and issued 150,000 common shares at a value of \$27,000. To earn its interest, the Company must make additional staged payments of \$25,000 and 400,000 common shares.

The claims are subject to a 2% net smelter returns ("NSR") royalty which the Company may purchase for a payment of \$500,000.

Early in fiscal 2005, a title dispute arose on certain of the Blackhorn claims between the underlying owner and a third party. The title dispute was resolved in favour of the Company's vendor. Pursuant to an agreement to remove the NSR and acquire 100% of the interest in both the Blackhorn and Ronoke claims, the Company paid \$10,000 and issued 200,000 common shares at a value of \$82,000 in lieu of the staged payments of \$25,000 and 400,000 common shares and the work commitments.

The Ronoke property is under option to a private corporation attempting to obtain a public stock exchange listing. Option payments of \$5,500 were received with a further commitment to receive common shares from the private company valued at \$20,000 once it is publicly traded. The July 1, 2005 issue date was missed and has been extended to July 1, 2006 with a penalty payment due of \$5,000. The option agreement is in deficiency.

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

El Corazon Property, Ecuador

The Company entered into an agreement with Alpha Oil Inc. ("Alpha") to acquire Alpha's option with Compañía Agroindustrial El Corazon S.A. ("Agroindustrial") to earn a 50% interest in the El Corazon property located in the Province of Imbabura, Ecuador. A private Ecuador company (ALPHEC Alpha Ecuador S.A.), holding the option as its sole asset, was acquired from Alpha in consideration for the reimbursement of certain expenses, the issuance of 5 million common shares valued at \$1,750,000. To earn its interest, the Company is required to advance a payment of \$1,500,000 in cash or common shares, at the election of the Company, on or before December 11, 2008. The Company also paid Agroindustrial US\$315,000 initially, another US\$50,000 anniversary payment and is required to make additional staged cash payments before December 11, 2008, of US\$4,100,000 and incur a minimum of US\$5,000,000 in exploration expenditures (for total of expenditures to date, see the preceding chart at the beginning of Note 4. Mineral Property Interests).

5. EQUIPMENT

	June 30 2006			December 31 2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Computer equipment	\$ 7,697	\$ 5,330	\$ 2,367	\$ 7,697	\$ 4,931	\$ 2,766
Computer software	3,000	2,156	844	3,000	1,500	1,500
Field equipment	9,611	1,805	7,806	9,611	961	8,650
Furniture	3,374	634	2,740	3,374	338	3,036
Telephone equipment	<u>1,890</u>	<u>514</u>	<u>1,376</u>	<u>1,890</u>	<u>365</u>	<u>1,525</u>
	\$ 25,572	\$ 10,439	\$ 15,133	\$ 25,572	\$ 8,095	\$ 17,477

6. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- a) paid or accrued consulting fees of \$54,290 (2005 - \$58,068) to companies controlled by directors or officers.
- b) paid or accrued \$12,608 (2005 - \$6,250) in fiscal 2006 for office and related costs to a company with a common officer.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts payable at June 30, 2006 is \$6,966 (2005 - \$9,447), which is due to directors or officers or companies with common directors or officers.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus
Authorized 100,000,000 common shares without par value			
As at December 31, 2004	27,531,116	\$ 7,743,083	\$ 623,210
For cash:			
Exercise of warrants	2,640,000	621,884	(93,884)
Exercise of options	415,000	145,501	(46,501)
Private placements	3,812,500	1,525,000	-
For mineral property interests	2,700,000	1,232,000	-
For stock-based compensation	-	-	375,790
Share issuance costs	-	(102,595)	-
Agents' warrants	-	-	17,591
As at December 31, 2005	37,098,616	\$ 11,164,873	\$ 876,206
For cash	4,018,000	1,004,500	-
Private placements	-	(59,475)	-
Share issuer costs	2,500,000	600,000	-
For stock issued compensation	-	-	41,775
As at June 30, 2006	43,616,616	\$ 12,709,898	\$ 917,981

Private placements

On June 16, 2006, the Company closed the 1st tranche of a non-brokered private placement to raise \$1.25 million and issued 4,018,000 units at \$0.25 per unit for proceeds of \$1,004,500. Each unit consisted of one common share and one half share of a share purchase warrant. Each full warrant entitles the holder to acquire one additional common share at \$0.40 for a period of 18 months. In the event the closing price of the Company's common shares is at least \$0.60 per share for a period of twenty consecutive trading days, the Company may terminate any unexercised warrants on twenty-five days notice. The Company paid finders' fees and other issuance costs of \$59,475 and issued 215,810 agent's warrants exercisable at \$0.50 for a period of one year. The second tranche closed July 7, 2006 to complete the financing for gross proceeds of \$1,262,000.

During fiscal 2005, the Company issued 3,812,500 units at \$0.40 per unit for proceeds of \$1,525,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to acquire one additional common share at \$0.75 for a period of two years. In the event the closing price of the Company's common shares is at least \$1.00 per share for a period of ten consecutive trading days, the Company may terminate any unexercised warrants on thirty days notice. The Company paid finders' fees and other issuance cost of \$85,004 and 288,300 agent's warrants valued at \$17,591 exercisable at \$0.55 for a period of one year.

Commitment to issue shares

During fiscal 2005, in accordance with the agreement with Alpha, the Company committed to a final issuance of 2,500,000 common shares on the anniversary date of December 11, 2005, subject to regulatory approval. The commitment to issue the 2,500,000 common shares was provided for at a value of \$0.24 per share for a total of \$600,000; the shares were issued April 21, 2006.

Stock options and warrants

The Company has a stock option plan under which it is authorized to grant options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. Under the plan, the exercise price of each option equals the market price of the Company's stock, less applicable discount, as calculated on the date of grant. The options can be granted for a maximum term of 5 years and vest at the discretion of the Board of Directors.

SKEENA RESOURCES LIMITED
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JUNE 30, 2006

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock options and warrants (cont'd...)

Stock option and share purchase warrant transactions are summarized as follows:

	Warrants		Stock Options	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, December 31, 2004	3,515,000	\$ 0.28	2,020,000	\$ 0.29
Granted	4,100,800	0.74	1,350,000	0.46
Exercised	(2,640,000)	0.20	(415,000)	0.24
Expired/cancelled	-	-	-	-
Outstanding, December 31, 2005	<u>4,975,800</u>	\$ 0.71	<u>2,955,000</u>	\$ 0.37
Granted	2,224,810	0.41	200,000	0.25
Expired/Cancelled	(157,800)	0.55	-	0.37
Outstanding, June 30, 2006	<u>7,042,810</u>	<u>0.62</u>	<u>3,155,000</u>	<u>0.37</u>
Number currently exercisable	7,402,810	\$ 0.62	3,155,000	\$ 0.37

As at June 30, 2006, incentive stock options and share purchase warrants were outstanding as follows:

	Number of Shares	Exercise Price	Expiry Date
Options	1,605,000	\$ 0.30	November 21, 2008
	950,000	0.52	February 18, 2010
	100,000	0.54	April 15, 2010
	300,000	0.25	December 21, 2010
	200,000	0.25	June 28, 2011
Warrants	875,000	0.58	December 13, 2006
	1,592,500	0.75	June 25, 2007 ⁽¹⁾
	2,220,000	0.75	July 16, 2007 ⁽¹⁾
	130,500	0.55	July 16, 2006 ⁽¹⁾
	2,009,000	0.40	December 22, 2007 ⁽²⁾
	107,905	0.50	June 22, 2007 ⁽²⁾

⁽¹⁾ In the event the closing price of the Company's common shares is at least \$1.00 per share for a period of ten consecutive trading days, the Company may terminate any unexercised warrants on thirty days notice.

⁽²⁾ In the event the closing price of the Company's common shares is at least \$0.60 per share for a period of twenty consecutive trading days, the Company may terminate any unexercised warrants on twenty-five days notice.

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)

Stock-based compensation

During fiscal 2006, the Company granted 200,000 (2005 - 1,350,000) options to consultants, officers and directors. Accordingly, using the Black-Scholes option pricing model, the stock options are recorded at fair value in the statement of operations and in the capitalized mineral properties as follows:

	June 30 2006	December 31 2005
Stock-based compensation cost recorded in the period:		
Capitalized – exploration (Note 5)	\$ 41,775	\$ 38,926
Expensed – administration	<u> -</u>	<u>336,864</u>
	<u>\$ 41,775</u>	<u>\$ 375,790</u>

The following weighted average assumptions were used for the valuation of stock options and share purchase warrants:

	June 30 2006	December 31 2005
Risk-free interest rate	4.53%	3.83%
Expected life	5 years	5 years
Annualized volatility	70.44%	70%
Dividend rate	<u>0.00%</u>	<u>0.00%</u>

8. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

There were no significant non-cash transactions for fiscal 2006.

9. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, marketable securities, long-term investments, 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.

10. SEGMENTED INFORMATION

The Company's one reportable operating segment is the acquisition and exploration of mineral properties. Geographic information is as follows:

	2006	2005
Mineral property interests and equipment:		
Canada	\$ 135,490	\$ 141,205
Ecuador	<u>4,559,575</u>	<u>4,272,377</u>
	<u>\$ 4,695,065</u>	<u>\$ 4,413,582</u>

11. SUBSEQUENT EVENTS

On July 7, 2006 the 2nd tranche of the non-brokered private placement closed to raise a further \$257,500 and issued 1,030,000 units for a total of 5,408,000 units issued to raise a total of \$1,262,000. See note 7 Capital Stock and Contributed Surplus for details of the subscription.

On July 16, 2006, 130,500 warrants expired unexercised.