

MAXIMUS VENTURES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

AUDITORS' REPORT

To the Shareholders of
Maximus Ventures Ltd.

We have audited the consolidated balance sheets of Maximus Ventures Ltd. as at September 30, 2005 and 2004 and the consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2005 and 2004 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

January 23, 2006

A Member of *SC INTERNATIONAL*

MAXIMUS VENTURES LTD.
CONSOLIDATED BALANCE SHEETS
AS AT SEPTEMBER 30

	2005	2004
ASSETS		
Current		
Cash and equivalents	\$ 1,538,815	\$ 2,048,434
Receivables	89,064	31,634
Prepaid expenses	<u>9,603</u>	<u>37,400</u>
	1,637,482	2,117,468
Due from related parties (Note 3)	-	86,618
Equipment (Note 4)	-	51,084
Exploration advance (Note 5)	59,882	-
Mineral properties (Note 5)	<u>1,931,828</u>	<u>561,357</u>
	<u>\$ 3,629,192</u>	<u>\$ 2,816,527</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current		
Accounts payable and accrued liabilities	\$ 142,424	\$ 507,500
Current portion of capital lease obligation (Note 6)	<u>-</u>	<u>5,643</u>
	142,424	513,143
Capital lease obligation (Note 6)	<u>-</u>	<u>42,324</u>
	<u>142,424</u>	<u>555,467</u>
Shareholders' equity		
Capital stock (Note 7)	28,215,540	27,278,545
Contributed surplus (Note 7)	1,437,259	1,330,830
Deficit	<u>(26,166,031)</u>	<u>(26,348,315)</u>
	<u>3,486,768</u>	<u>2,261,060</u>
	<u>\$ 3,629,192</u>	<u>\$ 2,816,527</u>

Nature and continuance of operations (Note 1)

Subsequent event (Note 13)

On behalf of the Board:

 "Frederick Graybeal"

Director

 "Elaine Bennett"

Director

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

MAXIMUS VENTURES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED SEPTEMBER 30

	2005	2004
EXPENSES		
Accounting and auditing	\$ 23,088	\$ 25,750
Administration fees	30,000	27,500
Amortization	3,972	18,400
Consulting fees	40,220	203,160
Interest on capital lease obligation	1,830	4,742
Legal fees	11,268	14,732
Management fees	91,673	60,000
Office and miscellaneous	40,666	17,616
Printing	5,821	10,265
Property investigation costs	1,507	117,967
Regulatory fees	18,286	28,935
Rent and telephone	11,750	28,878
Shareholder information and investor relations	7,489	94,546
Stock-based compensation (Note 7)	106,429	50,418
Transfer agent fees	7,998	9,403
Travel and related costs	<u>26,764</u>	<u>43,028</u>
Loss before other items and income taxes	<u>(428,761)</u>	<u>(755,340)</u>
OTHER ITEMS		
Interest income	18,994	12,552
Loss on disposal of equipment	(2,114)	-
Gain on recovery (write-off) of mineral properties (Note 5)	<u>11,165</u>	<u>(951,931)</u>
	<u>28,045</u>	<u>(939,379)</u>
Loss before income taxes	(400,716)	(1,694,719)
Future income tax recovery (Note 9)	<u>583,000</u>	<u>-</u>
Net income (loss) for the year	182,284	(1,694,719)
Deficit, beginning of year	<u>(26,348,315)</u>	<u>(24,653,596)</u>
Deficit, end of year	<u>\$ (26,166,031)</u>	<u>\$ (26,348,315)</u>
Basic and diluted income (loss) per common share	<u>\$ 0.01</u>	<u>\$ (0.17)</u>
Basic and diluted weighted average number of common shares	<u>26,939,178</u>	<u>10,137,040</u>

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

MAXIMUS VENTURES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED SEPTEMBER 30

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ 182,284	\$ (1,694,719)
Items not affecting cash:		
Amortization	3,972	18,400
Stock-based compensation	106,429	50,418
Loss on disposal of equipment	2,114	-
Write-off (gain on recovery) of mineral properties	(11,165)	951,931
Expense recoveries from related parties	-	(56,183)
Future income tax recovery	(583,000)	-
Changes in non-cash working capital items:		
Increase in receivables	(27,837)	(24,498)
(Increase) decrease in prepaid expenses	27,797	(16,308)
Increase (decrease) in accounts payable and accrued liabilities	<u>(372,855)</u>	<u>397,881</u>
Net cash used in operating activities	<u>(672,261)</u>	<u>(373,078)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital stock issued for cash	1,394,995	2,061,250
Share issue costs	-	(198,484)
Capital lease obligation payments	<u>(2,969)</u>	<u>(4,857)</u>
Net cash provided by financing activities	<u>1,392,026</u>	<u>1,857,909</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of equipment	-	(6,769)
Exploration advance	(59,882)	-
Mineral properties	(1,256,120)	(764,746)
Amounts due from related parties	<u>86,618</u>	<u>(15,435)</u>
Net cash used in investing activities	<u>(1,229,384)</u>	<u>(786,950)</u>
Change in cash and equivalents during the year	(509,619)	697,881
Cash and equivalents, beginning of year	<u>2,048,434</u>	<u>1,350,553</u>
Cash and equivalents, end of year	<u>\$ 1,538,815</u>	<u>\$ 2,048,434</u>
Cash and equivalents consist of:		
Cash	\$ 330,164	\$ 1,843,706
Guaranteed investment certificate	1,208,651	204,728
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>
Cash paid for interest	<u>\$ 1,830</u>	<u>\$ 4,742</u>

Supplemental disclosure with respect to cash flows (Note 10)

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

MAXIMUS VENTURES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

1. NATURE AND CONTINUANCE OF OPERATIONS

Maximus Ventures Ltd. (the "Company") was incorporated under the laws of British Columbia, Canada. The Company is primarily engaged in the acquisition and exploration of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

The Company is in the process of exploring its mineral properties and has not yet determined whether the properties contain 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 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 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 assets amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	2005	2004
Working capital	\$ 1,495,058	\$ 1,604,325
Deficit	(26,166,031)	(26,348,315)

2. SIGNIFICANT ACCOUNTING POLICIES

Use of 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 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.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Essex Resource (Barbados) Corporation, a company incorporated under the laws of Barbados and Walker Lane Gold LLC, a company incorporated under the laws of Nevada. Significant inter-company balances and transactions have been eliminated upon consolidation.

Cash and equivalents

Cash and equivalents include highly liquid investments with short-term original maturities.

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

Mineral properties

The Company records its interests in mineral properties and areas of geological interest at cost. 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 or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to 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 recorded cost of mineral exploration interests is based on cash paid, the value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Asset retirement obligations

Effective October 1, 2004, the Company adopted the recommendations of CICA Handbook Section 3110, Asset Retirement Obligations. This new section requires recognition of a legal liability for obligations relating to retirement of property, plant and equipment, and arising from the acquisition, construction, development or normal operation of those assets. Such asset retirement cost must be recognized at fair value in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. Adoption of this standard has not affected the Company's financial statements.

Equipment

Equipment is recorded at cost. Vehicles are amortized using the declining balance method at 30% per annum and leasehold improvements are amortized over three years using the straight-line method.

Foreign currency translation

Financial statements of the Company's foreign subsidiaries are translated into Canadian dollar equivalents using the temporal method whereby all monetary assets and liabilities are translated at the rate of exchange at the balance sheet date. Non-monetary assets and liabilities are translated at historical exchange rates. Income and expenses are translated at the average exchange rate approximating those at the transaction dates. Gains and losses arising from restatement of foreign currency monetary assets and liabilities at each year end are recognized in the statement of operations.

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. Any consideration paid by the option holders to purchase shares is credited to the 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.

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 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 year that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Flow-through common shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

Effective March 19, 2004, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants required that, when flow-through expenditures are renounced, a portion of the future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, be recognized as a recovery of income taxes in the statement of operations.

Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

3. DUE FROM RELATED PARTIES

The amounts due from related parties were due from companies with a common director for office expense recoveries and recovery of leasehold improvements. The amounts were non-interest bearing and unsecured.

MAXIMUS VENTURES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

4. EQUIPMENT

	2005			2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Vehicle	\$ -	\$ -	\$ -	\$ 67,800	\$ 22,357	\$ 45,443
Leasehold improvements	-	-	-	6,769	1,128	5,641
	\$ -	\$ -	\$ -	\$ 74,569	\$ 23,485	\$ 51,084

The Company's vehicle, under capital lease, was for use by a director (Note 6).

5. MINERAL PROPERTIES

	Hope Bay, Nunavut	Excelsior Springs, Nevada	Jersey, Nevada	2005 Total
Acquisition costs				
Balance, beginning of year	\$ 195,000	\$ -	\$ -	\$ 195,000
Additions	125,000	25,497	18,428	168,925
Recoveries	-	-	(18,428)	(18,428)
Balance, end of year	320,000	25,497	-	345,497
Deferred exploration costs				
Balance, beginning of year	366,357	-	-	366,357
Compilation and reporting	11,946	-	-	11,946
Core drilling	981,403	-	-	981,403
Data review and reporting	504	-	-	504
Geological	35,859	55,227	-	91,086
Management and administration	632	-	-	632
Mapping and sampling	25,839	-	-	25,839
Project supervision	49,504	-	-	49,504
Technical services	6,988	-	-	6,988
Title and claim management	31,013	21,059	-	52,072
	1,143,688	76,286	-	1,219,974
Balance, end of year	1,510,045	76,286	-	1,586,331
Total	\$ 1,830,045	\$ 101,783	\$ -	\$ 1,931,828

MAXIMUS VENTURES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

5. MINERAL PROPERTIES (cont'd...)

	Hope Bay	Condor Yacu	Los Corderos and Relincho II Concessions	Argentina Concessions	2004 Total
Acquisition costs					
Balance, beginning of year	\$ -	\$ 304,942	\$ 59,500	\$ 25,000	\$ 389,442
Additions	195,000	127,860	-	65,000	387,860
Written-off	-	(432,802)	(59,500)	(90,000)	(582,302)
Balance, end of year	<u>195,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195,000</u>
Deferred exploration costs					
Balance, beginning of year	-	99,100	-	-	99,100
Assaying	-	5,608	-	-	5,608
Camp costs	-	26,957	-	-	26,957
Core drilling	220,000	178,798	14,719	-	413,517
Data review and reporting	3,000	-	-	-	3,000
Geodrafting	-	5,649	-	-	5,649
Management and administration	5,357	19,443	19,355	-	44,155
Mapping and sampling	125,000	-	-	-	125,000
Project supervision	13,000	-	-	-	13,000
Supplies inventory	-	-	-	-	-
	<u>366,357</u>	<u>236,455</u>	<u>34,074</u>	<u>-</u>	<u>636,886</u>
Written-off	-	(335,555)	(34,074)	-	(369,629)
Balance, end of year	<u>366,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,357</u>
Total	\$ 561,357	\$ -	\$ -	\$ -	\$ 561,357

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.

Hope Bay, Nunavut

During the year ended September 30, 2004, Miramar Mining Corporation ("Miramar") and the Company entered into an option agreement whereby the Company can earn a 75% interest in the Eastern Contact and Twin Peaks areas (the "Properties"). To earn its interest, the Company is required to:

5. MINERAL PROPERTIES (cont'd...)

Hope Bay, Nunavut (cont'd...)

- a) Issue 5,000,000 shares over a three year period (2,500,000 issued).
- b) Incur \$7,500,000 in expenditures over three years, with scheduled minimum expenditures of \$500,000 in 2004 (incurred), \$2,000,000 in 2005, \$3,000,000 in 2006 and \$2,000,000 in the first half of 2007.

Additionally, the Company is required to issue up to 16,500,000 shares as follows:

- a) Issue 1,500,000 shares following the reporting of the first 2,500,000 ounces of gold in measured, indicated or inferred resources;
- b) Issue 7,500,000 shares over three tranches upon the first, second and third million ounces reported as a measured and/or indicated resource;
- c) Issue 2,500,000 shares on delivery of a positive feasibility study; and
- d) Issue 5,000,000 shares upon reaching production.

Miramar will have a one-time right to buy back up to a 50% interest and become operator by paying the Company 150% of the Company's proportionate exploration costs for the percentage being acquired.

Miramar and the Company are currently negotiating an extension to the terms of the agreement. The Company has provided an exploration advance of \$59,882 on the project.

Excelsior Springs Project, Esmeralda County, Nevada

During the year ended September 30, 2005, the Company entered into an option agreement to acquire certain unpatented mining claims located in Esmeralda County, Nevada for US\$270,000 (US\$10,000 (paid)) payable by September 30, 2009. Upon commencement of mining operations, a 2% net smelter returns royalty ("NSR") on gross sales on metals from the property would be payable in connection with this agreement.

Additionally, during the year ended September 30, 2005 the Company entered into a separate option agreement to acquire certain patented mining claims also located in Esmeralda County, Nevada. The terms of this option agreement require the Company to pay US\$10,000 (paid) on signing and US\$12,000 annually until production and payment of a 2% royalty on gross sales.

The Company also staked additional unpatented claims in this area.

Jersey Project, Arabia District, Pershing County, Nevada

During the year ended September 30, 2005, the Company staked certain unpatented claims.

The Company had entered into option agreements to acquire additional claims, and an agreement to sell its option interests, all of which were terminated subsequent to year end. Related costs of \$18,428 and a recovery of \$29,593 resulted in a gain on recovery of mineral properties of \$11,165 on the statement of operations.

MAXIMUS VENTURES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

5. MINERAL PROPERTIES (cont'd...)

Condor Yacu, Argentina

An option to acquire an 80% interest in the Condor Yacu gold property. The Company paid \$304,942 and incurred \$335,555 in exploration expenditures. As consideration, the Company was required to pay US\$1,000,000 by December 10, 2005 and incur cumulative exploration expenditures totalling US\$1,000,000 by March 4, 2007.

During the year ended September 30, 2004, the Company decided to abandon this property and all costs were written off to operations.

Los Corderos and Relincho II Concessions, Argentina

An option to acquire up to a 70% interest in two mineral concessions. The Company paid \$10,000, issued 100,000 common shares at a value of \$40,000 and issued 25,000 common shares at a value of \$9,500 as a finder's fee. To earn its interest, the Company was required to incur cumulative exploration expenditures totalling \$8,900,000 by December 31, 2007.

During the year ended September 30, 2004, the Company decided to abandon this property and all costs were written off to operations.

Argentina Concessions

An option to acquire a 100% interest in various mineral concessions. The Company paid \$5,000 and issued 150,000 common shares at a value of \$85,000. The Company was required to issue a further 850,000 common shares over a two-year period and must issue a further 1,500,000 common shares when and if a certain amount of gold is defined on the mineral concessions.

During the year ended September 30, 2004, the Company decided to abandon this property and all costs were written-off to operations.

6. CAPITAL LEASE OBLIGATION

	2005	2004
Obligation under capital lease with imputed interest at 7.75% per annum secured by a leased vehicle	\$ -	\$ 47,967
Less: current portion	-	(5,643)
Balance of obligation	\$ -	\$ 42,324

During the year ended September 30, 2005, the Company disposed of its leased vehicle and the related lease obligation to a former director.

MAXIMUS VENTURES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

7. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Amount	Contributed Surplus
Authorized			
100,000,000 common shares without par value			
As at September 30, 2003	9,450,716	\$ 25,229,093	\$ 1,207,098
Shares issued for cash	13,383,332	2,007,500	-
Finders fees – private placements	-	(92,886)	92,886
Shares issued for mineral properties	1,600,000	260,000	-
Exercise of warrants	175,000	73,322	(19,572)
Stock-based compensation	-	-	50,418
Share issue costs	-	(198,484)	-
As at September 30, 2004	24,609,048	27,278,545	1,330,830
Shares issued for cash	9,299,966	1,394,995	-
Shares issued for mineral properties	1,000,000	125,000	-
Stock-based compensation	-	-	106,429
Future income tax on exploration costs renounced to shareholders	-	(583,000)	-
As at September 30, 2005	34,909,014	\$ 28,215,540	\$ 1,437,259

On July 12, 2005, the Company issued 9,299,966 units at \$0.15 per unit for total proceeds of \$1,394,995. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at \$0.20 until January 11, 2007.

On September 17, 2004, the Company issued 11,383,332 flow-through common shares at a price of \$0.15 per share and 2,000,000 units at a price of \$0.15 per unit. Each unit consisted of one common share and one half of one share purchase warrant. Each whole share purchase warrant is exercisable into an additional common share at \$0.20 until September 17, 2006. A finder's fee was payable in connection with this transaction consisting of cash consideration totalling \$140,525 and the issuance of 1,204,500 share purchase warrants exercisable into one additional common share at \$0.15 until September 17, 2005. These finders warrants have been recorded at a fair value of \$92,886 based on the Black-Scholes Option pricing model using the following assumptions: risk-free interest rate of 3.55%; expected life of warrants of 1 year and; annualized volatility of 92%.

Stock options

The Company has a stock option plan in place under which it is authorized to grant options to directors, senior officers, employees, management company employees, and consultants to acquire up to 20% of the issued and outstanding common shares. Under the plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 5 years.

MAXIMUS VENTURES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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

Stock options (cont'd...)

As at September 30, 2005, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
180,000	\$0.45	December 4, 2005 (subsequently expired)
500,000	\$0.12	November 12, 2009
700,000	\$0.10	August 31, 2010

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at September 30, 2003	1,550,000	\$ 0.31
Options granted	<u>180,000</u>	0.45
As at September 30, 2004	1,730,000	0.32
Options granted	1,200,000	0.11
Options cancelled/expired	<u>(1,550,000)</u>	0.31
As at September 30, 2005	1,380,000	\$ 0.15
Number of options currently exercisable	1,380,000	\$ 0.15

During the year ended September 30, 2005, the Company granted 1,200,000 (2004 – 180,000) stock options which vested on the date of grant, resulting in stock-based compensation expense under the Black-Scholes option pricing model of \$106,429 (2004 - \$50,418). These amounts were recorded as contributed surplus on the balance sheet. The weighted average fair value of the options granted during the year was \$0.11 (2004 - \$0.30) per share.

The following weighted average assumptions were used for the Black-Scholes valuation of stock options granted during the year:

	2005	2004
Risk-free interest rate	3.54 %	3.55%
Expected life of options/warrants	5 years	2 years
Annualized volatility	113 %	92%
Dividend rate	0%	0.00%

MAXIMUS VENTURES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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

Warrants

As at September 30, 2005, the Company had the following share purchase warrants outstanding enabling the holders to acquire additional common shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,000,000	\$0.20	September 17, 2006
4,649,983	0.20	January 11, 2007

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at September 30, 2003	6,885,000	\$ 0.39
Warrants granted	2,204,500	0.17
Warrants exercised	<u>(175,000)</u>	0.31
As at September 30, 2004	8,914,500	0.34
Warrants granted	4,649,983	0.20
Warrants cancelled/expired	<u>(7,914,500)</u>	0.35
As at September 30, 2005	5,649,983	\$ 0.20
Number of warrants currently exercisable	5,649,983	\$ 0.20

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

- Paid or accrued consulting fees of \$38,900 (2004 - \$147,000) to companies controlled by a director and a former director.
- Paid or accrued management fees of \$91,673 (2004 - \$60,000) to companies controlled by a director and a former director.
- Paid or accrued rent expense of \$8,000 (2004 - \$24,000) to a company controlled by a director.
- Paid or accrued mineral property expenditures of \$1,103,651 (2004 - \$362,250) to a company with a common director and \$56,919 (2004 - \$Nil) to a director of the Company.

MAXIMUS VENTURES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

8. RELATED PARTY TRANSACTIONS (cont'd...)

e) A former director acquired a vehicle valued at \$42,035 in consideration of assuming a capital lease of \$44,998.

As at September 30, 2005, prepaid expenses included \$9,603 (2004 - \$32,400) paid to companies controlled by directors of the Company. An exploration advance of \$59,882 (2004 - \$Nil) was paid to a company with a common director.

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.

9. INCOME TAXES

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

	2005	2004
Loss before income taxes	\$ (400,716)	\$ (1,694,719)
Expected income tax (recovery)	\$ (141,232)	\$ (603,320)
Non-deductible expenses	91,374	363,387
Unrecognized (recognized) benefit of non-capital losses	(533,142)	239,933
Total income tax expense (recovery)	\$ (583,000)	\$ -
Represented by:		
Current income tax	\$ -	\$ -
Future income tax	(583,000)	-

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

	2005	2004
Future income tax assets:		
Non-capital loss carryforwards	\$ 997,000	\$ 1,465,000
Mineral properties	1,851,000	2,395,000
Financing costs	46,000	65,000
Equipment	-	15,000
	2,894,000	3,940,000
Valuation allowance	(2,894,000)	(3,940,000)
Total future income tax assets	\$ -	\$ -

MAXIMUS VENTURES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

9. INCOME TAXES (cont'd...)

During the year ended September 30, 2004, the Company issued 11,383,332 common shares on a flow-through basis for \$1,707,500. The flow-through agreement required the Company to expend the \$1,707,500 by December 31, 2005 on Canadian exploration expenditures incurred in the Company's mineral properties. The Company renounced exploration expenditures of \$1,707,500 which resulted in a \$583,000 charge against capital stock and a corresponding recovery to income.

The Company has non-capital losses of approximately \$2,921,000 available for deduction against future taxable income. These losses, if not utilized, will expire through 2015. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of these non-capital losses and resource deductions have not been recognized in these financial statements and have been offset by a valuation allowance.

10. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

During the year ended September 30, 2005, the Company entered into the following non-cash transactions:

- a) issued 1,000,000 common shares at a value of \$125,000 pursuant to mineral property agreements.
- b) sold a vehicle valued at \$42,035 in consideration of the assumption of capital lease of \$44,998.
- c) the accrual of deferred exploration costs totalling \$7,779.
- d) the accrual of a mineral property recovery totalling \$29,593 on \$18,428 of mineral property expenditures resulting in a gain of \$11,165.

During the year ended September 30, 2004, the Company entered into the following non-cash transactions:

- a) issued 1,600,000 common shares at a value of \$260,000 pursuant to the acquisition of mineral properties.
- b) issued warrants valued at \$92,886 as finders fees for a private placement.

11. SEGMENTED INFORMATION

The Company has one reportable operating segment being the acquisition and exploration of mineral properties.

The Company's capital assets are located in the following geographic locations:

	2005	2004
Canada	\$ 1,830,045	\$ 612,441
United States of America	<u>101,783</u>	<u>-</u>
	<u>\$ 1,931,828</u>	<u>\$ 612,441</u>

12. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, receivables, due from related parties, accounts payable and accrued liabilities and capital lease obligation. 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.

13. SUBSEQUENT EVENT

The Company entered into a letter agreement to acquire a 60% interest in the Cheminis, Bear Lake and Fernland properties and a 45% interest in the Barber Larder property, collectively referred to as the Larder Lake properties located in Ontario.

To earn its interest, the Company is required to incur expenditures of \$6,000,000 as follows:

- (i) \$220,000 by December 31, 2005 (incurred);
- (ii) \$480,000 by July 31, 2006;
- (iii) \$500,000 by December 31, 2006;
- (iv) \$2,000,000 by December 31, 2007; and
- (v) \$2,800,000 by December 31, 2008

Additionally, the Company, in partial consideration of incurring expenditures, will receive from the optionor, NFX Gold Inc. ("NFX"), 8,000,000 share purchase warrants (the "Warrants") as follows:

- (i) 1,500,000 Warrants exercisable to purchase up to 1,500,000 NFX common shares (the "NFX Shares") at an exercise price of \$0.20 per share expiring December 31, 2006;
- (ii) 2,500,000 Warrants exercisable to purchase up to 2,500,000 NFX Shares at an exercise price of \$0.20 per share expiring December 31, 2007; and
- (iii) 4,000,000 Warrants exercisable to purchase up to 4,000,000 NFX Shares at an exercise price of \$0.30 per share expiring December 31, 2008.

MAXIMUS VENTURES LTD.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2005

The following discussion and analysis of financial results, prepared as of January 24, 2006, should be read in conjunction with the audited consolidated financial statements of Maximus Ventures Ltd. (“Maximus”) or the “Company”) for the year ended September 30, 2005, together with the related notes thereto. The audited consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. All amounts are expressed in Canadian dollars unless otherwise indicated.

The discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered reasonable by the Company’s management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

Additional information on the Company is available for viewing on SEDAR at www.sedar.com.

Overview

The Company is principally engaged in the exploration for gold-silver properties. Its primary assets are an option to earn a 75 percent joint venture interest with Miramar Mining Corporation (“Miramar”) in two properties in the Hope Bay gold belt in Nunavut and an option to earn a 60 percent joint venture interest with NFX Gold Inc. in the Larder Lake area of eastern Ontario. The Company has also conducted field reviews and initiated acquisition of mineral rights on several early stage precious metal properties in Nevada in the United States.

Highlights of the Fourth Quarter

- Raised \$1,394,995 in a private placement;
- Completed 19 diamond drill holes at Hope Bay (3,048 meters);
- Signed 2 purchase option agreements and staked additional claims at the Jersey project in Nevada, then signed a letter of intent for a joint venture option with new Sleeper Gold Corp that allowed New Sleeper to earn a 50 percent interest in the combined property.

Exploration Activities

Private Placement

In a news release dated July 13, 2005 the Company announced that \$1,394,995 had been raised in a private placement through the sale of 9,299,966 units at \$0.15 per unit. The securities issued were subject to a holding period expiring on November 12, 2005. The units consisted of a share and a one-half share purchase warrant with one whole warrant entitling the holder to purchase an additional common share of the Company at a price of \$0.20 per share for a period of 18 months.

Hope Bay, Nunavut

During the year ended September 30, 2004, the Company entered into an option agreement with Miramar whereby the Company can earn a 75% interest in the Eastern Contact and Twin Peaks areas (the "Properties") in the Hope Bay gold belt in Nunavut. The Company must spend \$2,500,000 by the end of 2005 to continue the option and a total of \$7,500,000 by the end of 2007 to vest in the joint venture. The Eastern Contact and Twin Peaks claim blocks cover 115 square kilometers in the northern part of the Hope Bay gold belt. Exploration work at Hope Bay is done by Miramar under contract to the Company.

On October 19, 2004, the Company announced high grade assay results from four drill holes in the Eastern Contact property block at Hope Bay. On February 22, 2005 a formal report summarizing all work completed in 2004 on the Properties was received from Miramar. The report contained recommendations for a 2005 drilling program on both the Eastern Contact and Twin Peaks property blocks. The recommendations for the 2005 exploration work were approved by the Company in March 2005.

In May 2005 ten shallow diamond drill holes with a total of 911 meters were completed to test for extensions of high grade values in the North Lahti area. High grade gold zones were intersected in two holes, but the intercepts were shorter than anticipated. As a result, no further drilling is planned at this time on the North Lahti target.

Drilling was resumed during the 2005 summer drill season. In August 2005 11 holes (1,178 meters) were drilled on three additional vein targets in the Eastern Contact area. Results were reported in a news release dated September 16, 2005 and were as follows:

Hole Numbers	Showing	From meters	To meters	Length meters	Gold gm Au/t	Silver gm Au/t
MAX15	BD	25.04	25.72	0.68	2.78	<1 gm
MAX16, 17, 18	BD	No significant values*				
MAX19	BD	62.64	63.40	0.76	1.40	<1 gm
MAX20	BD	No significant values*				
MAX21	BD	No significant gold*; silver assays pending				
HER01, 02	Her	No significant gold*; silver assays pending				
BRK01, 02	Brick	No significant gold*; silver assays pending				

** Assays are less than 1 gm Au and less than 1 gm Ag.*

Veins appeared to be narrower in drill core than where the same vein was exposed on the surface and the drill was therefore moved to the Twin Peaks area.

During September 2005 8 diamond drill holes (1,870 meters) were completed in the Twin Peaks area at Hope Bay. Veins in this area contain abundant sulfides and are associated with large altered zones.

Subsequent to September 30, 2005, the Company reported on November 7, 2005 that assays had been received from drilling in the Twin Peaks area as follows:

Hole Numbers	Showing	From meters	To meters	Length meters	Gold gm Au/t	Silver gm Au/t
PDD-13	Shore	24.40	24.70	0.30	8.40	<10
	Shore	57.97	58.40	0.43	1.90	<10
	Shore	65.43	65.75	0.32	4.80	<10
PDD-14	Shore	26.40	26.73	0.33	1.80	<10
	Shore	63.32	63.62	0.30	7.44	<10
PDD-15	Shore	No significant assays*				
PDD-16	Shore	103.89	104.52	0.63	1.34	<10
PDD-17	Shore	No significant assays*				
PDD-18	EZ	108.46	109.00	0.54	6.09	<10
	EZ	110.01	110.31	0.30	1.94	<10
PDD-19, 20	Conglomerate Hill	No significant assays*				

** Assays are less than 1 gm Au and less than 10 gm Ag.*

Following compilation of the data from the 2005 exploration and drilling program, the Company will announce plans for further exploration in the Hope Bay gold belt under the option agreement with Miramar.

Miramar and the Company are currently negotiating an extension of the terms of the agreement.

Jersey Project, Nevada, USA

On August 8, 2005 the Company announced that it had signed a Letter of Intent for a purchase option on 13 unpatented claims held by Timberwolf Minerals, Ltd. and had also signed a Lease and Option to Purchase 10 patented mining claims held by Tom Richardson in the Arabia Mining District, located 15 miles north of Lovelock in Pershing County, Nevada. The Company also staked an additional 13 claims on its own behalf. The claims covered the central part of an area of historic silver-antimony-lead veins with gold as a byproduct. Highest values were in a granitic host rock. The exploration target was disseminated silver-gold mineralization that might be amenable to open pit mining. Subsequently, the Company announced on September 22, 2005 that it had signed a Letter of Intent under which New Sleeper Gold Corporation could earn a 50 percent joint venture interest in the properties by making a US\$25,000 down payment and spending US\$2,000,000 over a 2 year period. Subsequent to September 30, 2005, the Company received the US\$25,000 down payment.

Also subsequent to September 30, 2005, New Sleeper Gold Corporation drilled 4 diamond drill holes (358 meters) at the Jersey project in Nevada. The Company reported on January 20, 2006 that assay results showed a lack of continuity necessary for an open pit or underground mine; as a result New Sleeper terminated the option with the Company and the Company terminated the purchase option with Timberwolf Minerals Ltd. and the lease with option to purchase with Tom Richardson. The Company still holds 13 unpatented mining claims in the area.

Overall Performance

The Company does not anticipate generating revenues in the near future and intends to continue its mineral exploration activities. These activities, along with further mineral acquisitions, will need to be funded through additional equity financings.

Selected Annual Information

	Year-ended September 30, 2005	Year- ended September 30, 2004	Year- ended September 30, 2003
Total revenues – interest	\$ 18,994	\$ 12,552	\$ 13,397
Net income (loss)	182,284	(1,694,719)	(889,339)
Earnings (loss) per share	0.01	(0.17)	(0.14)
Diluted earnings (loss) per share	0.01	(0.17)	(0.14)

	At September 30, 2005	At September 30, 2004	At September 30, 2003
Total assets	\$ 3,629,192	\$ 2,816,527	\$ 1,945,038
Total long-term liabilities	-	42,324	47,115
Cash dividends declared	-	-	-

Variation in financial position as outlined in the table above is derived from the acquisition of mineral properties and to development costs incurred in the years ended September 30, 2005 and 2004. Additional variations occur as a result of the write-off mineral properties and deferred exploration costs in 2004. Net income for the year ended September 30, 2005, was created as a result of the Company's renouncement of exploration expenditures from the flow-through private placement financing in the previous year. This resulted in a \$583,000 charge against capital stock and a corresponding recovery to income.

Results of Operations

For the year ended September 30, 2005

In the year ended September 30, 2005, Net Income was \$182,284 (an earnings of \$0.01 per share), on \$18,994 in interest income and a future income tax recovery of \$583,000, compared to a Net Loss of \$1,694,719 (a loss of \$0.17 per share) on \$12,552 in interest income during the year ended September 30, 2004. The significant losses in 2004 were a result of the Company's write-off of mineral properties and deferred exploration costs.

The overall performance of the Company for the year ended September 30, 2005 differed significantly from prior annual results, as a result of the write-off of mineral properties and related deferred exploration costs in 2004 and the gain on recovery of mineral properties in 2005. During the year, the Company completed a private placement and the acquisition of certain mineral properties. At September 30, 2005, the Company's principal business activities are the acquisition and exploration of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration stage.

In the year ended September 30, 2005, the Company incurred mineral property Acquisition Costs of \$168,925 and Deferred Exploration Costs of \$1,219,974. Also in the year, the Company incurred Expenses of \$428,761. Non-operating items in fiscal 2005 represent a gain of \$28,045 (2004 – \$(939,379)). The 2004 non-operating loss was primarily from the \$582,302 write-off of mineral properties and from the \$369,629 write-off of deferred exploration costs. Net Loss before income taxes for the year ended September 30, 2005 was \$400,716 (2004 - \$1,694,719), or a loss of \$0.01 (2004 - \$0.17) per share (basic and diluted).

In fiscal 2005, the Company used cash of \$672,261 (2004 - \$373,078) in Operating Activities and allocated \$1,229,384 (2004 - \$786,950) of cash resources to Investing Activities, fundamentally to Deferred Exploration and Acquisition of Mineral Properties. Financing Activities netted the Company \$1,392,026 (2004 - \$1,857,909) in the year.

At September 30, 2005, the Company had Cash of \$1,538,815 (2004 - \$2,048,434) and working capital of \$1,495,058 (2004 - \$1,604,325).

Expenses

The Company incurred \$428,761 in Expenses in the year ended September 30, 2005, compared to Expenses of \$755,340 in the preceding fiscal year. Some of the most significant expenses in the year were: Stock-based compensation from \$50,418 in 2004 to \$106,429. This is attributed to the granting of stock options and the related expense under the Black-Scholes option pricing model. Also consulting fees decreased from \$203,160 to \$40,220 and Property investigation costs of \$1,507 (2004 - \$117,967). Lastly, management fees increased during the current year with a total of \$91,673 (2004 - \$60,000). This was a result of the management contract with the Company's president.

Other Items

In fiscal 2005, the Company recovered mining expenses of \$11,165. In 2004, the Company wrote-off certain mineral property costs to operations totaling \$951,931. The Company also earned \$18,994 (2004 - \$12,552) in Interest Income.

Summary of Quarterly Results

	Qtr. Ended Sept. 30, 2005	Qtr. Ended Jun. 30, 2005	Qtr. Ended Mar. 31, 2005	Qtr. Ended Dec. 31, 2004
Revenue – interest	\$ 8,642	\$ 3,870	\$ 3,012	\$ 3,470
Net income (loss) for the period	516,490	(81,805)	(84,190)	(168,211)
Earnings (loss) per share	0.01	(0.01)	(0.01)	(0.01)
Diluted earnings (loss) per share	0.01	(0.01)	(0.01)	(0.10)

	Qtr. Ended Sept. 30, 2004	Qtr. Ended Jun. 30, 2004	Qtr. Ended Mar. 31, 2004	Qtr. Ended Dec. 31, 2003
Revenue – interest	\$ 1,414	\$ 1,175	\$ 4,266	\$ 5,697
Loss for the period	(967,714)	(232,309)	(183,105)	(311,591)
Loss per share	(0.10)	(0.02)	(0.02)	(0.02)
Diluted loss per share	(0.10)	(0.02)	(0.02)	(0.02)

During the quarter ended September 30, 2005, the Company incurred Expenses of \$84,791 mainly in Stock-based compensation of 51,174. Deferred Exploration expenses in the quarter were \$742,897 and the Company raised \$1,394,995 during the fourth quarter through a private placement financing.

Liquidity and Capital Resources

The Company held cash of \$1,538,815, at September 30, 2005, compared to \$2,048,434 held at September 30, 2004. The decrease in cash is mainly attributable to cash spent on the Hope Bay Project totaling \$1,135,909 during the year.

The Company's working capital on September 30, 2005, was \$1,495,058, compared to a working capital of \$1,604,325 on September 30, 2004.

In the year ended September 30, 2005, the Company issued 9,299,966 units for total proceeds of \$1,394,995. Each unit consist of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to acquire one further common share of the Company at a price of \$0.20 for an eighteen month period.

1,000,000 common shares were issued pursuant to mineral property acquisitions during fiscal 2005.

As of September 30, 2005, the Company had 1,380,000 outstanding share purchase options (with a weighted average exercise price of \$0.15) and 5,649,983 outstanding share purchase warrants (with a weighted average exercise price of \$0.20).

Critical Accounting Estimates

The most significant estimates are related to the physical and economic lives of mineral assets, and their recoverability.

Mineral properties and deferred exploration costs

The Company records its interests in mineral properties and areas of geological interest at cost. All direct and indirect costs relating to the acquisition 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 or management has determined there to be an impairment. These costs will be amortized on the basis of units produced in relation to 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 recorded cost of mineral exploration interests is based on cash paid, the assigned value of share considerations and exploration and development costs incurred. The recorded amount may not reflect recoverable value as this will be dependant on the development program, the nature of the mineral deposit, commodity prices, adequate funding and the ability of the Company to bring its projects into production.

Property option agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Because options are exercisable entirely at the discretion of the optionee, the

amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received.

Cost of maintaining mineral properties

The Company does not accrue the estimated future costs of maintaining its mineral properties in good standing.

Environmental protection and reclamation costs

Liabilities related to environmental protection and reclamation costs are accrued and charged to income when their likelihood of occurrence is established. This includes future removal and site restoration costs as required due to environmental law or contracts.

Transactions with Related Parties

The Company entered into the following transactions with related parties:

- a) Paid consulting fees of \$22,700 (2004 - \$96,000) to Buccaneer Management Ltd. (“Buccaneer”), a company controlled by a director.
- b) Paid consulting fees of \$7,200 (2004 - \$36,000) to Tabo Investments Ltd. (“Tabo”), a company controlled by a former director.
- c) Paid consulting fees of \$9,000 (2004 - \$Nil) to Barbara Dunfield, a former director of the Company.
- d) Paid consulting fees of \$Nil (2004 - \$15,000) to Spitfire Consultants Inc., a company controlled by a former director.
- e) Paid management fees of \$8,000 (2004 - \$60,000) to Tabo, a company controlled by a former director.
- f) Paid management fees of \$83,673 (2004 - \$Nil) to Exploration Management LLC (“Exploration Management”), a company controlled by the President of the Company.
- g) Paid rent expense of \$8,000 (2004 - \$24,000) to 641485 BC Ltd., a company controlled by a director.
- g) Paid or accrued mineral property expenditures of \$1,103,651 (2004 - \$362,250) to Miramar Mining Corporation, a company with a common director and \$56,919 (2004 - \$Nil) for services provided by Exploration Management LLC, a company with a common director of the Company.

As at September 30, 2005, prepaid expenses included \$9,603 (2004 - \$32,400 paid to Buccaneer, Tabo and 641485 BC Ltd.) paid to Exploration Management LLC.

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.

Outlook

Completion of the private placement has provided funds for the Company’s drilling during 2005 at Hope Bay in Nunavut and continue the reconnaissance for new gold-silver projects in Nevada and elsewhere.

Recommendations for further work at Hope Bay work will await a summary by Miramar Mining Corporation of all work completed to date. The option agreement with Miramar requires that the Company spend a cumulative \$2,500,000 by the end of 2005. This expenditure requirement was not met by the end of the 2005 drilling program due to a late start of the winter 2005 program. The Company has discussed the situation with Miramar, who manages the drilling under contract to the Company, and it has been jointly agreed that alternatives for continuing the option and joint venture agreement will be discussed, terms have been proposed to amend the option agreement.

In Nevada, detailed mapping and sampling is continuing to identify drill targets on the two properties acquired to date. Drill strategies for the Nevada properties will be developed when the field work has been completed and the cost of recommended drilling programs can be evaluated.

The Company does not have sufficient resources to meet full-year 2006 expenditure requirements in accordance with the existing option agreement with Miramar Mining Corporation on the Hope Bay properties and will need to raise additional funds or amend the option agreement if the option is continued beyond the planned 2005 programs.

Subsequent Events

The Company reported on November 24, 2005 that a letter agreement had been signed with NFX Gold Inc. that would allow the Company to earn a 60 percent interest in properties held by NFX near Larder Lake, in eastern Ontario by completing a total expenditure of \$6,000,000 by December 31, 2008. Under the agreement NFX is to issue to the Company 8,000,000 warrants exercisable in annual blocks or under certain NFX market share price thresholds. The Larder Lake property is on the Kirkland Lake-Larder Lake-Cadillac break, a regional fault zone that controls the location of numerous large gold mines. On December 12, 2005 the Company announced plans for a drilling program budgeted for 3,000 meters of diamond drilling; at that time 2 drills were on site and a third drill was scheduled to be on site by December 14, 2005.

Other MD&A Requirements

As of January 24, 2006, the Company has:

- a) 34,909,014 common shares outstanding;
- b) 1,380,000 stock options outstanding; and
- c) 5,649,983 share purchase warrants outstanding.

Additional information is available on SEDAR at www.sedar.com

Cautionary Statement on Forward Looking Information

This Management Discussion and Analysis may contain forward-looking statements that involve risks and uncertainties. When used in this Management Discussion and Analysis, the words “believe,” “anticipates,” “expects” and similar expressions are intended to identify such forward looking statements. The Issuer’s actual results may differ significantly from the results discussed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Issuer undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.