

**MAXIMUS VENTURES LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2006**

**AUDITORS' REPORT**

To the Shareholders of  
Maximus Ventures Ltd.

We have audited the consolidated balance sheets of Maximus Ventures Ltd. as at September 30, 2006 and 2005 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

**"DAVIDSON & COMPANY LLP"**

Vancouver, Canada

Chartered Accountants

December 15, 2006

A Member of **SC INTERNATIONAL**

**MAXIMUS VENTURES LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT SEPTEMBER 30**

	2006	2005
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 3,403,416	\$ 1,538,815
Receivables	110,444	89,064
Marketable securities (Note 3)	2,097,823	-
Prepaid expenses	<u>-</u>	<u>9,603</u>
	5,611,683	1,637,482
<b>Reclamation bond</b>	3,640	-
<b>Exploration advance</b> (Note 4)	274,565	59,882
<b>Mineral properties</b> (Note 4)	<u>3,503,047</u>	<u>1,931,828</u>
	<u>\$ 9,392,935</u>	<u>\$ 3,629,192</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>		
Accounts payable and accrued liabilities	\$ 427,039	\$ 142,424
Loan from related party (Note 5)	<u>550,000</u>	<u>-</u>
	<u>977,039</u>	<u>142,424</u>
<b>Shareholders' equity</b>		
Capital stock (Note 6)	32,896,707	28,215,540
Contributed surplus (Note 6)	1,598,956	1,437,259
Deficit	<u>(26,079,767)</u>	<u>(26,166,031)</u>
	<u>8,415,896</u>	<u>3,486,768</u>
	<u>\$ 9,392,935</u>	<u>\$ 3,629,192</u>

**Nature and continuance of operations** (Note 1)

**Subsequent event** (Note 12)

**On behalf of the Board:**

“Francois Viens”

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**

	2006	2005
<b>EXPENSES</b>		
Administration fees	\$ 30,000	\$ 30,000
Amortization	-	3,972
Consulting fees	7,948	40,220
Interest on capital lease obligation	-	1,830
Management fees	71,798	91,673
Office and miscellaneous	17,545	40,666
Printing	3,689	5,821
Professional fees	103,699	34,356
Property investigation costs	-	1,507
Rent and telephone	4,938	11,750
Shareholder communications	5,698	7,489
Stock-based compensation (Note 6)	31,780	106,429
Transfer agent and filing fees	23,433	26,284
Travel and related costs	<u>16,856</u>	<u>26,764</u>
<b>Loss before other items and income taxes</b>	<u>(317,384)</u>	<u>(428,761)</u>
<b>OTHER ITEMS</b>		
Interest income	77,203	18,994
Gain on sale of securities (Note 3)	496,445	-
Financing fee (Note 5)	(170,000)	-
Loss on disposal of equipment	-	(2,114)
Recovery on mineral properties (Note 4)	<u>-</u>	<u>11,165</u>
	<u>403,648</u>	<u>28,045</u>
<b>Income (loss) before income taxes</b>	86,264	(400,716)
<b>Future income tax recovery (Note 8)</b>	<u>-</u>	<u>583,000</u>
<b>Net income for the year</b>	86,264	182,284
<b>Deficit, beginning of year</b>	<u>(26,166,031)</u>	<u>(26,348,315)</u>
<b>Deficit, end of year</b>	<u>\$ (26,079,767)</u>	<u>\$ (26,166,031)</u>
<b>Basic and diluted income per common share</b>	<u>\$ 0.01</u>	<u>\$ 0.01</u>
<b>Weighted average number of common shares - basic</b>	<u>39,319,554</u>	<u>26,939,178</u>
<b>Weighted average number of common shares – diluted</b>	<u>39,907,059</u>	<u>26,944,465</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**

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year	\$ 86,264	\$ 182,284
Items not affecting cash:		
Gain on sale of marketable securities	(496,445)	-
Shares issued for financing fee	170,000	-
Stock-based compensation	31,780	106,429
Amortization	-	3,972
Loss on disposal of equipment	-	2,114
Recovery of mineral properties	-	(11,165)
Future income tax recovery	-	(583,000)
Changes in non-cash working capital items:		
Increase in receivables	(21,380)	(27,837)
Decrease in prepaid expenses	9,603	27,797
Decrease in accounts payable and accrued liabilities	(4,915)	(372,855)
Net cash used in operating activities	<u>(225,093)</u>	<u>(672,261)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital stock issued for cash	4,716,663	1,394,995
Share issue costs	(388,079)	-
Capital lease obligation payments	-	(2,969)
Proceeds on loan from related party	2,000,000	-
Repayment of loan from related party	(1,450,000)	-
Net cash provided by financing activities	<u>4,878,584</u>	<u>1,392,026</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Reclamation bond	(3,640)	-
Exploration advance	(214,683)	(59,882)
Purchase of marketable securities	(2,000,000)	-
Proceeds on sale of marketable securities	1,450,000	-
Mineral properties and expenditures	(2,020,567)	(1,256,120)
Amounts due from related parties	-	86,618
Net cash used in investing activities	<u>(2,788,890)</u>	<u>(1,229,384)</u>
<b>Change in cash during the year</b>	<b>1,864,601</b>	<b>(509,619)</b>
<b>Cash, beginning of year</b>	<b><u>1,538,815</u></b>	<b><u>2,048,434</u></b>
<b>Cash, end of year</b>	<b>\$ 3,403,416</b>	<b>\$ 1,538,815</b>
<b>Cash paid for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid for interest</b>	<b>\$ -</b>	<b>\$ 1,830</b>

**Supplemental disclosure with respect to cash flows (Note 9)**

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

**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.

**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 year. 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.

**Marketable securities**

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

Gains or losses on sale of securities are determined based on the specific cost basis.

**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.

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

**Mineral properties (cont'd...)**

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**

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

**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 exchange rate approximating those at the transaction dates. Gains and losses arising from translation 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 and is recognized over the period of vesting. Any consideration paid by the option holders to purchase shares is credited to the capital stock.

**Earnings per share**

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

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.

**MAXIMUS VENTURES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

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

**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.

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, are 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. MARKETABLE SECURITIES**

Marketable securities are comprised of shares in a publicly traded company, NFX Gold Inc. ("NFX"), with a market value at September 30, 2006 of \$4,125,000 (2005 - \$Nil).

During the year ended September 30, 2006, the Company acquired 8,000,000 common shares of NFX upon exercise of warrants granted under the terms of an option purchase agreement with NFX on the Larder Lake properties (Note 4). The cost of the shares was \$3,051,378 consisting of cash paid of \$2,000,000 together with the fair value of the warrants of \$1,051,378. The Company has also completed an option agreement with Kodiak International Inc. ("Kodiak"), which gives Kodiak a 90 day option to purchase from the Company in whole or in part in multiples of 500,000 shares, the 8,000,000 shares of NFX at an average price of \$0.725 per share. As at September 30, 2006, Kodiak had acquired 2,500,000 of the NFX shares for proceeds of \$1,450,000 resulting in a gain of \$496,445.

**4. MINERAL PROPERTIES**

	Larder Lake, Ontario	Hope Bay, Nunavut	Excelsior Springs, Nevada	Keystone, Nevada	2006 Total
<b>Acquisition costs</b>					
Balance, beginning of year	\$ -	\$ 320,000	\$ 25,497	\$ -	\$ 345,497
Additions	-	312,500	25,529	8,607	346,636
Balance, end of year	-	632,500	51,026	8,607	692,133

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**MAXIMUS VENTURES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**4. MINERAL PROPERTIES (cont'd...)**

	Larder Lake, Ontario	Hope Bay, Nunavut	Excelsior Springs, Nevada	Keystone, Nevada	2006 Total
<i>Continued...</i>					
<b>Deferred exploration costs</b>					
Balance, beginning of year	-	1,510,045	76,286	-	1,586,331
Assaying	72,865	-	14,962	-	87,827
Compilation and reporting	4,159	34,896	-	-	39,055
Contractors and consultants	111,118	-	6,184	-	117,302
Core drilling	780,507	426,591	1,379	-	1,208,477
Equipment rental	7,635	-	-	-	7,635
Field administration	10,177	-	8,013	-	18,190
Fuel	7,759	-	-	-	7,759
Geological	162,072	165,180	67,242	-	394,494
Labour	13,775	-	-	-	13,775
Management and administration	53,329	50,915	11,175	-	115,419
Mapping and sampling	-	115,865	-	-	115,865
Project supervision	82,809	-	-	-	82,809
Supplies	3,069	-	-	-	3,069
Title and claim management	7,614	6,807	12,066	-	26,487
Travel and related costs	12,465	-	25,333	-	37,798
	<u>1,329,353</u>	<u>800,254</u>	<u>146,354</u>	<u>-</u>	<u>2,275,961</u>
Recovery	<u>1,329,353</u> <u>(1,051,378)</u>	<u>2,310,299</u> <u>-</u>	<u>222,640</u> <u>-</u>	<u>-</u> <u>-</u>	<u>3,862,292</u> <u>(1,051,378)</u>
Balance, end of year	<u>277,975</u>	<u>2,310,299</u>	<u>222,640</u>	<u>-</u>	<u>2,810,914</u>
Total	\$ 277,975	\$ 2,942,799	\$ 273,666	\$ 8,607	\$ 3,503,047

**MAXIMUS VENTURES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

**4. MINERAL PROPERTIES (cont'd...)**

	Hope Bay, Nunavut	Excelsior Springs, Nevada	Jersey, Nevada	2005 Total
<b>Acquisition costs</b>				
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	<u>320,000</u>	<u>25,497</u>	<u>-</u>	<u>345,497</u>
<b>Deferred exploration costs</b>				
Balance, beginning of year	<u>366,357</u>	<u>-</u>	<u>-</u>	<u>366,357</u>
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	<u>31,013</u>	<u>21,059</u>	<u>-</u>	<u>52,072</u>
	<u>1,143,688</u>	<u>76,286</u>	<u>-</u>	<u>1,219,974</u>
Balance, end of year	<u>1,510,045</u>	<u>76,286</u>	<u>-</u>	<u>1,586,331</u>
Total	\$ 1,830,045	\$ 101,783	\$ -	\$ 1,931,828

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"), a company related by virtue of a common director, and the Company, entered into an option agreement whereby the Company can earn a 75% interest in the Eastern Contact and Twin Peaks areas, Hope Bay, Nunavut. To earn its interest, the Company is required to:

- a) Issue 5,000,000 shares over a three year period (3,500,000 issued at a value of \$657,500).
- b) Incur \$7,250,000 in expenditures over three years, with scheduled minimum cumulative expenditures of \$3,250,000 by April 30, 2007, 5,250,000 by April 30, 2008, and \$7,250,000 by April 30, 2009.

**4. MINERAL PROPERTIES** (cont'd...)

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

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 resources;
- 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.

As at September 30, 2006, the Company has provided an exploration advance of \$273,542 to Miramar 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\$20,000 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 will 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. As at September 30, 2006, the Company has paid a total of US\$22,000.

The Company also staked additional unpatented claims in this area.

As at September 30, 2006, the Company has provided an exploration advance of \$1,023 to certain suppliers on the project.

**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. 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 during fiscal 2005.

**4. MINERAL PROPERTIES (cont'd...)**

**Keystone, Pershing County, Nevada**

During the year ended September 30, 2006, the Company staked certain unpatented mining claims located in Pershing County, Nevada. These claims are subject to a finder's fee agreement that would require payments which could total up to a maximum of US\$490,000 over a six year period. These payments are contingent on the Company continuing to hold the specified mineral claims. If the Company elects to drop those claims at anytime during the payment period, no further payments would be made from that point forward. The schedule for payments under this agreement is as follows:

End of Year 1	\$Nil
End of Year 2	20,000
End of Year 3	30,000
End of Year 4	40,000
End of Year 5	200,000
End of Year 6	200,000

**Larder Lake Properties, Ontario**

On November 24, 2005, the Company entered into an option 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 (incurred);
- (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, received from the optionor, NFX, 8,000,000 share purchase warrants with an average exercise price of \$0.25 and average expiry of 2 years valued at \$1,051,378 based on the Black Scholes option pricing model using the following assumptions: risk free interest rate 3.69%, expected life of options at average of 2 years, annual volatility of 130% and dividend rate of nil. The effect of the receipt of the warrants was to record a recovery of mineral property costs and increase marketable securities, each by \$1,051,378.

**5. LOAN FROM RELATED PARTY**

The Company borrowed \$2,000,000 from a company controlled by the chairman and director of the Company. The loan is unsecured, non-interest bearing and is to be repaid from the first \$2,000,000 of proceeds from the sale of NFX shares (Note 3). The terms of the loan agreement provide for a finance fee requiring the Company to issue 500,000 common shares (issued at a value of \$170,000) and to provide the lender with the right to a 10% participation in proceeds exceeding \$2,000,000 from the sale of NFX shares, up to a maximum of \$200,000. As at September 30, 2006, \$1,450,000 of the loan has been repaid.

**MAXIMUS VENTURES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2006**

**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS**

	Number of Shares	Amount	Contributed Surplus
Authorized			
Unlimited common shares without par value			
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
Exercise of warrants	2,333,316	466,663	-
Shares issued for cash	9,500,000	4,250,000	-
Finders fees	-	(386,527)	129,917
Share issue costs	-	(131,469)	-
Shares issued for mineral property	1,000,000	312,500	-
Shares issued for financing fee	500,000	170,000	-
Stock-based compensation	-	-	31,780
As at September 30, 2006	48,242,330	\$ 32,896,707	\$ 1,598,956

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 May 23, 2006, the Company completed a brokered private placement for gross proceeds of \$4,250,000. The private placement was comprised of 5,000,000 units at a price \$0.40 per unit and 4,500,000 flow-through common shares at a price of \$0.50 per share. The units consisted of one common share and one-half of one share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share of the Company at a price of \$0.60 per share until November 23, 2007. However, if the trading price of the shares of the Company closes at or above \$0.80 per share for 20 consecutive trading days any time after September 24, 2006, then the Company will have the right to provide a written notice to the warrant holders to exercise all unexercised warrants within 30 days or the warrants will be cancelled. The Company paid commissions totalling \$255,000 and issued agents' warrants to purchase up to 570,000 common shares at a price of \$0.45 per share until November 23, 2007. These agents' warrants have been recorded at a fair value of \$129,917 based on the Black-Scholes Option pricing model using the following assumptions: risk-free interest rate of 4.06%; expected life of warrants of 1.5 years; annualized volatility of 122% and dividend rate of 0%. The proceeds of the flow-through shares totalling \$2,250,000, must be used to incur Canadian exploration expenditures as defined by the Income Tax Act (Canada) by December 31, 2007.

During the year ended September 30, 2006, 2,333,316 share purchase warrants were exercised for total proceeds of \$466,663.

During the year ended September 30, 2006, 1,000,000 common shares were issued at a value of \$312,500 pursuant to a mineral property acquisition (Note 4).

**MAXIMUS VENTURES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

During the year ended September 30, 2006, 500,000 common shares were issued at a value of \$170,000 pursuant to a loan agreement (Note 5).

**Diluted earnings per share**

Included in the calculation of the weighted average of the diluted number of common shares during the year ended September 30, 2006, were “in the money” options and warrants totalling 587,505 (2005 – 5,287).

**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. Vesting is determined by the board of directors.

As at September 30, 2006, the Company had outstanding stock options, enabling the holders to acquire further common shares as follows:

Number of Shares	Exercise Price	Expiry Date
500,000	\$0.12	November 12, 2009
700,000	\$0.10	August 31, 2010
200,000	\$0.30	March 28, 2011
1,400,000		

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
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
Options granted	200,000	0.30
Options cancelled/expired	<u>(180,000)</u>	0.45
As at September 30, 2006	1,400,000	\$ 0.14
Number of options currently exercisable	1,300,000	\$ 0.14

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**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Stock options (cont'd...)**

During the year ended September 30, 2006, the Company granted 200,000 (2005 – 1,200,000) stock options valued at \$63,558 (2005 - \$106,429) with staged vesting, resulting in stock-based compensation expense under the Black-Scholes option pricing model of \$31,780 (2005 - \$106,429). Pursuant to the Company's stock option plan, these options will vest equally over 18 months until September 28, 2007. The weighted average fair value of the options granted during the year was \$0.32 (2005 - \$0.11) per option.

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

	2006	2005
Risk-free interest rate	4.13%	3.54 %
Expected life of options/warrants	5 years	5 years
Annualized volatility	99%	113 %
Dividend rate	0%	0%

**Warrants**

As at September 30, 2006, 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
3,266,667	\$ 0.20	January 11, 2007
2,500,000	0.60	November 23, 2007
570,000	0.45	November 23, 2007
<b>6,336,667</b>		

Warrant transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
As at September 30, 2004	8,914,500	\$ 0.34
Warrants granted	4,649,983	0.20
Warrants cancelled/expired	(7,914,500)	0.35

- Continued -

**MAXIMUS VENTURES LTD.**  
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**6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd...)**

**Warrants (cont'd...)**

	Number of Warrants	Weighted Average Exercise Price
<i>Continued...</i>		
As at September 30, 2005	5,649,983	0.20
Warrants granted	3,070,000	0.57
Warrants exercised	<u>(2,333,316)</u>	0.20
As at September 30, 2006	6,336,667	\$ 0.38
Number of warrants currently exercisable	6,336,667	\$ 0.38

**7. RELATED PARTY TRANSACTIONS**

The Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$Nil (2005 - \$38,900) to companies controlled by a former director and a former director.
- b) Paid or accrued management fees of \$71,798 (2005 - \$91,673) to companies controlled by a director and a former director.
- c) Paid or accrued rent of \$Nil (2005 - \$8,000) to a company controlled by a director.
- d) Paid or accrued mineral property expenditures of \$782,649 (2005 - \$1,103,651) to a company with a common director and \$39,956 (2005 - \$56,919) to a director of the Company.
- e) Issued 500,000 common shares valued at \$170,000 (2005 - \$Nil) as a finder's fee to a company owned by a director.
- f) During the year ended September 30, 2005, a former director acquired a vehicle valued at \$42,035 in consideration of assuming a capital lease of \$44,998.

As at September 30, 2006, prepaid expenses included \$Nil (2005 - \$9,603) paid to companies controlled by directors of the Company. An exploration advance of \$273,542 (2005 - \$59,882) 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.

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**8. INCOME TAXES**

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

	2006	2005
Income (loss) before income taxes	\$ 86,264	\$ (400,716)
Expected income tax expense (recovery)	\$ 31,590	\$ (141,232)
Non-deductible expenses	(6,022)	91,374
Recognized benefit of non-capital losses	(25,568)	(533,142)
<b>Total income tax expense (recovery)</b>	<b>\$ -</b>	<b>\$ (583,000)</b>
Represented by:		
Current income tax	\$ -	\$ -
Future income tax	-	(583,000)

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

	2006	2005
Future income tax assets:		
Non-capital loss carryforwards	\$ 778,000	\$ 997,000
Mineral properties	1,866,000	1,851,000
Financing costs	123,000	46,000
Capital loss carryforwards	2,243,000	2,243,000
	5,010,000	5,137,000
Future income tax liabilities:		
Marketable securities	(224,000)	-
Valuation allowance	(4,786,000)	(5,137,000)
<b>Total future income tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

During the year ended September 30, 2006, the company issued 4,500,000 (2005 – Nil) common shares on a flow-through basis for proceeds of \$2,250,000 (2005 - \$Nil). The flow-through agreements require the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the company's mineral property to the flow-through participants.

During the year ended September 30, 2005, the Company renounced exploration expenditures of \$1,707,500 which resulted in a \$583,000 charge against capital stock and a corresponding future income tax recovery to income.

**MAXIMUS VENTURES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**8. INCOME TAXES (cont'd...)**

The Company has non-capital losses of approximately \$2,510,000 available for deduction against future taxable income. These losses, if not utilized, will expire through 2026. 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, resource deductions and other tax assets have not been recognized in these financial statements and have been offset by a valuation allowance.

**9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the year ended September 30, 2006, the Company entered into the following non-cash transactions:

- a) issued 1,000,000 common shares at a value of \$312,500 pursuant to a mineral property agreement;
- b) issued 570,000 agent warrants at a value of \$129,917 for finder's fees;
- c) recorded account payable and accrued liabilities for deferred exploration costs totalling \$297,309.
- d) received 8,000,000 share purchase warrants valued at \$1,051,378 recorded as marketable securities and a recovery of mineral property costs.

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.

**10. 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:

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	2006	2005
Canada	\$ 3,220,772	\$ 1,830,045
United States of America	<u>282,275</u>	<u>101,783</u>
	<u>\$ 3,503,047</u>	<u>\$ 1,931,828</u>

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**MAXIMUS VENTURES LTD.**  
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**11. FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash, receivables, marketable securities and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company is exposed to market fluctuations on its marketable securities.

**12. SUBSEQUENT EVENT**

Subsequent to September 30, 2006, the Company granted incentive stock options to purchase 900,000 common shares exercisable at \$0.32 per share until November 14, 2011.