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**SYMC RESOURCES LIMITED**  
**(AN EXPLORATION STAGE COMPANY)**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2006 AND 2005**

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MANNING ELLIOTT  
CHARTERED ACCOUNTANTS

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### Auditors' Report

To the Shareholders of  
SYMC Resources Limited

We have audited the balance sheets of SYMC Resources Limited as at December 31, 2006 and 2005 and the statements of operations and deficit, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 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.

*Manning Elliott LLP*

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

April 11, 2007

**SYMC Resources Limited**  
(An Exploration Stage Company)  
Balance Sheets  
As at December 31, 2006 and 2005

	2006 \$	2005 \$
<b>Assets</b>		
Current assets		
Cash	157,495	762,910
Amounts receivable	101,294	162,340
Prepaid expenses	16,048	11,529
	<u>274,837</u>	<u>936,779</u>
Property bonds (Note 3(b))	18,210	12,278
Mineral property costs (Note 3)	1,410,908	2,634,824
	<u>1,703,955</u>	<u>3,583,881</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	30,189	90,946
Due to related parties (Note 4)	2,220	15,845
	<u>32,409</u>	<u>106,791</u>
Due to related party (Note 4(a))	–	70,400
	<u>32,409</u>	<u>177,191</u>
<b>Shareholders' equity</b>		
Share capital (Note 5)	4,438,473	4,460,664
Contributed surplus (Note 8)	229,333	121,676
Deficit	(2,996,260)	(1,175,650)
	<u>1,671,546</u>	<u>3,406,690</u>
	<u>1,703,955</u>	<u>3,583,881</u>

Nature of Operations and Continuance of Business (Note 1)

Approved on behalf of the Board:

/s/ "A. David Long"

A. David Long, Director

/s/ "Mark Brown"

Mark Brown, Director

(The Accompanying Notes are an Integral Part of These Financial Statements)

**SYMC Resources Limited**  
(An Exploration Stage Company)  
Statements of Operations and Deficit  
For The Years Ended December 31, 2006 and 2005

	2006 \$	2005 \$
Revenue	—	—
Operating Expenses		
Impairment of mineral property costs (Note 3)	1,669,398	—
Investor relations	46,095	56,217
Management fees (Note 4(b))	15,000	13,438
Office, rent and telephone	19,104	14,104
Professional fees	86,521	73,874
Stock-based compensation	107,657	99,802
Transfer agent and regulatory fees	4,513	24,969
Travel	3,757	6,721
	<u>1,952,045</u>	<u>289,125</u>
Loss before other items	<u>(1,952,045)</u>	<u>(289,125)</u>
Other Income		
Forgiveness of fees due to a related party (Note 4(a))	70,400	—
Interest income	23,844	4,871
	<u>94,244</u>	<u>4,871</u>
Loss before income taxes	<u>(1,857,801)</u>	<u>(284,254)</u>
Future income tax recovery (Note 2(h))	37,191	134,287
Net loss for the year	<u>(1,820,610)</u>	<u>(149,967)</u>
Deficit - beginning of year	<u>(1,175,650)</u>	<u>(1,025,683)</u>
Deficit - end of year	<u>(2,996,260)</u>	<u>(1,175,650)</u>
Net loss per share – basic and diluted	<u>(0.10)</u>	<u>(0.01)</u>
Weighted average shares outstanding	<u>18,167,000</u>	<u>15,181,000</u>

(The Accompanying Notes are an Integral Part of These Financial Statements)

**SYMC Resources Limited**  
(An Exploration Sage Company)  
Statements of Cash Flows  
For The Years Ended December 31, 2006 and 2005

	2006 \$	2005 \$
Operating activities		
Net loss for the year	(1,820,610)	(149,967)
Items not affecting cash		
Forgiveness of fees due to a related party	(70,400)	–
Future income tax recovery	(37,191)	(134,287)
Impairment of mineral property costs	1,669,398	–
Stock-based compensation	107,657	99,802
Changes in non-cash components of working capital		
Amounts receivable	156,549	(27,714)
Prepaid expenses	(4,519)	(6,964)
Accounts payable and accrued liabilities	(60,757)	44,699
Due to related parties	(13,625)	15,745
<b>Cash used in operating activities</b>	<b>(73,498)</b>	<b>(158,686)</b>
Investing activities		
Property bonds	(5,931)	(157)
Expenditures on mineral properties	(540,986)	(1,001,864)
	<b>(546,917)</b>	<b>(1,002,021)</b>
Financing activities		
Proceeds from shares issued	–	1,458,355
Proceeds from warrants exercised	15,000	–
Share issuance costs	–	(81,785)
	<b>15,000</b>	<b>1,376,570</b>
Increase (decrease) in cash	(605,415)	215,863
Cash - beginning of year	762,910	547,047
Cash - end of year	157,495	762,910
Non-cash investing and financing activities		
Shares issued to acquire mineral claims from the President and a director of the Company (Note 3(a)(ii))	–	72,532
Supplemental information		
Income taxes paid	–	–
Interest paid	–	–

(The Accompanying Notes are an Integral Part of These Financial Statements)

## **1. Nature of operations and continuance of business**

The Company was incorporated on March 26, 1987 under the provisions of the Company Act of British Columbia.

The Company is in the business of acquiring and exploring mineral properties on Vancouver Island, B.C. There has been no determination whether properties held contain ore reserves, which are economically recoverable. The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the properties, the ability to obtain the necessary financing to complete development, and future profitable production or proceeds from disposition.

These financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. They do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. The Company has incurred significant losses totalling \$2,996,260 since inception. The continued operations of the Company are dependent on its ability to find economically recoverable reserves to generate cash flows from operations and/or to obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

## **2. Significant accounting policies**

### **[a] Basis of presentation**

The financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles.

### **[b] Use of estimates**

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes to the financial statements. Significant financial statement items which involve the use of estimates include the recoverability of mineral property costs, asset retirement obligations, stock-based compensation and future income tax valuation allowances. Actual results could differ from those estimates.

### **[c] Cash and cash equivalents**

The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance, to be cash equivalents.

### **[d] Mineral properties**

All costs related to the acquisition and exploration of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against future income of the project using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are expensed.

## **2. Significant accounting policies (continued)**

### [d] Mineral properties (continued)

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs and recoveries, and do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

### [e] Long-lived assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

### [f] Financial instruments

Financial instruments included in the balance sheet are comprised of cash, amounts receivable, accounts payable and accrued liabilities and amounts due to related parties. The fair values of these balance sheet items are equivalent to their carrying values because of their short-term maturity. The Company is not party to any derivative instruments.

The Company has no interest rate risk or concentrations of credit risk.

### [g] Income taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and is measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

### [h] Flow-through shares

The Company has adopted EIC-146, which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures to the shareholders. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and share capital is reduced.

If the Company has sufficient unused tax loss carry forwards or other future income tax assets to offset all or part of this future income tax liability, and no future income tax assets have previously been recognized for these items, a portion of such future income tax assets is recognized as income up to the amount of the future income tax liability recognized on the renounced expenditures. During 2006, the Company recognized \$37,191 (2005 - \$134,287) as a reduction of share capital and corresponding future income tax recovery pursuant to the renunciations made for flow-through shares issued in 2006 and 2005.

**2. Significant accounting policies (continued)**

[i] Stock-based compensation

The Company applies the fair value method to stock-based payments to all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the proceeds together with the amount initially recorded in contributed surplus are credited to share.

[j] Asset retirement obligations

The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at December 31, 2006, the Company has not incurred any asset retirement obligations related to the exploration of its mineral properties.

[k] Loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options and warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

As the Company has recorded a loss in each of the periods presented, basic and diluted loss per share are the same since the exercise of warrants or options would reduce the loss per share.

**3. Mineral property costs**

	Cumulative to December 31, 2004 \$	Capitalized Expenditures During the Year \$	Cumulative to December 31, 2005 \$	Capitalized Expenditures During the Year \$	Cumulative to December 31, 2006 \$
Access road	172,850	–	172,850	799	173,649
Assays and metallurgy	73,101	18,621	91,722	18,369	110,091
Automotive and fuel	228,631	44,009	272,640	39,371	312,011
Consulting	55,000	–	55,000	–	55,000
Contracted services	36,366	–	36,366	–	36,366
Drilling	123,856	20,774	144,630	99,066	243,696
Engineering	139,039	–	139,039	–	139,039
Equipment rental	305,754	332,009	637,763	104,220	741,983
Exploration supplies	37,211	21,335	58,546	25,710	84,256
Filing, recording and assessment	84,470	3,881	88,351	12,467	100,818
Geologist and report writing	249,106	276,063	525,169	92,386	617,555
Geophysical	–	240,173	240,173	6,000	246,173
Personnel and management (Note 4(b))	239,697	44,999	284,696	46,210	330,906
Prospecting	–	–	–	38,475	38,475
Staking	7,000	–	7,000	–	7,000
Surveying	23,710	–	23,710	–	23,710
Wages and benefits	–	–	–	57,913	57,913
	1,775,791	1,001,864	2,777,655	540,986	3,318,641
Acquisition costs	34,310	72,532	106,842	–	106,842
Impairment loss	(33,750)	–	(33,750)	(1,669,398)	(1,703,148)
METC - investment tax credit	(106,953)	(108,970)	(215,923)	(95,504)	(311,427)
	1,669,398	965,426	2,634,824	(1,223,916)	1,410,908

### **3. Mineral property costs (continued)**

As at December 31, 2006, the Company decided to work towards seeking joint venture partners for its mineral properties and recognized an impairment of \$1,669,398 of its mineral property costs.

[a] The following are the properties owned, all located in the Alberni and Nanaimo Mining Divisions, B.C.:

- i) The Company owns a 100% interest in 35 mineral claims covering 14,362 hectares, known as the Macktush Dauntless (formerly Sky Claims) and MC Properties.
- ii) The Company owns a 100% interest in 19 mineral claims covering 8,687 hectares, known as the Cameron Valley Property (formerly N.S.D.E. Option).

During fiscal 2005, the Company exercised its option to acquire 19 mineral claims representing 316 units, held by the President of the Company, for his costs of staking and maintaining the claims. During the year ended December 31, 2005, the Company issued 398,922 and 54,400 common shares of the Company to the President of the Company and a director, respectively, at a fair value of \$0.16 per share or \$72,532. These 19 mineral claims consist of part of the Macktush Property, the Dauntless Property (now part of the Macktush Dauntless and MC Properties) and the Cameron Valley Property.

- iii) The Company also owns a 100% interest in 4 other mineral claims covering 1,200 hectares, known as the Kennedy River Property. During 2004, an impairment loss of \$33,750 was recorded for this property. However, the Company intends to retain ownership and is looking to option the property.

[b] Property bonds

Property bonds are cash deposits pledged to the Province of B.C. The bonds mature and roll over every year until the Company is released from its property bonds.

[c] Mining Exploration Tax Credit

The Company applies for Mining Exploration Tax Credits ("METC") on qualifying British Columbia mineral exploration expenditures incurred. As at December 31, 2006, \$95,504 (December 31, 2005 - \$124,629) METC was accrued and included in amounts receivable. During fiscal 2006, the Company received an METC refund of \$124,629.

### **4. Related party transactions**

During the years ended December 31, 2006 and 2005, the Company was involved in the following related party transactions:

- [a] During the year ended December 31, 2006, a director of the Company forgave the amount of \$70,400 owing for professional fees incurred in a prior year.
- [b] The President of the Company charged a total of \$60,000 (2005 - \$53,750) of which \$45,000 (2005 - \$40,312) was for exploration management and \$15,000 (2005 - \$13,438) for management services.
- [c] As at December 31, 2006, \$Nil (2005 - \$10,958) was owed to the President of the Company and \$100 (2005- \$2,747) was owed to directors of the Company for expenses paid on behalf of the Company.
- [d] During the year ended December 31, 2006, \$37,500 (2005 - \$4,280) was incurred for professional fees provided by a company controlled by the Chief Financial Officer of the Company. As at December 31, 2006, \$2,120 (2005 - \$2,140) was owed to this company.

All of the above transactions have been in the normal course of operations and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

**5. Share capital**

Authorized: An unlimited number of common shares without par value.

	Number of Shares	Value \$
Balance, December 31, 2004	13,321,692	3,165,143
Issued during 2005 for:		
Cash pursuant to share purchase warrants exercised	741,000	181,500
Acquisition of mineral claims	453,322	72,532
Private Placement		
- Flow-through	145,000	58,000
- Non flow-through	3,482,443	1,218,855
Share issuance costs	-	(101,079)
Reduction from renunciation of flow through tax benefit	-	(134,287)
Balance, December 31, 2005	18,143,457	4,460,664
Issued during 2006 for:		
Private Placement		
- Flow-through	127,500	51,000
- Non flow-through	(145,714)	(51,000)
Cash pursuant to share purchase warrants exercised	100,000	15,000
Reduction from renunciation of flow through tax benefit	-	(37,191)
Balance, December 31, 2006	18,225,243	4,438,473

[a] Private Placements

On August 10, 2005, the Company completed a private placement of 3,482,443 non flow-through units ("Unit") and 145,000 flow-through shares at a price of \$0.35 and \$0.40, respectively, for total proceeds of \$1,276,855. Each Unit consisted of one common share and one common share purchase warrant. Each share purchase warrant is exercisable into one common share at a price of \$0.45 per share for the first year and \$0.55 per share in the second year. The Company paid a commission of \$81,785 of the proceeds and issued 129,446 share purchase warrants ("Agent's Warrants") in connection with this private placement. Each Agent's Warrant is exercisable into one common share at a price of \$0.45 in the first year and \$0.55 per share in the second year. The warrants and Agent's Warrants expire on August 11, 2007.

During fiscal 2006, 145,714 non flow-through units were replaced with 127,500 flow-through shares to rectify an incorrect issuance in fiscal 2005.

[b] Escrowed common shares

[i] Escrow #1

750,000 common shares were held in escrow of which 375,000 have been released and 375,000 remain in escrow subject to release under the direction of regulatory authorities.

[ii] Escrow #2

1,168,741 common shares are held in escrow, release of which is subject to regulatory acceptance of an independent engineering report which indicates that there is a reserve of proven and probable ore on the Macktush property having a value of at least \$300,000.

[c] Commitment to issue common shares to three directors

The Company is committed to issuing 100,000 common shares to three directors upon any mineral property owned by the Company being placed into commercial production. This will reimburse these directors for transferring 100,000 shares owned by them to a third party to satisfy a debt obligation of the Company.

## 6. Stock options

The Company has a stock option plan whereby it may grant options to its directors, officers and employees at exercise prices determined by the Board. The Company has reserved 2,664,338 shares for issuance under this stock option plan. Stock options are subject to the minimum vesting requirements with 25% of the total number of the option granted released every three months from the date of grant. The options can be granted for a maximum term of five years.

The following table summarizes the continuity of the Company's stock options:

	Number of shares	Weighted average exercise price \$
Outstanding, December 31, 2004	500,000	0.46
Granted	1,250,000	0.31
Cancelled	(100,000)	0.30
Outstanding, December 31, 2005	1,650,000	0.36
Granted	500,000	0.15
Outstanding, December 31, 2006	2,150,000	0.31

Information regarding options outstanding as at December 31, 2006 is as follows:

Exercise price \$	Outstanding			Exercisable	
	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
0.15	500,000	4.81	0.15	125,000	0.15
0.25	200,000	0.05	0.25	200,000	0.25
0.30	350,000	3.67	0.30	350,000	0.30
0.34	700,000	3.74	0.34	700,000	0.34
0.50	400,000	1.92	0.46	400,000	0.46
	2,150,000	3.30	0.31	1,775,000	0.33

The fair value for stock options granted was estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2006	2005
Risk free interest rate	4.04%	3.48%
Expected life (in years)	3	2.6
Expected volatility	117%	98%

The total fair value of stock options granted in 2006 was \$44,555. The weighted average grant date fair value of stock options granted during 2006 was \$0.09 (2005 - \$0.10) per option. For the year ended December 31, 2006, the Company recognized \$107,657 (2005 - \$99,802) for the vested portion of stock option which was recorded as contributed surplus and charged to operations.

**7. Share purchase warrants**

The following table summarizes the continuity of the Company's share purchase warrants:

	Number of shares	Weighted average exercise price \$
Balance, December 31, 2004	6,667,412	0.26
Issued with private placement	3,611,889	0.45
Exercised	(741,000)	0.20
Balance, December 31, 2005	9,538,301	0.35
Exercised	(100,000)	0.15
Cancelled	(145,714)	0.45
Expired	(5,826,412)	0.15
Balance, December 31, 2006	3,466,175	0.55

On August 11, 2005, a total of 129,446 warrants were issued to a broker pursuant to the private placement that closed on August 10, 2005 at an exercise price of \$0.40 per share expiring on August 11, 2007. The fair value of these warrants of \$19,294 was recorded as a share issuance cost. The fair value was determined using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 4.08%, expected life of 4.18 years, expected volatility of 108% and no expected dividends. The issuance date fair value of these warrants was \$0.15 per warrant.

As at December 31, 2006, the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price \$	Expiry Date
3,466,175	0.55	August 11, 2007

As per the terms of the subscription agreements, the 3,466,175 share purchase warrants have an exercise price of \$0.45 in the first year and \$0.55 for the second year.

**8. Contributed surplus**

The following table summarizes the continuity of the Company's contributed surplus:

	Amount \$
Balance, December 31, 2004	2,580
Fair value of stock options granted	108,481
Fair value of warrants granted	19,294
Fair value of stock options cancelled	(8,679)
Balance, December 31, 2005	121,676
Fair value of stock options granted	107,657
Balance, December 31, 2006	229,333

**9. Income Taxes**

The tax effect (computed by applying the Canadian federal and provincial statutory rate of 34.12%) of the significant temporary differences, which comprise future tax assets and liabilities, are as follows:

	<b>2006</b>	<b>2005</b>
Future income tax assets		
Non-capital losses carried forward	207,000	179,000
Resource pools	83,000	515,000
Share issuance costs	38,000	54,000
<b>Total gross future income tax assets</b>	<b>328,000</b>	<b>748,000</b>
<b>Valuation allowance</b>	<b>(328,000)</b>	<b>(748,000)</b>
<b>Net future income tax asset</b>	<b>\$ -</b>	<b>\$ -</b>

As at December 31, 2006, the Company has non-capital loss carry forwards of \$606,892 which are available to offset future years' taxable income expiring as follows:

2007	\$ 39,187
2008	26,979
2009	38,927
2010	67,915
2014	86,123
2015	230,762
2026	116,999
	<b>\$ 606,892</b>

The Company has cumulative Canadian Exploration Expenses of \$1,307,350 which are 100% deductible against taxable income in future years.

The Company has cumulative Canadian Development Expenses of \$346,281 which are 30% deductible against taxable income in future years.

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion of all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.