

UNITED BOLERO DEVELOPMENT CORP.

UNAUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

UNITED BOLERO DEVELOPMENT CORP.
UNAUDITED BALANCE SHEETS

	Sept. 30 2005	December 31 2004
ASSETS		
Current		
Cash	\$ 102,117	\$ 114,334
Receivables	18,881	9,014
Prepaid expenses and advances	<u>6,006</u>	<u>-</u>
	127,004	123,348
Mineral properties (Note 4)	505,608	130,304
Oil and gas properties (Note 5)	231,375	231,375
Equipment (Note 6)	<u>16,222</u>	<u>16,766</u>
	<u>\$ 880,209</u>	<u>\$ 501,793</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 105,314	\$ 81,979
Due to related parties (Note 7)	<u>2,001</u>	<u>2,001</u>
	<u>107,315</u>	<u>83,980</u>
Shareholders' equity		
Capital stock (Note 8)	5,001,843	3,998,833
Share subscriptions receivable	-	(9,860)
Contributed surplus (Note 8)	453,826	381,009
Deficit	<u>(4,682,775)</u>	<u>(3,952,169)</u>
	<u>772,894</u>	<u>417,813</u>
	<u>\$ 880,209</u>	<u>\$ 501,793</u>

Nature and continuance of operations (Note 1)

Contingency (Note 13)

Subsequent events (Note 14)

On behalf of the Board:

“Blair Naughty”

Director

“Mike England”

Director

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

UNITED BOLERO DEVELOPMENT CORP.
UNAUDITED STATEMENTS OF OPERATIONS AND DEFICIT
NINE MONTH PERIOD ENDED SEPTEMBER 30

	3 months ended Sept 30,2005	3 months ended Sept. 30, 2004	9 months ended Sept. 30, 2005	9 months ended Sept. 30,2004
REVENUE	\$ -	\$ 6,400	\$ -	\$ 6,400
DEPLETION AND AMORTIZATION	-	995	-	995
	-	5,405	-	5,405
EXPENSES				
Amortization	1,235	1,667	3,234	2,375
Consulting fees	30,822	61,183	90,782	99,356
Management fees	9,813	11,500	165,675	11,500
Office, rent, and miscellaneous	14,157	7,250	72,279	21,639
Professional fees	34,602	18,180	147,996	67,089
Shareholder communications and promotion	47,540	18,423	114,836	73,453
Stock-based compensation (Note 9)	20,667	21,483	59,313	172,423
Transfer agent and filing fees	7,160	1,860	26,954	20,992
Travel and accommodation	6,806	1,098	50,187	2,741
	172,802	142,644	731,257	471,568
Loss before other items	(172,802)	(137,239)	(731,257)	(466,163)
OTHER ITEMS				
Interest income	106	22	650	154
Gain on sale of marketable securities (Note 3)	-	-	-	11,340
	106	22	650	11,494
Loss for the period	(172,696)	(137,217)	(730,606)	(454,669)
Deficit, beginning of period	(4,510,079)	(3,450,011)	(3,952,169)	(3,132,559)
Deficit, end of period	\$ (4,682,775)	\$ (3,587,228)	\$ (4,682,775)	\$ (3,587,228)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.03)
Weighted average number of common shares outstanding	24,848,749	11,814,184	22,846,727	11,617,288

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

UNITED BOLERO DEVELOPMENT CORP.
UNAUDITED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30

	3 months ended Sept 30,2005	3 months ended Sept 30, 2004	9 months ended Sept 30, 2005	9 months ended Sept. 30,2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss for the year	\$ (172,696)	\$ (137,217)	\$ (730,606)	\$ (454,669)
Items not affecting cash:				
Amortization	1,235	1,667	3,234	2,375
Depletion	-	995	-	995
Stock-based compensation	20,667	21,483	59,313	172,423
Gain on sale of marketable securities	-	-	-	(11,340)
Write-down of oil and gas properties	-	-	-	-
Write-off of receivable	-	-	-	-
Write-off of mineral properties	-	-	-	-
Changes in non-cash working capital items:				
Decrease (increase) - receivables	(7,223)	(2,776)	(9,867)	(777)
Decrease (increase) - prepaid expenses, advances	(4,000)	3,000	(6,006)	6,000
Increase - accounts payable and accrued liabilities	(46,246)	129	23,335	25,767
Cash flows used in operating activities	<u>(208,263)</u>	<u>(112,719)</u>	<u>(660,597)</u>	<u>(259,226)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Share subscriptions received in advance	-	228,396	-	-
Proceeds - issuance of capital stock, net of issue costs	<u>510,977</u>	<u>-</u>	<u>1,026,374</u>	<u>677,119</u>
Cash flows provided by financing activities	<u>510,977</u>	<u>228,396</u>	<u>1,026,374</u>	<u>677,119</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment	-	(14,065)	(2,690)	(14,065)
Mineral property expenditures	(276,912)	-	(375,304)	(34,304)
Oil and gas property expenditures	-	(95,555)	-	(432,283)
Proceeds on sale of marketable securities	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,340</u>
Cash flows used in investing activities	<u>(276,912)</u>	<u>(109,620)</u>	<u>(377,994)</u>	<u>(450,312)</u>
Increase in cash during the period	25,802	6,057	(12,217)	(32,419)
Cash, beginning of period	<u>76,315</u>	<u>7,114</u>	<u>114,334</u>	<u>45,590</u>
Cash, end of period	\$ 102,117	\$ 13,171	\$ 102,117	\$ 13,171
Cash paid for interest during the period	\$ -	\$ -	\$ -	\$ -
Cash paid for income taxes during the period	\$ -	\$ -	\$ -	\$ -

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

UNITED BOLERO DEVELOPMENT CORP.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the British Columbia Company Act on August 13, 1985 and is listed on the TSX Venture Exchange ("TSX-V"). The Company's principal business is the acquisition and exploration of resource property interests. To date, the Company has not generated significant revenues from its operations and is considered to be in the exploration stage.

The Company is in the process of exploring its resource 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 on a going concern basis which assumes 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.

	Sept. 30 2005	December 31 2004
Working capital	\$ 19,689	\$ 39,368
Deficit	(4,682,775)	(3,952,169)

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 the assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from those estimates.

Marketable securities

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

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, exploration and development 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.

Values

The amounts shown for mineral properties and deferred exploration costs represent costs to date, and do not necessarily represent present or future values, as they are entirely dependent upon the economic recovery of current and future reserves.

Cost of maintaining mineral properties

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

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.

Oil and gas properties

The Company follows the full cost method of accounting for its oil and gas operations, whereby all costs of exploring for and developing oil and gas reserves are capitalized in cost centres on a country-by-country basis. Such costs include land acquisition costs, geological and geophysical costs, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells, cost of production and gathering equipment and administrative charges directly related to acquisition, exploration and development activities. Proceeds from the disposal of oil and natural gas properties are applied against capitalized costs. Gains or losses are not recognized on disposals unless crediting the proceeds against capitalized costs would materially alter the rate of depletion.

Exploration costs renounced due to flow-through share subscription agreements remain capitalized. However, for income tax purposes, the Company has no right to these expenses nor the related depletion allowance. The amounts shown for oil and gas properties represent costs to date and are not intended to reflect present or future values.

Depletion and amortization

The capitalized costs together with estimated future capital costs associated with the development of proven reserves are depleted and amortized using the unit-of-production method based on proven oil and natural gas reserves, before royalties, determined by Company and independent engineers. For purposes of the depletion and amortization calculations, oil and natural gas reserves are converted to a common unit of measure based upon their relative energy content.

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

Oil and gas properties (cont'd...)

Ceiling test

The Company calculates a ceiling test whereby the net capitalized costs of properties cannot exceed the sum of the undiscounted cash flows expected to result from the Company's proved reserves. Cash flows are calculated based on third party quoted forward prices and adjusted for the Company's contract prices and quality differentials. If there is impairment, the magnitude of it would be calculated by comparing the carrying amount of oil and gas properties to the estimated net present value of future cash flows from proved plus risked probable reserves. A risk-free interest rate is used to arrive at the net present value of the future cash flows. Any excess carrying value above the net present value of future cash flows would be recorded as a permanent impairment and charged as additional depletion expense in the consolidated statement of income.

Sales of oil and gas properties are accounted for as adjustments of capitalized costs, with no gain or loss recognized unless such adjustments would alter the rate of depletion and amortization by more than twenty percent.

Revenue recognition

Revenue from the sale of oil and gas products are recognized upon the passage of title and when ultimate collection is reasonably assured.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is being provided for annually using the declining balance method of amortization at the following rates:

Office equipment	20%
Computer equipment	30%

Income taxes

The Company follows the asset and liability method of accounting for income taxes whereby future income taxes are recognized for the future income tax consequences attributable to differences between the financial statement carrying values and their respective income tax bases (temporary differences). Future income tax assets and liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period in which the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

Stock-based compensation

Stock options and direct awards of stock granted to employees and non-employees are recorded at fair value on the date of grant and the associated expense is amortized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to capital stock.

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

Loss per share

The Company uses the treasury stock method to calculate diluted loss per share. Diluted loss per share considers the dilutive impact of the exercise of outstanding stock options, warrants and similar instruments as if the events had occurred at the beginning of the period or at time of issuance, if later. 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.

Flow-through 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 requires that, when the Company renounces flow-through expenditures, a portion of the Company's 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.

Comparatives

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

3. MARKETABLE SECURITIES

The Company disposed of all marketable securities resulting in a gain of \$11,340 during the year ended December 31, 2004.

4. MINERAL PROPERTIES

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

UNITED BOLERO DEVELOPMENT CORP.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

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

At September 30, 2005 expenditures incurred on mineral properties were as follows:

	Chong Property, Ontario	Cannivan Gulch, Montana	South Baird Project, Ontario	Bald Butte, Montana	Total
Acquisition costs:					
Balance, beginning of period	\$ -	\$ 64,500	\$ 29,000	\$ -	\$ 93,500
Additions during the period	<u>13,000</u>	<u>-</u>	<u>-</u>	<u>315,725</u>	<u>315,724</u>
Balance, end of period	<u>13,000</u>	<u>64,500</u>	<u>29,000</u>	<u>315,725</u>	<u>409,724</u>
Deferred exploration costs:					
Balance, beginning of period		\$ -	\$ 36,804	\$ -	36,804
Assays			2,636		2,636
Communications			210		210
Equipment rentals			15,428		15,428
Field supplies			2,940		2,940
Fuel and transport			4,908		4,908
Geologist		1,212	15,255		15,255
Travel and accommodation			3,993		3,993
Balance, end of period	<u>13,000</u>	<u>1,212</u>	<u>82,172</u>	<u>\$ -</u>	<u>96,384</u>
Total, September 30, 2005	\$ 13,000	\$ 65,712	\$ 111,172	\$ 315,725 *	\$ 505,068

*These advances have been now spent on the property and the Company is waiting for its final report for allocation.

South Baird Project, Ontario, Canada

On November 3, 2003, the Company entered into an option agreement with Solitaire Minerals Corp. ("Solitaire") to acquire a 50% interest in certain mineral claims located in Baird Township, Red Lake Mining Division, Ontario.

To maintain the agreement and the option in good standing, the Company is required to incur exploration and development expenditures totalling \$150,000 on or before November 3, 2005 (to be issued) and a further \$350,000 on or before November 3, 2006 (originally 2005)

In addition, the Company is required to make cash payments and issue shares to Solitaire as follows:

Date	Cash Payments	Share Issuances
Upon execution of agreement (paid)	\$5,000	-
Upon receipt of regulatory approval (paid and issued)	5,000	50,000 common shares
On or before November 3, 2004 (issued)	-	100,000 common shares
On or before November 3, 2005 (to be issued)	20,000	

On or before November 3, 2006 (formerly 2005)

30,000

50,000 common shares

During the year ended December 31, 2004 the company amended its agreement with Solitaire. In lieu of a scheduled cash payment of \$20,000 and the issuance of 50,000 common shares, the Company issued 100,000 shares valued at \$14,000 and extended its commitment of exploration expenditures of \$150,000 to November 3, 2005. This in turn is being extended and a date has not been reached yet. All other terms of the original option agreement remain in effect.

Pursuant to the underlying agreement between Solitaire and the property holder, the holder retains a 2% net smelter returns royalty ("NSR") on the proceeds of production from the South Baird Property.

Cannivan Gulch Project, Montana, USA

During the period ended September 30, 2005 the company entered into an option agreement to acquire a 100% interest in the Cannivan Gulch deposit which is located in northern Beaverhead County, Montana.

The company is required to make cash payments as follows:

- a) US \$50,000 upon execution of the agreement (paid);
- b) US \$50,000 on the 1st anniversary;
- c) US \$50,000 on the 2nd anniversary;
- d) US \$75,000 on the 3rd to 5th anniversaries; and
- e) US \$100,000 on each subsequent anniversary to a maximum of US \$10,000,000.

The company is required to issue common shares as follows:

- a) 100,000 upon completion of the formal option agreement (issued subsequently); and
- b) 100,000 on the 1st to 5th anniversary of the agreement.

The optionors will retain a 2% NSR. The company may purchase 1% of the NSR on the third anniversary of the agreement for US \$600,000.

This option agreement is subject to finder's fees of 500,000 common shares of the Company, payable in stages (200,000 issued subsequently).

5. OIL AND GAS PROPERTIES

	Sept. 30 2005	Sept. 30 2005		December 2004
	Smokey Gap, Wyoming	Wagonbox, Montana	Total	Total
Balance, beginning of period	\$ -	\$ -	\$ -	\$ -
Deferred exploration and development costs	200,909	231,374	432,283	432,283
Depletion during the period	(995)	-	(995)	(995)
Written-down during the period	(199,913)	-	(199,913)	(199,913)
Balance, end of period	\$ 1	\$ 231,374	\$ 231,375	\$ 231,375

As at September 30, 2005, all the oil and gas properties are unproved and excluded from depletion calculations.

Smokey Gap Field, Natrona County, Wyoming, USA

During the year ended December 31, 2004, the Company entered into an agreement with Big Snowy Resources LLP, ("Big Snowy") a company with a former director in common, whereby the company can earn up to a 50% working interest in up to five wells in the Smokey Gap Field, Natrona County, Wyoming. The Company must incur US\$50,000 drilling costs on each well to earn the 50% interest in the well. During the year ended December 31, 2004, the Company paid \$200,909 (US\$150,000) towards its 50% earn in.

During the year ended December 31, 2004, the Company wrote-down the working interest in the property to a nominal amount.

Wagonbox Field, Musselshell County, Montana, USA

During the year ended December 31, 2004, the Company entered into an agreement with Big Snowy whereby the Company can earn up to a 50% working interest in up to two wells in the Wagonbox Field, Musselshell County, Montana. During the year ended December 31, 2004, the Company paid \$231,374 (US\$175,000) towards its 50% earn in on this property. These have been fully earned at December 31, 2004.

Chong Molybdenum Property, Ontario

During the nine months ended September 30, 2005 the Company entered into an agreement and paid \$13,000 for acquisition of these claims as per agreement. This agreement is subject to regulatory approval.

A preliminary exploration program on the Chong molybdenum property, located in Fraleck township, near Sudbury, Ontario was initiated. Prospecting, mechanical stripping, pressure washing, channel cutting and geological mapping activities were conducted in the vicinity of old pits bearing molybdenite mineralization. Assay results are pending from the channel sampling program. David Beilhartz, P.Geo. is supervising the program.

6. EQUIPMENT

	Sept. 30 2005			December 31 2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Office equipment	\$ 2,683	\$ 905	\$ 1,778	\$ 2,683	\$ 630	\$ 2,053
Computer equipment	21,106	6,662	14,444	18,417	3,704	14,713
	\$ 23,789	\$ 7,567	\$ 16,222	\$ 21,100	\$ 4,334	\$ 16,766

UNITED BOLERO DEVELOPMENT CORP.
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2005

7. RELATED PARTY TRANSACTIONS

Amounts due to related parties include balances owed to former directors for fees, rent and funds advanced to the Company to assist in its operations. These amounts are non-interest bearing, unsecured and have no fixed terms of repayment. The Company entered into the following transactions with related parties:

- a) Paid or accrued management fees of \$ 165,675 (Sep 30, 2004 - \$11,500) to a former director of the Company
- b) Paid or accrued consulting fees of \$90,782 (Sep 30, 2004 - \$99,356) to current Directors of the Company

8. CAPITAL STOCK

	Number of Shares	Capital Stock	Contributed Surplus
Authorized			
99,875,000 common shares without par value			
Common shares			
Balance as at December 31, 2002	6,138,529	\$ 2,526,410	\$ 125,800
Private placement	3,733,333	419,000	5,468
Exercise of options	63,852	6,385	-
Mineral properties	100,000	10,000	-
Stock-based compensation (Note 9)	-	-	86,740
Issue costs	-	(17,468)	-
Balance as at December 31, 2003	10,035,714	2,944,327	218,008
Flow-through private placement	193,548	60,000	-
Finders' fee on flow-through private placement	19,355	6,000	-
Private placements	6,749,999	880,000	21,407
Finders' fee on private placements	307,000	33,840	-
Exercise of warrants	80,000	14,400	-
Exercise of agent warrants	50,000	11,367	(1,367)
Exercise of stock options	655,000	117,940	(45,690)
Acquisition of mineral properties	100,000	14,000	-
Stock-based compensation (Note 9)	-	-	188,651
Issue costs	-	(83,041)	-
Balance as at December 31, 2004	18,190,616	\$ 3,998,833	\$ 381,009
Private placements	4,270,000	316,420	-
Exercise of warrants	2,718,750	523,062	-
Exercise of agent warrants	100,000	20,000	-
Exercise of stock options	583,000	84,575	-
Acquisition of mineral properties	408,625	75,085	-
Stock-based compensation (Note 9)	-	-	72,817
Issue costs	-	(16,132)	-
Balance as at September 30, 2005	26,270,991	\$ 5,001,843	\$ 453,826

On September 30th, 2005 the company issued 150,000 common shares of the company for \$22,500 pursuant to the exercise of stock options. These options are exercisable at \$0.15 on or before September 30, 2007.

On August 24th, 2005 the Company announced it had closed its 4.27 million unit non-brokered private placement reported earlier on June 15, 2005 and July 13, 2005. The Company issued 4.27 million units at a price of eight cents per unit. Each unit consists of one share and one share purchase warrant which entitles the holder to purchase an additional share of the Company at a price of 10 cents until August 22, 2006, and a price of 15 cents until August 22, 2007. The Company also paid the sum of \$24,020 and issued 290,250 warrants as finders' fees in this matter. The shares and any shares to be issued upon exercise of the warrants will be subject to a 4-month hold period and shall not trade before December 23, 2005.

On August 19th, 2005 the company issued 300,000 common shares of the company for \$33,000 pursuant to the exercise of stock options. These options are exercisable at \$0.10 on or before June 27, 2007.

On June 24th, 2005 the company issued 1,300,000 common shares for the company for \$130,000 pursuant to the exercise of stock options. These options are exercisable at \$0.10 on or before June 24, 2007.

In December 2004, the Company issued 100,000 common shares valued at \$14,000 for the acquisition of mineral properties (Note 4).

In December 2004, the Company issued 2,749,999 units at \$0.12 per unit for proceeds of \$330,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire one common share at \$0.15 in the first year and at \$0.20 in the second year. A finder's fee of \$8,044 cash, 41,666 agent warrants and 157,000 agent units valued at \$18,840 with the same terms of the units and warrants was paid. The fair value of the agent warrants, as determined by the Black-Scholes pricing model, was \$8,101.

In October 2004, the Company issued 2,500,000 units at \$0.10 per unit for proceeds of \$250,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire one common share at \$0.15 for one year. A finder's fee of \$5,750 cash and 150,000 common shares valued at \$15,000 was paid.

In June 2004, the Company issued 193,548 flow-through units at \$0.31 per unit for proceeds of \$60,000. Each unit consisted of one flow-through share and one half common share purchase warrant. One whole warrant entitles the holder to acquire one common share at \$0.36 in the first year and at \$0.42 in the second year. The Company issued 19,355 units valued at \$6,000 consisting of one common share and one whole common share purchase warrant with the same terms of the unit warrants as finder's fees.

In April 2004, the Company issued 1,500,000 units at \$0.20 per unit for proceeds of \$300,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire one common share at \$0.25 in the first year and at \$0.35 in the second year. A finder's fee of \$8,000 cash and 100,000 agent warrants with the same terms of the unit warrants was paid. The fair value of the agent warrants, as determined by the Black-Scholes pricing model, was \$13,306.

In December 2003, the Company completed the following private placements:

- i) 200,000 units at \$0.15 per unit, each unit consisting of one flow through common share and 200,000 share purchase warrants. Each warrant entitles the holder to purchase one common share at \$0.18 in the first year and at \$0.25 in the second year; and
- ii) 500,000 units at \$0.12 per unit, each unit consisting of one common share and one common share purchase warrant, exercisable at \$0.15 in the first year and at \$0.20 in the second year.

In June 2003, the Company issued 1,283,333 units at \$0.12 per unit for proceeds of \$154,000. Each unit consisted of one common share and one common share purchase warrant to acquire an additional common share at \$0.18 in the first year and at \$0.25 in the second year

In January 2003, the Company issued 1,750,000 units at \$0.10 per unit for proceeds of \$175,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to acquire one common share at \$0.15 in the first year and at \$0.20 in the second year. A finder's fee of \$12,000 cash and 200,000 agent warrants with the same terms of the unit warrants was paid. The fair value of the agent warrants, as determined by the Black-Scholes pricing model, was \$5,468.

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

	2005	2004
Risk-free interest rate	2.67%	3.53%
Expected life of warrants	1.75 years	1 year
Annualized volatility	129%	100%
Dividend rate	0.00%	0.00%

9. STOCK OPTIONS AND WARRANTS

Share purchase warrants

At September 30, 2005, warrants were outstanding enabling holders to acquire shares as follows:

Number of Shares	Exercise Price	Expiry Date
200,000	0.20	December 22, 2005 ⁽ⁱ⁾
500,000	0.20	December 22, 2005
1,600,000	0.25	April 5, 2006
then at	0.35	April 5, 2006 ⁽ⁱⁱ⁾
116,129	0.36	June 15, 2006
then at	0.42	June 15, 2006
2,500,000	0.15	April 29, 2006 ⁽ⁱⁱⁱ⁾
2,948,665	0.15	December 29, 2005
then at	0.20	December 29, 2006
4,560,250	0.10	August 22, 2006
then at	0.15	August 22, 2007

(i) In January 2004, the company received regulatory approval to reduce the exercise price of these outstanding warrants to \$0.20 per share.

(ii) In July 2005, the company received regulatory approval to reduce the exercise price of these outstanding warrants to \$0.11 per share.

(iii) In September 2005, the company received regulatory approval to extend the expiry date of these outstanding warrants from October 29, 2005 to April 29, 2006.

	Number of Warrants	Weighted Average Exercise Price
As at December 31, 2002	-	\$ -
Warrants granted	3,933,333	0.17
Warrants cancelled/expired	-	-
Warrants exercised	-	-
As at December 31, 2003	3,933,333	0.17
Warrants granted	7,164,794	0.18
Warrants cancelled/expired	-	-

Warrants exercised	<u>(130,000)</u>		0.18
As at December 31, 2004	10,968,127	\$	0.17
Warrants granted	4,270,000		0.13
Warrants cancelled/expired	(1,423,333)		0.18
Warrants exercised	<u>(2,818,750)</u>		0.18
As at September 30, 2005	10,996,044	\$	0.17
Number of warrants currently exercisable	10,996,044	\$	0.17

Stock options

During the year, the Company amended its stock option plan increasing the number of options it is authorized to grant to directors, employees and consultants from up to 10% of the issued and outstanding common stock of the Company to 20%. Under the plan, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. Options vest evenly every three months over an eighteen month period or over a longer period if specified by the directors of the Company. The options can be granted for a maximum term of 5 years.

as at September 30, 2005, the following incentive stock options were outstanding:

Number of Shares	Exercise Price	Expiry Date
202,000	\$ 0.15	August 15, 2008
450,000	0.20	February 26, 2009
125,000	0.24	March 16, 2009
91,667	0.32	March 24, 2009
100,000	0.20	May 31, 2009
375,000	0.15	June 30, 2009
75,000	0.15	July 22, 2009
733,333	0.10	September 1, 2009
50,000	0.15	October 1, 2009
500,000	0.22	Dec 31, 2009
1,300,000	0.10	June 24, 2007
300,000	0.11	Aug 19, 2007
150,000	0.15	Sept 30, 2007

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

	Number Of Options	Weighted Average Exercise Price
Balance, December 31, 2002	-	\$ -
Options granted	1,215,852	0.12
Options cancelled	(295,000)	0.11
Options exercised	<u>(63,852)</u>	0.10
Balance, December 31, 2003	857,000	0.12
Options granted	2,575,000	0.16
Options cancelled	(575,000)	0.18
Options exercised	<u>(655,000)</u>	0.11

Balance, December 31, 2004	2,202,000	\$	0.16
Options granted	1,750,000		0.16
Options cancelled	(317,201)		0.18
Options exercised	<u>(583,000)</u>		0.11
Balance, September 30, 2005	3,051,799	\$	0.16
Number of options currently exercisable	3,051,799	\$	0.20

Stock-based compensation

Compensation costs expensed in the period totalled \$59,313 (20034 - \$172,423) for the options currently vested which was recorded as contributed surplus on the balance sheet.

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

	2005	2004
Risk-free interest rate	3.56%	3.70%
Expected dividend yield	0.00%	0.00%
Expected stock volatility	106%	91%
Expected option life in years	5 years	4 years

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, marketable securities, receivables, accounts payable and accrued liabilities, and due to related parties. 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.

12. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the acquisition and exploration of resource properties in Canada and the United States.

	Total Assets	Mineral Properties	Oil and Gas Properties	Other Assets
2004				
Assets				
Canada	\$ 205,918	\$ 65,804	\$ -	\$ 140,114
United States	<u>295,875</u>	<u>64,500</u>	<u>231,375</u>	<u>-</u>
	\$ 501,793	\$ 130,304	\$ 231,375	\$ 140,114
2005				
Assets				
Canada	\$ 143,226	\$ 78,711	\$ -	\$ 140,114
United States	<u>-</u>	<u>426,897</u>	<u>231,375</u>	<u>-</u>
	\$ 143,226	\$ 505,609	\$ 231,375	\$ 140,114

13. CONTINGENCY

A claim has been made against the Company seeking the transfer of 600,000 common shares valued at \$72,000 or damages for lost profit from the shares. The Company has \$12,000 included in accounts payable and accrued liabilities related to this claim. The likelihood and amount of any loss is not determinable.

14. SUBSEQUENT EVENTS

On October 17th, 2005 the company issued 400,000 common shares of the company for \$60,000 pursuant to the exercise of stock options. These options are exercisable at \$0.15 on or before October 17th, 2007.

On October 31st the Company announced it had closed its 1st Tranche non-brokered private placement of 3,450,000 units at a price of \$0.20 per unit for total proceeds of \$690,000. Each unit consists of one common share of the Company and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase a further common share of the Company at a price of \$0.25 per share for a period of two years. The proceeds of the private placement will be used for working on the Bald Butte project and general working capital. The Company also paid the sum of \$58,500 and issued 245,000 warrants as finders' fees in this matter. The securities issued are subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange and the provisions of the British Columbia Securities Act.

On November 24, 2005 our issued and outstanding capital stock is 31,322,741.

Subsequent to November 24 the Company plans to close its 2nd Tranche non-brokered private placement of 4,010,000 units at a price of \$0.20 per unit for total proceeds of \$802,000. Each unit consists of one common share of the Company and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase a

further common share of the Company at a price of \$0.25 per share for a period of two years. The proceeds of the private placement will be used for working on the Bald Butte project and general working capital. The Company will also be paying a sum \$82,000 and issuing 401,000 warrants as finders' fees in this matter. The securities issued are subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange and the provisions of the British Columbia Securities Act.

Subsequent to November 24 the Company plans to close its Flow Through non-brokered private placement of 850,000 units at a price of \$0.20 per unit for total proceeds of \$170,000. Each unit consists of one common share of the Company and a half non-transferable share purchase warrant. Each warrant entitles the holder to purchase a further common share of the Company at a price of \$0.25 per share for a period of one year. The proceeds of the private placement will be used for working on the Chong property project. The Company will also be paying a sum \$14,500 and issuing 65,000 warrants as finders' fees in this matter. The securities issued are subject to a four-month hold period in accordance with the policies of the TSX Venture Exchange and the provisions of the British Columbia Securities Act.