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**THUNDER SWORD RESOURCES INC.**

**FINANCIAL STATEMENTS**

**APRIL 30, 2006 AND 2005**  
**(Unaudited)**

*These unaudited financial statements for the periods ended April 30, 2006 and 2005  
have not been reviewed by the Company's auditor.*

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# THUNDER SWORD RESOURCES INC.

## BALANCE SHEETS (Unaudited)

	APRIL 30 2006 (Unaudited)	OCTOBER 31 2005 (Note 1)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 649	\$ 468
Accounts receivable	8,419	5,566
Inventory	12,340	16,189
Prepaid expenses	1,487	1,487
	<u>22,895</u>	<u>23,710</u>
<b>Capital Assets</b>	<b>14,942</b>	<b>17,579</b>
<b>Interest In Mineral Properties</b>	<b>82,627</b>	<b>82,627</b>
	<u>\$ 120,464</u>	<u>\$ 123,916</u>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable	\$ 30,894	\$ 44,881
Due to related parties	431,168	290,215
	<u>462,062</u>	<u>335,096</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share Capital	4,311,850	4,311,850
Contributed Surplus	154,368	154,368
Deficit	(4,807,816)	(4,677,398)
	<u>(341,598)</u>	<u>(211,180)</u>
	<u>\$ 120,464</u>	<u>\$ 123,916</u>

Approved on Behalf of the Board:

\_\_\_\_\_  
"S. Naguschewski"  
Director

\_\_\_\_\_  
"M. Goldstein"  
Director

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

# THUNDER SWORD RESOURCES INC.

## STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited)

	THREE MONTHS ENDED APRIL 30		SIX MONTHS ENDED APRIL 30	
	2006	2005	2006	2005
<b>Sales</b>	\$ 7,679	\$ -	\$ 12,815	\$ -
<b>Cost Of Sales</b>				
Inventory, beginning of period	14,373	16,331	16,189	14,259
Purchases	-	-	-	1,700
Freight out	570	-	1,287	-
Warehousing	2,959	2,900	3,596	3,272
	<u>17,902</u>	<u>19,231</u>	<u>21,072</u>	<u>19,231</u>
Inventory, end of period	12,340	19,231	12,340	19,231
	<u>5,562</u>	<u>-</u>	<u>8,732</u>	<u>-</u>
<b>Gross Profit (Loss)</b>	<u>2,117</u>	<u>-</u>	<u>4,083</u>	<u>-</u>
<b>Administrative Expenses</b>				
Advertising and shareholder relations	1,447	1,582	2,168	1,961
Amortization	1,318	1,869	2,635	3,738
Automotive and travel	11,568	4,592	16,104	9,214
Consulting fees	21,000	22,500	39,000	39,000
Filing and transfer fees	9,619	7,921	10,021	8,587
Interest	6,380	2,930	11,531	19,849
Office and miscellaneous	1,764	2,594	3,853	4,640
Professional fees	31,428	5,960	31,428	6,710
Product research	89	-	195	103
Rent	10,626	6,875	17,566	16,283
	<u>95,239</u>	<u>56,823</u>	<u>134,501</u>	<u>110,085</u>
<b>Loss For The Period</b>	<u>(93,122)</u>	<u>(56,823)</u>	<u>(130,418)</u>	<u>(110,085)</u>
<b>Deficit, Beginning Of Period</b>	<u>(4,714,694)</u>	<u>(4,538,071)</u>	<u>(4,807,816)</u>	<u>(4,484,809)</u>
<b>Deficit, End Of Period</b>	<u>\$ (4,807,816)</u>	<u>\$ (4,594,894)</u>	<u>\$ (4,819,521)</u>	<u>\$ (4,594,894)</u>
<b>Basic And Diluted Loss Per Share</b>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
<b>Basic And Diluted Weighted Average Common Shares</b>	<u>9,818,118</u>	<u>8,493,305</u>	<u>9,818,118</u>	<u>7,233,423</u>

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

# THUNDER SWORD RESOURCES INC.

## STATEMENT OF CASH FLOWS

(Unaudited)

	THREE MONTHS ENDED APRIL 30		SIX MONTHS ENDED APRIL 30	
	2006	2005	2006	2005
<b>Operating Activities</b>				
Loss for the period	\$ (93,122)	\$ (56,823)	\$ (130,418)	\$ (110,085)
Adjustments for item not affecting cash:				
Amortization	1,318	1,869	2,637	3,738
Interest accrued	6,380	2,296	11,531	18,547
	<u>(85,424)</u>	<u>(52,658)</u>	<u>(116,250)</u>	<u>(87,800)</u>
Changes in non-cash working capital items:				
Accounts receivable	(8,419)	-	(2,853)	-
Inventory	2,033	(2,901)	3,849	(4,973)
Prepaid expenses	5	(1,423)	-	(1,423)
Accounts payable	12,969	7,268	(13,987)	4,095
	<u>78,836</u>	<u>(49,714)</u>	<u>(129,241)</u>	<u>(90,101)</u>
<b>Financing Activity</b>				
Advances from related parties	<u>78,125</u>	<u>50,406</u>	<u>129,422</u>	<u>88,074</u>
<b>Increase (Decrease) In Cash During The Period</b>	<b>(711)</b>	<b>692</b>	<b>181</b>	<b>(2,027)</b>
<b>Cash, Beginning Of Period</b>	<u>1,360</u>	<u>239</u>	<u>468</u>	<u>2,958</u>
<b>Cash, End Of Period</b>	<b>\$ 649</b>	<b>\$ 931</b>	<b>\$ 649</b>	<b>\$ 931</b>
<b>Supplemental Disclosure Non-Cash Financing Activities</b>				
Shares issued for settlement of amounts due to related parties	\$ -	\$ 608,601	\$ -	\$ 608,601

# THUNDER SWORD RESOURCES INC.

## NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2006 AND 2005

(Unaudited)

### 1. BASIS OF PRESENTATION

The interim financial statements of Thunder Sword Resources Inc. (the "Company") have been prepared in accordance with accounting principles generally accepted in Canada. The interim financial statements have been prepared following the same accounting policies and methods of computation as the financial statements for the fiscal year ended October 31, 2005. The interim financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's annual report for the year ended October 31, 2005.

### 2. RELATED PARTY TRANSACTIONS

The following summarizes the Company's related party transactions for the period:

#### a) Rent

During the three month period, the Company paid or accrued rent of \$1,500 (2005 - \$1,500) to a company controlled by a spouse of a director.

#### b) Management Services

During the three month period, the Company paid or accrued consulting fees of \$21,000 (2005 - \$15,000) to directors for management services.

#### c) Due to Related Parties

The amount due to related parties is owing to a director and a company controlled by a spouse of a director. The loans bear 10% interest per annum and are without specified terms of repayment. Interest amounting to \$6,380 (2005 - \$2,296) has been accrued for the three month period ending April 30, 2006.

**FORM 52-109F2 – CERTIFICATION OF INTERIM FILINGS**

**I, Siegfried Naguschewski, President, Chief Executive Officer and Chief Financial Officer of Thunder Sword Resources Inc.,**

1. I have reviewed the interim filings (as this term is defined in Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*) of Thunder Sword Resources Inc. (the issuer) for the interim period ending April 30, 2006;
2. Based on my knowledge, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings;
3. Based on my knowledge, the interim financial statements together with the other financial information included in the interim filings fairly present in all material respects the financial condition, results of operations and cash flows of the issuer, as of the date and for the periods presented in the interim filings;
4. The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the issuer, and we have:
  - (a) designed such disclosure controls and procedures, or caused them to be designed under our supervision, to provide reasonable assurance that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the interim filings are being prepared; and
  - (b) designed such internal control over financial reporting, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's CAAP; and
5. I have caused the issuer to disclose in the interim MD&A any change in the issuer's internal control over financial reporting that occurred during the issuer's most recent interim period that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting.

Date: June 29, 2006

"S. Naguschewski"  
Signature  
President & Chief Executive Officer

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**THUNDER SWORD RESOURCES INC.****Form 51-102F1****MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE SIX MONTHS ENDED APRIL 30, 2006****Issued June 15, 2006**

This Management's Discussion and Analysis ("MD&A") prepared as of June 15, 2006, supplements, but does not form part of, the unaudited interim financial statements of the Company and the notes thereto for the period ended April 30, 2006. Consequently, the following discussion and analysis of the financial condition and results of operations of Thunder Sword Resources Inc. (the "Company"), should be read in conjunction with the unaudited interim financial statements for the period ended April 30, 2006 and related notes therein, which have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") consistently applied.

The reader should also refer to the annual audited financial statements for the year ended October 31, 2005, and the Management Discussion and Analysis for that year.

Certain statements contained in the following MD&A and elsewhere constitute forward-looking statements. Such forward-looking statements involve a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below. Aside from factors identified in the annual MD&A, additional important factors, if any, are identified here.

Additional information related to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

**Overview**

The Company is engaged in the exploration, development and exploitation of mineral properties and energy related commodities.

During our Annual Meeting May 26, 2006 we acknowledged the passing of one of our directors, Mr. James R. Tostenson. Mr. Tostenson served since 1979 and was a respected and knowledgeable friend to management and his insight and vision will be missed as we move forward in what the Company feels is an important time in its development.

We also accepted the resignation of another director, Ms Sharon Goldstein, who wants to pursue other interests. I would like to take this opportunity to thank Ms Goldstein for the many years she served this Company and wish her much success in her new ventures.

On the brighter side I am pleased to welcome two new directors to the Board. Mr. Thornton Donaldson B.A. Sc., P.Eng and Mr. Bill Dynes B.Sc (Hon) P.Geo to the Company's Board of Directors. Mr. Donaldson is the President of Canwest Petroleum Corporation, formerly Uranium Power Corporation, a position he had held from April 1998 to May 16, 2002 and from September 15, 2003 to present. Mr. Donaldson is also a director of Lorex Resources Ltd., a mineral exploration company located in Vancouver, British Columbia since July 1999. Additionally Mr. Donaldson is the President and sole director of Texola Energy Corp., a publicly traded oil and gas exploration company, and United Corporate Advisors Ltd., a geological and financial consulting business founded by Mr. Donaldson in 1970.

Mr. Dynes is a consulting geologist currently managing exploration projects in Africa and Mexico. Mr. Dynes also has extensive experience in designing and managing advanced exploration and geophysical programs for various companies throughout B.C. and the North West Territories.

As many shareholders and investors will agree, 2005 was a very good year for the energy markets generally, with record prices being set for most energy related commodities. Industry experts continue to suggest that the demand for these commodities will continue to surge while the supply side will remain very much in question for the foreseeable future. With this in mind, management has begun to direct its efforts on creating shareholder value by acquiring and participating in exploration prospects directed at the energy resource sector, with particular focus being given to uranium exploration, in Canada and the United States. As recently reported by the Company, we are currently looking to participate as Operator in excess of 74,000 hectares of prospective uranium claims in the Athabasca Basin, Saskatchewan. We are very excited by the potential these large claim areas have, and we look forward to reporting on our activities as we proceed into 2006/2007.

Uranium prices have increased dramatically since the historic lows of 2001 and are reaching new highs almost weekly. For the most part, this price strengthening reflects tightening supply and recognition that new investment is needed to encourage exploration for additional reserves and to build new mines. By 2050, world energy consumption will double and demand for electricity will triple. A recent *Forbes* magazine cover story, entitled *Going Nuclear*, analyzed uranium's recent price surge, "One reason the price of uranium should keep escalating is that producers are only starting to ramp up to meet the strong demand. Utilities globally need 180 million pounds of uranium annually, but at this point a mere 108 million pounds are coming out of the ground."

Canada has a vast supply of uranium in high-concentration deposits, mostly in northern Saskatchewan's Athabasca Basin, where the Company will be focusing its initial exploration efforts. The Athabasca Basin occupies an area of about 100,000 sq km in northern Saskatchewan and accounts for approximately 30% of global primary uranium production making them the #1 producer in the world. Since 1968, 18 deposits totaling over 1.4 billion pounds of uranium have been discovered in the region. In 1975, the richest open-pit deposit in the world was discovered by Cameco at Key Lake. Key Lake is currently the largest high-grade uranium milling operation in the world with an annual production capacity of 18 million pounds. Canada's uranium mining industry has sales in the order of half a billion dollars per year.

As noted earlier, the Company has optioned seven groups of properties comprising a total of 22 claims with an area of 74,772 hectares ("Upper Dufferin Lake Claims"). These claims are located along the southern margin of the Athabasca Basin.

In order to exercise the option, Thunder Sword is required to pay the Optionor, 101073531 Saskatchewan Ltd., a total of \$ 1,000,000, of which \$500,000 is due on the date that the Option Agreement is accepted for filing by the TSX Venture Exchange and the completion, by Thunder Sword, of an equity private placement of \$2,000,000. The remaining \$500,000 is payable twelve months from the Effective Date. In addition, the Company is required to issue the Optionor 5,000,000 shares of the Company on the Effective Date. The Option Shares will be subject to standard escrow and release restrictions imposed by the Exchange.

In addition, Thunder Sword, to exercise the option, will be required to incur not less than \$1,000,000 in exploration expenditures on the properties by October 1, 2006, an additional \$3,000,000 in exploration expenditures on or before October 1, 2007, and an additional \$4,000,000 in exploration expenditures on or before October 1, 2008.

The Upper Dufferin Lake Claims are adjacent and immediately offset UEM's (Cameco/Cogema JV) Virgin River Project (DDH VR-18). The project is located about 120 km west of Key Lake at the north end of Thunder Sword's Dufferin Lake claim and extends over to Virgin Lake and Virgin River. UEM's work was concentrated around the Virgin River and Dufferin faults. According to the project operator, the pathfinder element signature in DDH VR-18 compares favorably to that observed in Cameco's McArthur River project, the world's largest known deposit of high-grade uranium. According to Cameco, the uranium intersections obtained in the "Central Zone" are the most significant ever encountered along the entire Dufferin/Virgin River Trend in more than 25 years of exploration. A \$2 million diamond drill program is planned to follow up on these encouraging results in 2006.

Dr. Joe Montgomery, Ph.D, P.Eng., in his N.I. 43-101 Report, dated May 26, 2006, prepared for Thunder Sword, said the Upper Dufferin Lake Claims have many of the attributes which have been found in past and existing uranium deposits of the Eastern Athabasca Basin and were, in his opinion, considered to be very prospective for uranium deposits. A two phase program of exploration has been recommended. The proposed program will consist of airborne magnetic and electromagnetic surveys followed by detailed ground surveys of anomalous areas. We feel confident that our decisions to focus our ongoing efforts on the exploration and potential exploitation of our uranium related projects will serve to add value to the Company and YOU, its shareholders over many years to come.

Our Pilot Harbour property, which is located in the Sault St. Marie Mining Division of Ontario. The property, is comprised of 42 claims (672 hectares), in the Mishubishu Lake area in Ontario, located 4½ miles SW from the Eagle River property presently being mined by River Gold Mines Ltd. The Company owns a 100% interest in these claims, which are subject to a 2% net smelter royalty.

The Pilot Harbour property showed soil samples of 2,000 ppb (about 0.06 oz/ton Au) and chip samples revealed gold values ranging from 0.10 oz/ton Au to 3.4 oz/ton Au. Utilizing funds raised from equity sources, the Company has previously focused on exploration of indicated high grade gold deposits, with the corporate objective of production from these deposits.

All claims are in good standing until April of next year.

Our magnesium chloride is brought in from China from a property in Geermu, located a few kilometers from the City of Geermu in the Caerhan Salt Lake area of Northern China. Caerhan Salt Lake is one of the largest salt lakes in the world and contains concentrations of sodium chloride, potash and magnesium chloride. High grades of magnesium chloride (46%) is found in the tailings from previous mining operations and is readily available. Magnesium chloride has proven to be one of the most effective solutions for highway de-icing and dust control and numerous other applications.

To finance the undertakings the Company announces that it is proceeding with a private placement of 1,500,000 Units, at a price of \$1.50 per Unit. Each Unit will consist of one common share and one warrant to acquire one additional share in the Company for a two year period, for additional consideration of \$2.00 per share. The Company will have the right to force the exercise of the warrants if the average trading price of the Company's shares exceeds \$2.50 per share for a period of 10 consecutive trading days. The proceeds of the financing will be used to fund the Company's obligations under the Option Agreement and for general working capital.

### Selected Annual Information

The following table provides a brief summary of the Company's financial operations for the years ended October 31 and should be read in conjunction with the Company's audited financial statements for the three most recently completed financial years.

	2005	2004	2003
Sales	\$ 17,407	\$ 38,316	\$ 69,960
Net Loss from operations	\$ 192,589	\$ 396,697	\$ 170,265
Net loss per share (basic and fully diluted)	\$0.02	\$0.07	\$0.03
Total Assets	\$ 123,916	\$ 126,166	\$ 164,332
Long Term Financial Liabilities	\$ Ø	\$ Ø	\$ Ø
Cash Dividends per share	\$0.00	\$0.00	\$0.00

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going-concern basis.

The increase in net loss during 2004 was primarily due to:

- Stock based compensation in the amount of \$154,368 incurred in 2004 with no such expense in either of the 2003 and 2005 fiscal years;
- Travel expenses varied as follows: 2005 - \$18,406; 2004 - \$27,347 and 2003 - \$19,905. Expenditure levels indicated in 2005 and 2003 are more typical of expected expenditure levels. During 2004 the Company incurred extra travel costs for trips to China related to securing a good working relationship with government officials in the regions the Company has mineral property interests.
- Interest expense varied as follows: 2005 - \$28,218; 2004 - \$64,343 and 2003 - \$42,950. Included in these expenses is interest on loans from related parties in the amount of: 2005 - \$25,778; 2004 - \$61,236 and 2003 - \$41,354. The variation in interest on loans from related parties reflects continued advances made to the Company through 2003 and 2004 and the settlement of debt for shares which occurred in early 2005.

### Results of Operations

During this period no work was performed on our Pilot Harbour Property in Ontario. All claims are in good standing until April 2007. With the acquisition of the Upper Dufferin Lake Claims, the Company is now reviewing its plans for the Pilot Harbour Property. The claims will be maintained in good standing until the future of the claims is determined.

The Company's chemical/environmental division continued development/formulation of magnesium chloride products based on the purity and flexibility of our product. The marketing and production of our fertilizer product has been a further delayed as research and development is continuing. The sound barrier and fire retardant products show a demonstrated market potential, but further testing is necessary before we can launch this product. We continue to hold an inventory of liquefied magnesium chloride and are currently marketing it.

During this period cash remained a limited resource. Operating costs continue to be funded by loans from directors. The directors intend to continue to fund the Company's operations until such time that financing can be arranged or sales of magnesium chloride will provide cash flow sufficient to fund the Company's operations.

### Summary of Quarterly Results

(Canadian dollars - Unaudited, except for the periods ending October 31):

	Quarter ended April 30 2006	Quarter ended Jan. 31 2006	Quarter ended Oct. 31, 2005	Quarter ended July 31, 2005	Quarter ended April 30, 2005	Quarter ended Jan. 31, 2005	Quarter ended Oct. 31, 2004	Quarter ended July 31, 2004
Sales	\$ 7,679	\$ 5,136	\$ 9,829	\$ 7,578	\$ -	\$ -	\$ 24,937	\$ 10,784
Loss for the period from operations	\$ (93,122)	\$ (37,296)	\$ (38,837)	\$ (43,667)	\$ (56,823)	\$ (53,262)	\$ (207,082)	\$ (52,522)
Loss Per Share from operations - basic & fully diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.01)
Net Loss for the Period	\$ (93,122)	\$ (37,296)	\$ (38,837)	\$ (43,667)	\$ (56,823)	\$ (53,262)	\$ (207,082)	\$ (52,522)
Net loss Per Share - basic & fully diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.01)

Significant expenditures during the quarter ended April 30, 2006 and significant variations from the prior year included:

- Automotive and travel - \$11,568 (2005 - \$4,592): The 2005 expenditure is a normal level of expenditure for automotive and travel. Automotive and Travel include car allowances paid to directors and management. During the quarter ended April 30, 2006 the Company incurred additional travel (\$6,926) related to product development.
- Consulting - \$21,000 (2005 - \$22,500): Consulting expense in each period includes \$15,000 paid or accrued to directors.
- Interest - \$6,380 (2005 - \$2,930); Interest expense includes interest accrued on amounts due to directors (2006 - \$4,693; 2005 - \$2,296) and interest paid on overdue trade creditor accounts.
- Professional fees - \$31,428 (2005 - \$5,960): Professional fees for the quarter ended April 30, 2006 includes a \$17,000 settlement of legal fees not previously recorded in the accounts of the Company and year-end audit fees billed in the quarter but not accrued as at the year end
- Rent - \$10,626 (2005 - \$6,875); Rent includes \$1,500 (2005 - \$1,500) paid to a company controlled by the spouse of a director. Rent increase from the comparative period relates to the rental cost of the Company's storage yard

The Company has recorded losses in all of the previous eight financial quarters, and expects to continue to record losses until such time as the sales of magnesium chloride will increase to the point of profitability.

### **Liquidity**

The Company is engaged in mineral exploration and development and sales of magnesium chloride and has limited cash flow from operations; it must rely on equity financing and/or related party advances to meet its administrative and overhead expenses, and to pursue its objectives. Cash on hand at April 30, 2006 was \$649 (2005: - \$931). At April 30, 2006, the Company had advances from related parties totaling \$431,168 (2005: - \$212,971). Amounts due to related parties bear interest at 10% per annum and are payable on demand. Management is currently pursuing additional equity financing in order to cover its operating and capital expenses and to pursue its objectives.

## Capital Resources

Shares Authorized: 98,895,000 common shares without par value  
1,000,000 preference shares without par value

Shares Issued: 10,419,578 common shares without par value

On February 25, 2004 the Company granted 601,460 stock options to a director and consultant at an exercised price of \$ 0.15 per share expiring on February 25, 2009. These options were exercised during the quarter ended April 30, 2006.

The Company intends to raise, by way of private placement, the sum of at least \$2,000,000 in order to close the acquisition of the Upper Dufferin Lake Claims and provide cash for exploration and working capital.

## Off-Balance Sheet Arrangements

The Company has no Off-Balance Sheet arrangements.

## Related Party Transactions

The following summarizes the Company's related party transactions for the quarters ended April 30, 2006 and April 30, 2005:

a) Rent

During the quarter the Company paid or accrued rent of \$1,500 (2005 - \$1,500) to a company controlled by a spouse of a director.

b) Management Services

During the quarter the Company paid or accrued consulting fees of \$15,000 (2005 - \$15,000) to directors for management services

c) Due to Related Parties

The amounts due to related parties (April 30, 2006 - \$431,168; April 30, 2005 - \$212,971) is owing to a director and to a company controlled by a spouse of a director. The loans bear 10% interest per annum, are unsecured, and are without specific terms of repayment.

## Fourth Quarter

Not applicable

## Proposed Transactions

The Company intends to raise, by way of private placement, the sum of at least \$2,000,000 in order to close the acquisition of the Upper Dufferin Lake Claims and provide cash for exploration and working capital.

## Critical Accounting Estimates

The Company's discussion and analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, are based on its financial statements that have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of these financial statements requires management to make estimates and judgments that affect reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management re-evaluates its estimates and judgments, particularly those related to the determination of the impairment of long-lived assets. Management bases its estimates and judgments on historical experience, contractual arrangements and commitments and on various other assumptions that it believes are reasonable in the circumstances. Changes in these estimates and judgments will impact the amounts recognized in the consolidated financial statements, and the impact may be material. Management believes the following critical accounting policies require more significant estimates and judgments in the preparation of the consolidated financial statements.

The consolidated financial statements have been prepared on the going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of operations. If the Company was not to continue as a going concern, it would likely not be able to realize on its assets at values comparable to the carrying value or the fair value estimates reflected in the balances set out in the preparation of the consolidated financial statements. The Company anticipates the need to raise additional private placement debt or equity funds or through joint venture arrangements to accomplish its budgeted expenditures. These private placements are not assured. Failure to raise additional funds may result in the Company being unable to complete its planned programs, curtailing operations or writing down its assets.

#### **Changes in Accounting Policies, including Initial Adoption**

There were no changes during the period

#### **Financial Instruments and Other Instruments**

The Company's financial instruments consist of cash, amounts receivable, accounts payable and accrued liabilities. The terms are fully disclosed in the Company's financial statements. It is management's opinion that the Company is not exposed to significant currency, credit or interest risks from its financial instruments. The fair value is the carrying value unless otherwise noted.

#### **Additional Information**

Additional information relating to the Company can be found on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) database at [www.sedar.com](http://www.sedar.com)