

KAMINAK GOLD CORPORATION

(A Development Stage Company)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED MARCH 31, 2006

Unaudited – Prepared by Management

Canadian Funds

Notice of Non-review of Interim Consolidated Financial Statements

The attached interim consolidated financial statements for the six month period ended March 31, 2006 have not been reviewed by the company's auditors.

Kaminak Gold Corporation
(A Development Stage Company)
Interim Consolidated Balance Sheet
Unaudited – Prepared by Management
Canadian Funds

Statement 1

	As at March 31, 2006 (Unaudited)	As at September 30, 2005 (Audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 3,889,862	\$ -
GST receivable	16,674	-
Marketable securities (Note 6)	23,000	-
Prepaid expense	9,756	-
	<u>3,939,292</u>	-
Office Equipment , at net book value (Note 12)	3,864	-
Resource Property Costs (Note 7) – Schedule	<u>1,923,535</u>	114,359
	<u>\$ 5,866,691</u>	<u>\$ 114,359</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities		
- Due to related party (Note 10)	\$ 42,800	\$ 122,211
- Trade payables and accrued liabilities	13,597	16,152
	<u>56,397</u>	138,363
Future Income Tax Liability (Note 11)	-	-
Continued Operations (Note 2)		
SHAREHOLDERS' EQUITY		
Share Capital (Note 8)	5,940,620	1
Contributed Surplus (Note 9)	45,692	-
Deficit - Statement 2	<u>(176,018)</u>	<u>(24,005)</u>
	<u>5,810,294</u>	<u>(24,004)</u>
	<u>\$ 5,866,691</u>	<u>\$ 114,359</u>

ON BEHALF OF THE BOARD:

"Rob Carpenter", Director

"John Williamson", Director

- See Accompanying Notes -

Kaminak Gold Corporation*(A Development Stage Company)***Interim Consolidated Statement of Loss and Deficit***Unaudited – Prepared by Management**Canadian Funds*Statement 2

	For the Three Months Ended March 31, 2006 (Unaudited)	For the Six Months Ended March 31, 2006 (Unaudited)	For the 88 Days Ended September 30, 2005 (Audited)
Expenses			
Accounting and legal	\$ 19,559	\$ 25,793	\$ 16,152
Amortization	313	313	-
Bank charges and interest	8	389	-
Consulting	43,108	55,288	-
Investor relations	27,316	52,828	-
Listing and filing fees	10,953	11,219	-
Office and sundry	4,976	12,106	851
Rent	3,450	5,463	-
Stock-based compensation	-	45,692	-
Transfer agent fees	10,422	13,550	578
Travel and conference	30,358	33,209	4,815
	<u>150,463</u>	<u>255,850</u>	<u>22,396</u>
Loss Before the Undernoted	<u>(150,463)</u>	<u>(255,850)</u>	<u>(22,396)</u>
Other Expenses			
Interest income	5,441	6,082	-
Write-off of resource property costs	-	-	(1,609)
Loss for the Period	(145,022)	(249,768)	(24,005)
Income Tax Recovery <i>(Note 11)</i>	97,755	97,755	-
Net Loss for the Period	(47,267)	(152,013)	(24,005)
Deficit, Beginning of the Period	(128,751)	(24,005)	-
Deficit, End of the Period	\$ (176,018)	\$ (176,018)	\$ (24,005)
Basic and Diluted Loss per Share			
	\$ (0.00)	\$ (0.01)	\$ (24,005)
Weighted Average Number of Shares Outstanding			
	21,220,770	16,131,742	1

- See Accompanying Notes -

Kaminak Gold Corporation*(A Development Stage Company)***Interim Consolidated Statement of Cash Flows***Unaudited – Prepared by Management**Canadian Funds*Statement 3

	For the Three Months Ended March 31, 2006 (Unaudited)	For the Six Months Ended March 31, 2006 (Unaudited)	For the 88 Days Ended September 30, 2005 (Audited)
Cash Flows from Operating Activities			
Net income (loss) for the period	\$ (47,267)	\$ (152,013)	\$ (24,005)
Items not affected by cash:			
Income tax recovery	(97,755)	(97,755)	
Stock-based compensation	-	45,692	-
Amortization	313	313	
Write-off of Resource Property costs	-	-	1,609
	(144,709)	(203,763)	(22,396)
Changes in non-cash working capital:			
GST receivable	(8,188)	(9,756)	-
Prepaid expenses	(4,756)	(16,674)	-
Trade Payables and Accrued liabilities	(10,906)	(8,817)	16,152
	(168,559)	(239,010)	(6,244)
Cash Flows from Investing Activities			
Resource property costs	(255,601)	(612,578)	
Office equipment	(4,177)	(4,177)	-
	(259,778)	(616,755)	
Cash Flows from Financing Activities			
Issuance of share capital, net of issuance costs	3,442,291	4,825,038	1
Advances from related party	(122,085)	(79,411)	6,243
	3,320,206	4,745,627	6,244
Net Increase (Decrease) in Cash for the Period	2,891,869	3,889,862	-
Cash, Beginning of the Period	997,993	-	-
Cash, End of the Period	\$ 3,889,862	\$ 3,889,862	\$ -

Supplemental Schedule of Non-Cash Investing and Financing Activities

Resource property costs paid directly by a related party	\$ -	\$ -	\$ 115,968
Accounts payable included in resource property costs	6,262	6,262	-
Receipt of shares as property option payment	23,000	23,000	-
Issuance of share capital to acquire subsidiary	-	1,159,900	-
Issuance of share capital to acquire 53.76% of Hunter Properties	-	18,436	-
Issuance of share capital for property	-	35,000	-
Future income tax – issuance costs	\$ 97,755	\$ 97,755	\$ -

Kaminak Gold Corporation*(A Development Stage Company)***Interim Consolidated Schedule of Resource Property Costs***Unaudited – Prepared by Management**Canadian Funds*

Schedule

	For the Six Months Ended March 31, 2006 (Unaudited)			For the 88 days ended September 2005
	Acquisition Costs	Deferred Exploration	Total	
Mineral Interests				
<i>Baker Lake (Uranium), Nunavut</i>				
Claim maintenance	\$ 163,680	\$ -	\$ 163,680	\$ -
Geological consulting	-	6,023	6,023	-
Option receipt – shares	(23,000)	-	(23,000)	-
	140,680	6,023	146,703	-
<i>Bathurst, Nunavut</i>				
Acquisition costs - shares	197,025	-	197,025	-
Claim maintenance	12,085	-	12,085	-
Geological consulting	-	1,807	1,807	-
Travel and accommodation	-	11,643	11,643	-
	209,110	13,450	222,560	-
<i>Br, Nunavut</i>				
Acquisition costs - shares	284,012	-	284,012	-
Geological consulting	-	2,125	2,125	-
Travel and accommodation	-	11,643	11,643	-
	284,012	13,768	297,780	-
<i>Churchill, Nunavut</i>				
Acquisition costs – cash	208,350	-	208,350	-
Acquisition costs - shares	552,908	-	552,908	-
Claim maintenance	22,413	-	22,413	-
Assays	-	5,200	5,200	-
Field and general	-	1,225	1,225	9,868
Geological consulting	-	18,742	18,742	81,926
	783,671	25,167	808,838	91,794
<i>IME, Nunavut</i>				
Acquisition costs – cash	8,350	-	8,350	-
Acquisition costs – shares	22,159	-	22,159	-
Geological Consulting	-	-	-	642
	30,509	-	30,509	642
Balance Forward	\$ 1,447,982	\$ 58,408	\$ 1,506,390	\$ 92,436

- See Accompanying Notes -

Kaminak Gold Corporation*(A Development Stage Company)***Interim Consolidated Schedule of Resource Property Costs***Unaudited – Prepared by Management**Canadian Funds*

Schedule

	For the Six Months Ended March 31, 2006 (Unaudited)			For the 88 days ended September 2005
	Acquisition Costs	Deferred Exploration	Total	
Balance Brought Forward	\$ 1,447,982	\$ 58,408	\$ 1,506,390	\$ 92,436
<i>Lach, Nunavut</i>				
Acquisition costs - cash	8,325	-	8,325	-
Acquisition costs – shares	22,093	-	22,093	-
Recording and staking	11,193	-	11,193	2,300
Assays	-	2,340	2,340	-
Field and general	-	1,306	1,306	7,241
Geological consulting	-	8,676	8,676	7,062
Travel and accommodation	-	11,124	11,124	505
	41,611	23,446	65,057	17,108
<i>Matrix, Nunavut</i>				
Acquisition costs - cash	8,325	-	8,325	-
Acquisition costs – shares	22,093	-	22,093	-
	30,418	-	30,418	-
<i>Needle, Nunavut</i>				
Acquisition costs - shares	33,863	-	33,863	-
Field and general	-	519	519	-
Geological consulting	-	1,808	1,808	-
Travel and accommodation	-	11,124	11,124	-
	33,863	13,451	47,314	-
<i>Nizi, BC</i>				
Acquisition costs – cash	8,325	-	8,325	-
Acquisition costs – shares	22,091	-	22,091	-
Geological consulting	-	-	-	3,531
	30,416	-	30,416	3,531
<i>Sharpe Lake, Manitoba</i>				
Acquisition costs - cash	17,500	-	17,500	-
Acquisition costs - shares	35,000	-	35,000	-
Field and general	-	358	358	-
Geological consulting	-	3,243	3,243	-
	52,500	3,601	56,101	-
<i>Sy, Nunavut</i>				
Recording and staking	13,083	-	13,083	-
Claim maintenance	21,508	-	21,508	-
Field and supplies	-	2,875	2,875	-
	34,591	2,875	37,466	-
<i>Voigtberg, BC</i>				
Acquisition costs – cash	8,325	-	8,325	-
Acquisition costs – shares	22,092	-	22,092	-
Geological consulting	-	5,597	5,597	1,284
	30,417	5,597	36,014	1,284
Balance Forward	\$ 1,701,798	\$ 107,378	\$ 1,809,176	\$ 114,359

- See Accompanying Notes -

Kaminak Gold Corporation*(A Development Stage Company)***Interim Consolidated Schedule of Resource Property Costs***Unaudited – Prepared by Management**Canadian Funds*Schedule

	For the Six Months Ended March 31, 2006			For the 88 days ended September 2005
	(Unaudited)			
	Acquisition Costs	Deferred Exploration	Total	
Balance Brought Forward	\$ 1,701,798	\$ 107,378	\$ 1,809,176	\$ 114,359
Generative				
Geological Consulting	-	-	-	1,609
Resource Property Costs for the Period	1,701,798	107,378	1,809,176	115,968
Balance, Beginning of the Period	2,300	112,059	114,359	-
Less: Write-off of resource property costs on property not acquired	-	-	-	(1,609)
Balance, End of the Period	\$ 1,704,098	\$ 219,437	\$ 1,923,535	\$ 114,359

- See Accompanying Notes -

Kaminak Gold Corporation

(A Development Stage Company)

Notes to Interim Consolidated Financial Statements

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1. Nature of Operations

Kaminak Gold Corporation ("Kaminak" or "KAM" or the "Company") was incorporated on July 4, 2005 under the Business Corporations Act (British Columbia), and is a development stage enterprise focusing on the acquisition, exploration and development of economic gold and other precious and base metal properties.

The Company became a reporting issuer in Alberta and British Columbia on November 9, 2005 by virtue of a reorganization transaction involving the exchange of securities between Shear Minerals Ltd. ("Shear"), the Company and the shareholders of Shear. The reorganization transaction involved the acquisition from Shear of a 46.24% interest in certain properties ("Hunter Properties") and all of the outstanding shares of 974134 N.W.T. Limited, a wholly-owned subsidiary of Shear which holds the non-diamond properties of Shear. In tandem with the reorganization transaction, the Company acquired the remaining interest in the Hunter Properties from Hunter Exploration Group ("Hunter"), a related party, by issuing common shares and a promissory note. On November 23, 2005, after completion of its private placements, the Company's shares became publicly trading on the TSX Venture Exchange under the symbol "KAM".

2. Continued Operations

These interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company's continued existence is dependent upon its ability to raise additional financing and to generate profitable operations in the future.

These interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate because management believes that the actions already taken or planned will mitigate the adverse conditions and events which raise doubts about the validity of the going concern assumption used in preparing these consolidated financial statements.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported revenue and expenses and the balance sheet classifications used.

3. Significant Accounting Policies

a) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, 974134 N.W.T. Limited, a subsidiary acquired as a result of a reorganization transaction (Note 4). Results of operations of 974134 N.W.T. Limited are included in these consolidated financial statements from the date of acquisition on November 9, 2005.

b) Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers cash and cash equivalents to include amounts held in banks and highly liquid investments with maturities at point of purchase of 90 days or less. The Company places its cash with institutes of high credit worthiness.

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Notes to Interim Consolidated Financial Statements

March 31, 2006

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3. Significant Accounting Policies – Continued:

c) Marketable Securities

The Company accounts for marketable securities at the lower of cost or quoted market value.

d) Amortization

The Company provides for amortization on its office equipment and furniture at an annual rate of 30% on the declining balance method. One-half of the rates are taken in the year of acquisition.

e) Resource Property Costs

The Company is in the process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable.

Resource exploration and development costs are capitalized on an individual area of interest basis until such time as an economic diamond body is defined or the prospect is abandoned. Costs for a producing prospect are amortized on a unit-of-production method based on the estimated life of the reserves, while costs for the prospects abandoned are written off.

The recoverability of the amount capitalized for the undeveloped resource properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to resource 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 resource 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.

f) Asset Retirement Obligations

The Company recognizes the fair value of legal obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost is recognized at fair value when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. No asset retirement costs have been recognized during the current period.

g) Variable Interest Entities

Accounting Guideline 15 defines Variable Interest Entities ("VIE") as entities that have insufficient equity to fund their activities without additional financing or where their investors lack one or more specified essential characteristics of a controlling financial interest. The standard provides guidance for determining when an entity is a VIE and who, if anyone, should consolidate the VIE. During the current period, the Company completed its evaluation and concluded that it has no Variable Interest Entities.

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3. Significant Accounting Policies – Continued

h) Income Taxes

Income taxes are accounted for using the asset and liability method. Future taxes are recognized for the tax consequences of "temporary differences" by applying enacted or substantively enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax basis of existing assets and liabilities. The effect on deferred or future income taxes for a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. In addition, the method requires the recognition of future tax benefits to the extent that realization of such benefits is more likely than not.

i) Share Capital

- i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.
- ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

j) Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. Accordingly, the fair value of the options at the date of the grant is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

k) Loss per Share

Basic loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by application of the treasury stock method. The treasury stock method assumes that the options and/or warrants are exercised at the beginning of the year (or issue date if later) and the proceeds are used to repurchase outstanding shares of common stock.

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Notes to Interim Consolidated Financial Statements

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3. Significant Accounting Policies – Continued

l) Flow-Through Shares

The Company accounts for flow-through shares using the recommendations of the Emerging Issues Committee EIC-146. Canadian Income Tax Legislation permits an enterprise to issue securities referred to as flow-through shares, whereby the investor can claim the tax deductions arising from the enunciation of the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, future income tax liabilities are recognized (renounced expenditures multiplied by the effective tax rate) thereby reducing share capital.

If the Company has sufficient unused tax losses and deductions (“losses”) to offset all or part of the future income tax liabilities and no future income tax assets have been previously recognized on such losses, a portion of such unrecognized losses (losses multiplied by the effective corporate tax rate) is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures.

m) Management's Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. In particular, resource property costs may be affected. Actual results could differ from those estimates.

4. Reorganization Transaction

Effective November 9, 2005, pursuant to reorganization transaction (the Spin Out Agreement), the Company acquired from Hunter and Shear, related parties, two groups of properties: the Hunter Properties and the Shear Properties. The Hunter Properties consist of six mineral properties: the Churchill Gold Property, the Lach Gold Property, the Nizi Gold Property, the Matrix Gold Project, the Voigtberg Gold Property and non-diamond rights over the IME Properties. The Shear Properties consist of the Bathurst, BR, Needle, Sy and any non-diamond rights to the Churchill Diamond Projects (except for a 5% non-diamond net profits interest).

Details are as follows:

- i) The Company issued 11,225,684 common shares to Shear, to acquire 46.24% of the Hunter Properties and all of the outstanding shares of 974134 N.W.T. Limited, a company which owns the Shear Properties; these shares were distributed to Shear's shareholders pursuant to a spin-out transaction. Subsequent to this spin-out, Shear was no longer the parent of the Company.

Kaminak Gold Corporation

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Notes to Interim Consolidated Financial Statements

March 31, 2006

Unaudited – Prepared by Management

Canadian Funds

4. Reorganization Transaction - Continued

- ii) The Company issued 3,000,000 shares to Hunter together with warrants to acquire an additional 3,000,000 shares at \$0.35 per share to November 9, 2007, to acquire the remaining 53.76% interest in the Hunter Properties. The 3,000,000 shares are subject to escrow restrictions and held on deposit with the Transfer Agent. Ten percent were released upon the Company's public trading, with the balance to be released in equal tranches of 15% every 6 months over 36 months.
- iii) The Company agreed to reimburse Hunter for exploration costs incurred by Hunter on the Hunter Properties by the issuance of a Promissory Note in favour to Hunter for the principal sum of \$250,000, bearing interest at 5% per annum, with principal and accrued interest to become due and to be paid in full on or before November 9, 2007. The Company may prepay the promissory note at any time and Hunter may elect at any time on written notice to the Company to convert, in whole or in part, the principal amount outstanding into common shares at a deemed price equal to the weighted average closing price of the Company for 20 trading days prior to the date of the written notice. The Company paid this promissory note in full on December 1, 2005.
- iv) The Company will pay Hunter an advance royalty on the Lach Gold Property in the sum of \$10,000 on June 1st in each of 2008, 2009 and 2010 and \$25,000 on June 1st in each year thereafter, if Kaminak is and remains the beneficial owner of the Lach Gold Property on such dates.
- v) Hunter retains a 2% gross overriding royalty and a 2% net smelter royalty in all Hunter properties acquired by the Company.
- vi) Hunter has entered into a voting trust agreement whereby it will grant Shear an irrevocable proxy to vote Hunter's common shares for a period of three years from the issuance of the common shares and the warrants to acquire common shares.
- vii) Since the above reorganization transaction was between related parties, the properties acquired were recorded in the Company's books at the same amount as the carrying value in the books of Shear and Hunter.

5. Fair Value of Financial Instruments

At March 31, 2006, the Company's financial instruments consist of cash, GST receivable, amounts due to a related party and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

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6. Marketable Securities

	March 31, 2006		September 30, 2005	
	Market Value	Cost	Market Value	Cost
Common shares in a public company received as property payments, representing less than 5% interest in the optionee companies	\$ 38,000	\$ 23,000	\$ -	\$ -

The company also holds 100,000 share purchase warrants in a public company at an exercise price of \$0.22 per share exercisable on or before February 15, 2007.

7. Resource Property Costs:

Details are as follows:

	Acquisition Costs	Exploration Costs	Balance as at March 31, 2006	Balance as at September 30, 2005
Baker Lake, Nunavut	\$ 140,680	\$ 6,023	\$ 146,703	\$ -
Bathurst, Nunavut	209,110	13,450	222,560	-
BR, Nunavut	284,012	13,768	297,780	-
Churchill, Nunavut	783,671	116,961	900,632	91,794
IME, Nunavut	30,509	642	31,151	642
Lach, Nunavut	43,911	38,254	82,165	17,108
Matrix, Nunavut	30,418	-	30,418	-
Needle, Nunavut	33,863	13,451	47,314	-
Nizi, BC	30,416	3,531	33,947	3,531
Sharpe Lake, Manitoba	52,500	3,601	56,101	-
Sy, Nunavut	34,591	2,875	37,466	-
Voigtberg, BC	30,417	6,881	37,298	1,284
	\$ 1,704,098	\$ 219,437	\$ 1,923,535	\$ 114,359

General

Effective November 9, 2005, pursuant to reorganization transaction (the Spin Out Agreement), the Company acquired from Hunter and Shear, related parties, two groups of properties: the Hunter Properties and the Shear Properties. The Hunter Properties consist of six mineral properties: the Churchill Gold Property, the Lach Gold Property, the Nizi Gold Property, the Matrix Gold Project, the Voigtberg Gold Property and non-diamond rights over the IME Properties. The Shear Properties consist of the Bathurst, BR, Needle, Sy and any non-diamond rights to the Churchill Diamond Projects (except for a 5% non-diamond net profits interest) (Note 4).

Under the reorganization transaction, the following items relate to resource properties:

The Company agreed to reimburse Hunter for exploration costs incurred by Hunter on the Hunter Properties by the issuance of a Promissory Note in favour of Hunter for the principal sum of \$250,000, bearing interest at 5% per annum, with principal and accrued interest to become due and to be paid in full on or before November 9, 2007. The Company may prepay the promissory note at any time and Hunter may elect at any time on written notice to the Company to convert, in whole or in part, the principal amount outstanding into common shares at a deemed price equal to the weighted average closing price of the Company for 20 trading days prior to the date of the written notice. The Company paid this promissory note in full on December 1, 2005.

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7. Resource Property Costs – Continued:

The Company will pay Hunter an advance royalty on the Lach Gold Property in the sum of \$10,000 on June 1st in each of 2008, 2009 and 2010 and \$25,000 on June 1st in each year thereafter, if Kaminak is and remains the beneficial owner of the Lach Gold Property on such dates.

Hunter retains a 2% gross overriding royalty and a 2% net smelter royalty in all Hunter properties acquired by the Company.

The above reorganization transaction was between related parties, the properties acquired were recorded in the Company's books at carrying value in the books of Shear and Hunter.

Baker Lake (Uranium), Nunavut:

By agreement dated January 25, 2006, the Company granted a third party, Pacific Ridge Exploration Ltd., an option to acquire up to a 60% interest in the Baker Lake Uranium Project, Nunavut. The Baker Lake Property forms part of the Churchill property. Under the terms of the Option Agreement, Pacific Ridge has the right to initially earn a 51% interest by December 31, 2008 by making exploration expenditures totalling \$2.0 million dollars and staged payments totalling 400,000 Units (100,000 received) to the Company. Each Unit consisting of one common share and one 12-month share purchase warrant with an exercise price set in accordance with market at the time of issuance of the Unit. Pacific Ridge will have the right to increase its interest to 60% by spending an additional \$1.0 million prior to December 31, 2010. Thereafter Pacific Ridge and the Company will form a joint venture in accordance with their interests then held. Underlying interests are held by the Hunter Exploration Group as to a 2% Net Smelter Return interest and Shear Minerals Ltd and Stornaway Diamond Corp. as to an 8.5% Net Profits Interest. The option agreement pertains to all commodities other than diamonds.

Bathurst, Nunavut

The property is subject to a 2% NSR in favour of a third party, Echo Bay Mines Ltd.

Matrix, Nunavut

By agreement, assigned by Hunter to the Company as a result of the reorganization transaction (Note 4), Pacific Ridge Exploration Ltd., a 50% joint venture partner, and the Company granted Newmont Mining Corporation, a third party the option to earn up to an undivided 70% interest in the Matrix Gold Project by spending \$14 million on exploration.

In April 2006, Newmont Canada Limited, a subsidiary of Newmont formally notified the Company that Newmont has acquired prospecting permits totalling 110,000 acres within an area of mutual interest around the Matrix Gold Project. Since these permits were acquired within the boundaries of the joint venture area, the Company notified Newmont that it elected to accept a proportionate interest in this newly acquired ground, at no cost to the Company.

Needle, Nunavut

The Needle Lake Property is subject to a 1% NSR in favour of a third party, Pinnacle Resources (1996) Ltd.

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7. Resource Property Costs – Continued:

Sharpe Lake, Manitoba

On October 18, 2005, the Company entered into a Letter of Agreement with a third party to acquire a 100% interest in the 5,000 hectare Sharpe Lake Gold Project. The project is located 550 kilometres northeast of Winnipeg, Manitoba. To earn its interest, the Company paid the vendor \$15,000 (in January 2006) and issued 100,000 common shares, in addition to the initial payment of \$2,500 upon signing of the agreement covering the license renewal fees for the property. On the one-year anniversary of listing on the TSX Venture Exchange, the Company will pay the vendor a further \$15,000 and issue another 100,000 common shares. The vendor will retain a 2% Net Smelter Royalty (NSR). The Company will have the option to buy back 1% of this NSR at anytime by paying the vendor \$1,000,000.

8. Share Capital

a) Details as follows:

	Numbe	Amount
Authorized:		
Unlimited number of common voting shares without par value		
Unlimited number of preferred shares without par value		
Issued:		
One common share – Issued to Shear (Parent Company)	1	\$ 1
Balance – September 30, 2005	1	\$ 1
	11,225,68	
Acquisition of 974134 N.W.T. Limited (Note 4 (i))	4	1,159,900
Acquisition of 53.76% of Hunter Properties (Note 4 (ii))	3,000,000	18,436
For cash – Private Placement, flow-through shares, Nov. 9, 2005	818,585	286,505
For cash – Private Placement, November 9, 2005	4,657,800	1,164,450
For cash – Brokered Private Placement, flow-through shares, March 13, 2006	2,600,000	1,430,000
For cash – Brokered Private Placement, March 13, 2006	4,135,000	2,067,500
For corporate finance fee	100,000	-
For cash – non-brokered private placement, March 22, 2006	517,000	258,500
For property	100,000	35,000
Future income tax on flow-through expenditure renunciation	-	(97,755)
Share issuance costs	-	(381,917)
	27,154,070	\$ 5,940,620

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8. Share Capital – Continued:

b) Private Placements

November 9, 2005:

On November 9, 2005, the Company completed two private placements of 4,657,800 common shares at \$0.25 per share and 818,585 “flow-through” common shares at \$0.35 per share. The proceeds of \$286,505 from the flow-through shares must be used for qualifying exploration expenditures (as defined under the Income Tax Act) and renounced to the flow-through shareholders effective December 31, 2005. After deducting share issuance costs, the Company generated \$1,376,691 net proceeds (gross proceeds of \$1,450,955).

March 13, 2006

On March 13, 2006, the Company completed a brokered private placement of 4,135,000 non-flow-through (NFT) units at \$0.50 per unit and 2,600,000 “flow-through” (FT) units at \$0.55 per unit. Each FT Unit consisted of one flow through common share and half of one non-flow through common share purchase warrant. Each whole common share purchase warrant is exercisable to March 13, 2008 at \$0.70 per share. Each NFT Unit consisted of one common share and one whole common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share to March 13, 2008 at a price of \$0.60 per share. The agent was paid a cash commission of \$279,800, corporate finance fee of 100,000 NFT units, a one time administrative fee of \$5,000, plus all reasonable costs and expenses relating to the offering, and granted compensation options of 593,500 warrants at an exercise price equal to \$0.60 per warrant. The Company has also granted the agent the right of first refusal on all brokered financings for a period of 12 months from closing.

March 22, 2006

On March 22, 2006, the Company completed a non-brokered private placement of 517,000 non-flow-through (NFT) units at \$0.50 per unit. The units were issued under the same terms as the non-flow-through units issued under the brokered private placement of March 13, 2006. Each unit consisted of one common share and one common share purchase warrant. Each whole common share purchase warrant is exercisable into one common share to March 22, 2008 at a price of \$0.60 per share.

c) Flow-through Shares:

The total proceeds of \$286,505 from the issuance of 818,585 flow-through shares in the November 9 2005 private placement and \$1,430,000 from the brokered March 13, 2006 private placement must be used for qualifying exploration expenditures and to be renounced to the flow-through shareholders effective March 31, 2006 for \$286,505 and effective March 31, 2007 for \$1,430,000. The unspent balance of this flow-through issuance at March 31, 2006 was \$1,652,415 and is included in the Company’s cash and cash equivalents. The future income tax liability, estimated to be \$97,755 for the November 9, 2005 share issuance (by applying the tax statutory rate of 34.12%) resulting from the renunciation of these qualifying expenditures was recorded in February 2006 when the renunciation tax forms are filed, in accordance with the pronouncement of the CICA Emerging Issue Committee (EIC). The future income tax liability estimated to be \$487,916 for the March 13, 2006 share issuance will be recorded in February 2007 when the related renunciation tax forms are filed in accordance with the EIC pronouncement.

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8. Share Capital – Continued:

d) Pursuant to the reorganization transaction (Note 4), the Company issued 3,000,000 shares to Hunter to acquire the remaining 53.76% interest in the Hunter Properties. The 3,000,000 shares are subject to escrow restrictions and held on deposit with the Transfer Agent. Ten percent were released upon the Company's public trading, with the balance to be released in equal tranches of 15% every 6 months over 36 months. As at March 31, 2006, 2,700,000 of these shares remain in escrow.

e) Warrants:

At March 31, 2006, the following warrants were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life in Years
Hunter Property Warrants			
November 9, 2007	\$0.35	3,000,000	1.61
Share Purchase Warrants			
March 13, 2008	\$0.60	4,828,500	1.95
March 13, 2008	\$0.70	1,300,000	1.95
March 22, 2008	\$0.60	517,000	1.97
Weighted average of exercise price	\$0.54	9,645,500	1.85

All 9,645,500 warrants were issued during the current period; no warrants expired during the period.

f) Stock Options

On November 9, 2005, the Company adopted a stock option plan with the following terms:

i) Options granted can not be lower than the market price of one share on the last trading day immediately preceding the day on which the option is granted, less the maximum applicable discount permitted by TSX Venture Exchange and the minimum exercise price per share must be at least \$0.10.

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8. Share Capital – Continued:

f) *Stock Options – Continued:*

ii) At the time of the grant:

- a) the total number of shares so reserved for issuance by the Board of directors shall not exceed ten (10%) percent of the issued and outstanding shares (on a non-diluted basis);
- b) the aggregate number of shares so reserved for issuance to any one optionee in a 12 month period shall not exceed five (5%) percent of the issued shares (on a non-diluted basis);
- c) the aggregate number of options granted to any one consultant in a 12 month period shall not exceed 2% of the issued shares;
- d) the aggregate number of options granted to employees, who provide investor relations activities must not exceed 2% of the issued shares in any 12 month period; and
- e) options issued to consultants performing investor relations services must vest in stages over 12 months with no more than one-quarter of the options vesting in any 3 month period.

Pursuant to the reorganization transaction, the Company reserves for issuance an aggregate of 1,055,000 common shares for issuance to holders of outstanding incentive stock options granted by Shear. The amount of 897,200 options are to the directors of Shear, exercisable for a period of two years (expiring November 9, 2007) at an exercise price of \$1.00 per share in the first year and \$1.25 per share in the second year. All other options, being the balance of 157,800 options, are exercisable at \$0.35 per share for a period of two years (expiring November 9, 2007).

At March 31, 2006, all of the above 1,055,000 options were outstanding.

Pursuant to the Company's stock option plan, on January 17, 2006, the Company granted a total of 1,945,000 employee stock options, of which stock options to acquire a total of 1,100,000 common shares were granted to insiders of the Company and 845,000 shares were granted to independent consultants. The options carry an exercise price of \$0.55 per common share and will expire on January 17, 2011. The stock options vest in the amount of 25% every three months from date of granting. The stock-based compensation relating to this option grant, totalling \$813,909 will be recorded at \$203,477 every three months commencing April 17, 2006.

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8. Share Capital – Continued:

f) Stock Options – Continued:

The stock-based compensation for the current period amounted to \$45,692, with the offsetting entry to Contributed Surplus.

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions used for the stock options granted in November 2005:

Average risk-free interest rate	3.71%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected option life in years	1-2 years

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions used for the stock options granted in January 2006:

Average risk-free interest rate	3.84%
Expected dividend yield	0%
Expected stock price volatility	100%
Average expected option life in years	5 years

At March 31, 2006, the following options were outstanding:

Expiry Date	Weighted Average Exercise Price	Number of Options	Vested Number of Options	Weighted Average Remaining in Years
November 9, 2007	\$1.00/\$1.25	897,200	897,200	1.61
November 9, 2007	\$0.35	157,800	157,800	1.61
January 17, 2011	\$0.55	1,945,000	-	4.82
	\$0.67	3,000,000	1,055,000	3.69

9. Contributed Surplus

Balance consists of:

Balance – Beginning of the period	\$	-
Fair value of stock-based compensation		45,692
Balance – March 31, 2006	\$	45,692

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10. Related Party Transactions

Except as disclosed in these interim consolidated financial statements, related party transactions are as follows:

- a) During the period ended September 30, 2005, all expenditures of the Company were paid by Hunter, an unincorporated entity, whose principal was the President/CEO and director of the Company (now Chairman effective April 1, 2006). At September 30, 2005, the Company owed Hunter \$122,211 for these expenditures. As at March 31, 2006 all amounts owed to Hunter had been paid. As at March 31, 2006, there is a balance of \$42,800 owed directly to the Company's Chairman/director for management services rendered.
- b) Included in current period resource property costs are consulting fees paid to the Company's Vice-President of exploration and director, totaling \$38,040 (September 30, 2005 - \$94,445 – which included pre-organization consulting costs). Effective April 1, 2006, the VP of exploration assumed the position of President/CEO.

11. Income Taxes

- a) Reconciliation of accounting and taxable income (rounded to the nearest 00)

	For the Six Months Ended March 31, 2006	For the 88 Days Ended September 30, 2005
Net Loss for the period	\$ (152,000)	\$ (24,000)
Add:		
Amortization	300	-
Stock-based compensation	45,700	-
Write-off of resource property costs	-	1,600
Future income tax expense (recovery) (Note 8c)	(97,800)	-
Deduct:		
Capital Cost Allowance	(300)	-
Share issuance costs	(38,200)	-
Net Loss for tax purposes	\$ (242,300)	\$ (22,400)

- b) To March 31, 2006, the Company has incurred non-capital loss for tax purposes of approximately \$264,700, which may be carried forward to reduce future taxable income. These losses expire as follows: in the year 2015 - \$22,400; 2016 - \$242,300.

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11. Income Taxes –Continued:

- c) The components of the future income tax asset (liability) balances are as follows: (rounded to the nearest 00)

	March	September 30, 2005
Future income tax asset (liability)		
Non-capital loss carry-forwards	\$ 22,400	\$ -
Non-capital loss for the period	242,300	22,400
Share issue costs	343,800	-
Resource property costs tax basis in excess of (below) book value	(286,500)	1,600
	<u>322,000</u>	<u>24,600</u>
Effective income tax rate	34.12%	34.12%
Future income tax asset (liability)	109,800	8,400
Allowance for future income tax	(109,800)	(8,400)
Future income tax asset	<u>\$ -</u>	<u>\$ -</u>

The effective income tax rate is the rate that is estimated to be applicable when the timing differences reverse.

12. Office Equipment

Office equipment, at net book value of \$3,864 at March 31, 2006 comprised of: Cost - \$4,177; Accumulated amortization - \$313.