

Talmora Resources Inc.
Financial Statements
December 31, 2005 and 2004

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Auditors' Report

To the Shareholders
Talmora Resources Inc.

We have audited the balance sheets of Talmora Resources Inc. as at December 31, 2005 and 2004 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Calgary LLP

CHARTERED ACCOUNTANTS

Calgary, Alberta
March 15, 2006

Talmora Resources Inc.
Balance Sheets
December 31, 2005 and 2004

	2005	2004
Assets		
Current assets		
Cash and cash equivalents	\$ 178,090	\$ 203,085
GST receivable	<u>2,225</u>	<u>1,597</u>
	<u>\$ 180,315</u>	<u>\$ 204,682</u>
Liabilities		
Current liability		
Accounts payable and accrued liabilities	\$ <u>10,323</u>	\$ <u>4,863</u>
Shareholders' Equity		
Share capital (note 3)	330,936	330,936
Deficit	<u>(160,944)</u>	<u>(131,117)</u>
	<u>169,992</u>	<u>199,819</u>
	<u>\$ 180,315</u>	<u>\$ 204,682</u>

Approved by the Board,

(signed) "Stuart Horne" _____, Director

(signed) "Raymond Davies" _____, Director

Talmora Resources Inc.
Statements of Loss and Deficit
Years Ended December 31, 2005 and 2004

	2005	2004
Interest revenue	\$ 3,320	\$ 2,943
General and administrative expenses	<u>33,147</u>	<u>23,312</u>
Net loss	(29,827)	(20,369)
Deficit, beginning of year	<u>(131,117)</u>	<u>(110,748)</u>
Deficit, end of year	<u>\$ (160,944)</u>	<u>\$ (131,117)</u>
Net loss per share (note 3[e]) - basic and diluted	<u>\$ (0.01)</u>	<u>\$ (0.00)</u>

Talmora Resources Inc.
Statements of Cash Flows
Years Ended December 31, 2005 and 2004

	2005	2004
Cash used in (provided for):		
Operating activities		
Interest receipts	\$ 3,320	\$ 2,943
Operating payments	<u>(28,315)</u>	<u>(23,090)</u>
Cash outflow	(24,995)	(20,147)
Cash and cash equivalents, beginning of year	<u>203,085</u>	<u>223,232</u>
Cash and cash equivalents, end of year	<u><u>\$ 178,090</u></u>	<u><u>\$ 203,085</u></u>
Cash and cash equivalents is comprised of:		
Balances with banks	\$ 2,211	\$ 527
Money market funds	<u>175,879</u>	<u>202,558</u>
	<u><u>\$ 178,090</u></u>	<u><u>\$ 203,085</u></u>

Talmora Resources Inc.
Notes to Financial Statements
December 31, 2005 and 2004

1. Nature of operations

Talmora Resources Inc. (the "Company") was incorporated under the Business Corporation's Act (Alberta) on May 7, 1996 as 693888 Alberta Ltd. and changed its name to Talmora Resources Inc. pursuant to Articles of Amendment dated August 12, 1996.

The Company is classified as a Capital Pool Company under the regulations of the Alberta Securities Commission ("ASC") and The TSX Venture Exchange ("TSX-V"). The Company is required to complete a Qualifying Transaction.

The Company intends to identify and evaluate assets or businesses with a view to their potential for acquisition or participation therein. To date, the Company has not completed a Qualifying Transaction and is considered to be in the development stage.

The Company's shares were suspended from trading on the TSX-V on March 15, 1999 for failure to complete a Qualifying Transaction within the required time. As of October 29, 1999, the TSX-V delisted the shares of the Company.

2. Significant accounting policies

(a) Cash and cash equivalents

Cash and cash equivalents consist of balances with banks and short-term investments in highly liquid money market funds.

(b) Revenue recognition

Interest revenue from money market funds is recognized on an accrual basis.

(c) Stock-based compensation

Stock-based compensation and other stock-based payments granted to directors, officers, employees and consultants are accounted for using the fair value method. Under this method, stock-based compensation expense is recognized when an option is granted, based on the fair value of the option at the date of the grant. The fair value of options granted are estimated using the Black-Scholes option pricing model and compensation expense is recorded over the vesting period as general and administrative expense with a corresponding increase in contributed surplus. As the options are exercised, the consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will vest, but accounts for actual forfeitures as they occur.

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(d) Income taxes

Income taxes are accounted for using the liability method of income tax allocation. Under the liability method, income tax assets and liabilities are recorded to recognize future income tax inflows and outflows arising from the settlement or recovery of assets and liabilities at their carrying values. Income tax assets are also recognized for the benefits from tax losses and deductions that cannot be identified with particular assets or liabilities, provided those benefits are more likely than not to be realized. Future income tax assets and liabilities are determined based on the tax laws and rates that are anticipated to apply in the period of realization.

(e) Net loss per share

Basic net loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the year. The Company applies the treasury stock method for the calculation of diluted net loss per share, whereby it is assumed that proceeds from the exercise of stock options and warrants are used to repurchase common shares of the Company at the weighted average market price during the year.

3. Share capital

(a) Authorized

Unlimited number of voting common shares
 Unlimited number of First Preferred shares
 Unlimited number of Second Preferred shares

The First and Second Preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions and conditions to the shares of each series.

(b) Issued

	2005		2004	
	Number	Stated Value	Number	Stated Value
Common shares				
Balance, beginning and end of year	5,142,105	\$ 330,936	5,142,105	\$ 330,936

The stated value is net of share issuance costs of \$83,274 (2004 - \$83,274).

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(c) Stock-based compensation

The Company has a stock option plan under which officers, directors, employees and consultants are eligible to receive stock options. The aggregate number of shares to be issued upon exercise of all options granted under the plan may not exceed 10% of the outstanding shares of the Company. Options granted under the plan generally have a term of five years and vest at terms to be determined by the directors at the time of grant. The exercise price of each option is fixed by the board of directors but shall be not less than the price permitted by any stock exchange on which the Company's common shares may be listed which is generally the trading price of the Company's stock at or about the grant date of the options.

No stock options were outstanding during 2005 or 2004.

(d) Escrow shares

As at December 31, 2005 2,142,105 (2004 - 2,142,105) common shares issued for \$114,210 (2004 - \$114,210) are held in escrow and may not be traded prior to receiving approval from the Executive Director of the ASC, subject to any earlier automatic releases which may be permitted by the ASC and the TSX-V.

(e) Per share amounts

Net loss per share has been calculated based on the weighted average number of common shares outstanding during the year of 5,142,105 (2004 - 5,142,105).

4. Income taxes

- (a) Income taxes differ from that which would be expected from applying the combined effective Canadian federal and provincial corporate income tax rate of 33.62% (2004 - 33.62%) to the net loss as follows:

	2005	2004
Expected income tax recovery	\$ (10,028)	\$ (6,848)
Non-capital loss expiring during the year	14,100	8,486
Future income tax benefit not recognized in previous years	(14,100)	(8,486)
Change in future taxes from tax rate reductions	-	5,817
Future income tax benefit not recognized	<u>10,028</u>	<u>1,031</u>
	<u>\$ -</u>	<u>\$ -</u>

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- (b) The components of future income tax asset at December 31, 2005 and 2004 are as follows:

	2005	2004
Non-capital loss carryforwards	\$ 59,401	\$ 63,434
Other	76	82
Valuation allowance	<u>(59,477)</u>	<u>(63,516)</u>
	<u>\$ -</u>	<u>\$ -</u>

At December 31, 2005 and 2004, the Company did not consider it more likely than not that it would be able to realize a future income tax asset and as a result, no future income tax asset was recorded.

- (c) The amounts and expiry dates of the non-capital loss carryforwards included above are as follows:

Amount	Year of Expiry
\$ 20,512	2006
19,930	2007
25,213	2008
18,663	2009
42,136	2010
20,387	2014
<u>29,844</u>	2015
<u>\$ 176,685</u>	

5. Financial instruments

Fair values

The fair value of GST receivable and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature.