

Argosy Minerals Inc.

CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2005, 2004 and 2003
(expressed in Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements and the information contained in the annual report have been prepared by the management of the Corporation. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and, where appropriate, reflect management's best estimates based on currently available information. A system of internal accounting control is maintained to provide reasonable assurance that financial information is accurate and reliable.

The Corporation's registered independent accountants, Horwath Orenstein LLP, who have been appointed by the directors, conduct an audit in accordance with generally accepted auditing standards in Canada and the Public Company Accounting Oversight Board (United States) to allow them to express an opinion on the financial statements.

The Audit Committee of the Board of Directors meets periodically with management to review the financial statements and related reporting matters prior to submission to the Board, and meets with the registered independent accountants to review the scope and result of the annual audit.



**Chief Executive Officer
Argosy Minerals Inc.
March 15, 2006**

REPORT OF REGISTERED INDEPENDENT ACCOUNTANTS

To the Shareholders of Argosy Minerals Inc.

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

We conducted our audit in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated 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 consolidated financial statement presentation.

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

The consolidated statements of operations and deficit and cash flows for the year ended December 31, 2003 were audited by other auditors who expressed an opinion without reservation on those financial statements in their report dated January 16, 2004.



**Toronto, Canada
March 15, 2006**

Chartered Accountants

Argosy Minerals Inc.
(an exploration stage corporation)
CONSOLIDATED BALANCE SHEETS
As at December 31, 2005 and 2004
(expressed in Canadian dollars)

	2005	2004
Canadian \$		
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 3,626,115	\$ 4,616,407
Accounts receivable and prepaids	26,389	166,960
	3,652,504	4,783,367
Office equipment and furniture	18,657	29,560
	\$ 3,671,161	\$ 4,812,927
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 207,872	\$ 151,001
SHAREHOLDERS' EQUITY		
Capital Stock	<i>Note 5</i> 44,075,384	44,075,384
Accumulated Deficit	(40,612,095)	(39,413,458)
	3,463,289	4,661,926
	\$ 3,671,161	\$ 4,812,927

APPROVED ON BEHALF OF THE BOARD



John Maloney, Director



Peter H. Lloyd, Director

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

Argosy Minerals Inc.
(an exploration stage corporation)
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
For the Years Ended December 31, 2005, 2004 and 2003
(expressed in Canadian dollars)

	2005	2004	2003
	Canadian \$		
Income			
Interest	\$ 96,310	\$ 214,247	\$ 363,362
Gain on disposal of mineral property	<i>Note 3(c)</i> -	-	125,500
Foreign exchange gain / (loss)	(1,141)	(255,686)	670,724
Gain on sale of marketable securities	-	-	14,548
	<u>95,169</u>	<u>(41,439)</u>	<u>1,174,134</u>
Expenses			
Accounting and audit	\$ 81,201	\$ 98,606	\$ 105,121
Arbitration	<i>Note 3(d)</i> -	789,871	366,310
Bank charges	3,673	6,386	7,721
Capital taxes	-	-	334
Amortization	12,227	13,088	15,292
Directors' fees	75,000	76,136	68,750
Insurance	22,289	83,894	77,812
Legal	51,981	52,373	55,268
Management and consulting fees	163,303	668,664	428,827
Office	19,533	25,292	25,029
Project assessment expenditures	<i>Note 4</i> 241,327	587,244	1,721,363
Rent	59,155	63,611	60,403
Salaries and benefits	350,319	434,665	427,394
Shareholder communications	40,863	35,930	33,740
Telecommunications	18,527	15,558	18,249
Transfer agent and stock exchange	52,042	57,254	46,146
Travel	102,366	98,241	189,725
Write-off of mineral properties and deferred costs	-	-	19,783
	<u>1,293,806</u>	<u>3,106,813</u>	<u>3,667,267</u>
Net Loss for the Year	(1,198,637)	(3,148,252)	(2,493,133)
Deficit - Beginning of Year	(39,413,458)	(36,265,206)	(33,772,073)
Deficit - End of Year	<u>\$ (40,612,095)</u>	<u>\$ (39,413,458)</u>	<u>\$ (36,265,206)</u>
Basic & Fully Diluted Loss per Common Share	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>
Weighted Average Number of Common Shares			

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

Argosy Minerals Inc.
(an exploration stage corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2005, 2004 and 2003
(expressed in Canadian dollars)

	2005	2004	2003
	Canadian \$		
Cash Provided from (Used for)			
Operating Activities			
Net loss for the year	\$ (1,198,637)	\$ (3,148,252)	\$ (2,493,133)
Items not affecting cash:			
Amortization	12,227	13,088	15,292
Foreign exchange (gain) / loss	297	4,173	(641,617)
Gain on marketable securities	-	-	(14,548)
Write-off of mineral properties and deferred costs	-	-	19,783
Gain on disposal of mineral property	-	-	(125,500)
	<u>(1,186,113)</u>	<u>(3,130,991)</u>	<u>(3,239,723)</u>
Changes in Non-cash Working Capital			
(Increase) Decrease in accounts receivable and prepaids	140,571	(3,405)	(120,559)
Increase/(Decrease) in accounts payable and accrued liabilities	<u>56,871</u>	<u>(300,172)</u>	<u>125,767</u>
Cash Flows from Operating Activities	<u>(988,671)</u>	<u>(3,434,568)</u>	<u>(3,234,515)</u>
Financing Activities	-	-	-
Cash Flows from Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Investing Activities			
Disposal of mineral property <i>Note 3(c)</i>	-	-	500,000
Mineral properties and deferred costs	-	-	(53,771)
Disposition of marketable securities	-	-	278,288
Purchase of office equipment and furniture	(1,324)	(3,234)	(11,371)
Restricted cash	-	-	157,960
Cash Flows from Investing Activities	<u>(1,324)</u>	<u>(3,234)</u>	<u>871,106</u>
Foreign Exchange Gain / (loss) on cash held in Foreign Currency	<u>(297)</u>	<u>(4,173)</u>	<u>641,617</u>
Decrease in Cash and Cash Equivalents	(990,292)	(3,441,975)	(1,721,792)
Cash and Cash Equivalents - Beginning of Year	<u>4,616,407</u>	<u>8,058,383</u>	<u>9,780,175</u>
Cash and Cash Equivalents -			

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

Argosy Minerals Inc.
(an exploration stage corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2005

1. Nature Of Operations

On May 26, 2005, the Corporation continued its jurisdiction of incorporation from the Yukon Territory under the Yukon Corporations Act to British Columbia, under the Business Corporations Act and amalgamated with its wholly owned Canadian subsidiaries.

The Corporation and its subsidiaries are engaged in the exploration of mineral properties and is considered to be an exploration stage company. The Corporation is in the process of investigating possible property acquisitions and continues to evaluate the Lac Panache property in Sudbury, Ontario acquired under an option agreement entered into in April, 2005. See Note 3(b). During 2005, the Corporation terminated its options to acquire the Albetros Diamond Project in South Africa and the Nevada Gold Project in Nevada, USA. See Notes 3(e) and (f). The Corporation was previously involved in studies for the development of a nickel/cobalt processing facility at Musongati in the Republic of Burundi and in gold exploration in the Slovak Republic. In August 2002 the Corporation's subsidiary, Andover Resources N.L., declared force majeure and curtailed its activities in Burundi as a result of the deterioration of the security situation, however in 2005 following elections and the formation of a new government in Burundi, the Corporation lifted force majeure and entered into discussions with the Ministry for Mines regarding recommencing activities in Burundi. See Note 3(a). In July 2003, the Corporation sold its Slovak subsidiary, Kremnica Gold a.s. See Note 3(c).

As yet, it has not been determined if the Corporation's mineral properties contain ore reserves that are economically recoverable. The recoverability of any amount recorded for mineral properties and deferred costs is dependent on the existence of economically recoverable reserves, the ability of the Corporation to obtain necessary financing to complete the development and future profitable production or proceeds from disposition of the mineral properties. The amounts shown as mineral properties and deferred costs, if any, represent costs to date, less amounts recovered or written off, and do not necessarily represent present or future values.

2. Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries after elimination of inter-company accounts and transactions:

<u>Company Name</u>	<u>Country</u>
Argosy Mining Corporation Pty. Ltd.	South Africa
Andover Resources N.L. ("Andover")	Australia

Financial Statement Presentation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The material measurement differences between Canadian and United States GAAP are explained in Note 10, along with their effect on the Corporation's consolidated statements of operations and deficit.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the period. Significant areas where management's judgement is applied are mineral property valuations, valuation of future income tax benefits and contingent liabilities. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and short-term deposits maturing within 90 days of the original date of acquisition. In order to limit its exposure to losses, the Corporation deposits its funds with major Canadian and Australian banks. A portion of the cash balances are held in Australian dollars, accordingly, the Corporation has exposure to fluctuations in currency exchange rates.

Office Equipment and Furniture

Amortization is provided on office equipment and furniture using the straight line method over the estimated useful lives of the assets.

Project Assessment Expenditures

Project assessment costs consist of expenditures to evaluate new projects. These expenditures are charged to income when incurred. Once the Corporation decides to acquire the property, costs associated with further exploration or development are accounted for as described under Mineral Properties and Deferred Costs below. Included in project assessment expenditures are option payments for mineral properties. These payments are charged to income when incurred.

Mineral Properties and Deferred Costs

The costs of acquiring mineral properties, and related exploration and development costs, are deferred until the property to which they relate is placed into production, sold or abandoned. Deferred costs will be amortized on a unit production basis of the ore body following commencement of production, or written off if the property is sold or abandoned.

The Corporation will reduce the carrying value of mineral properties and deferred costs by any amount received from the introduction of a joint venture partner.

Management's estimate of carrying values is subject to risks and uncertainties affecting the recoverability of the Corporation's investment in mineral properties. Although management makes its best estimate of these factors, where applicable, based on current conditions, it is possible that changes could occur in the near term which could adversely affect management's estimate of the recoverability of mineral properties and deferred costs and the need for asset impairment write-downs.

Although the Corporation has taken steps to investigate title to mineral properties in which it has an interest, these procedures do not guarantee the Corporation's title. Such properties may be subject to prior undetected agreements or transfers and title may be affected by such defects.

Stock Based Compensation

The Corporation prospectively adopted the amended requirements of CICA 3870, Accounting for Stock Based Compensation and Other Stock Based Payments, in the year ended December 31, 2003. These amendments require an expense to be recognized in financial statements for all forms of employee stock-based compensation, including stock options. Stock based compensation expense is calculated using the Black-Scholes Model which requires the input of highly subjective assumptions including expected stock price volatility. Differences in input assumptions can materially affect the fair value estimate and therefore the existing models do not necessarily provide a reliable single measure of the fair value of any stock options granted.

Loss per Common Share

Loss per common share is calculated using the weighted average number of common shares issued and outstanding during each year. Basic and fully diluted loss per share are the same, as the effect of potential issues of shares under stock option arrangements would be anti-dilutive.

Foreign Currency Translation

The Corporation's foreign subsidiaries are integrated foreign operations. Currency translations into Canadian dollars are made as follows:

- (i) monetary assets and liabilities at the rates of exchange prevailing at the balance sheet date;
- (ii) non-monetary items at rates prevailing when they are acquired;
- (iii) exploration costs and administration costs at average rates for the period.

Gains and losses arising on currency translation are included in the statement of operations.

Financial Instruments

The fair value of cash and cash equivalents, accounts receivable and accounts payable approximate their carrying amounts. The Corporation is not exposed to significant interest rate risk due to the short term maturity of its monetary current assets and current liabilities.

Income taxes

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the consolidated balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Valuation allowances are established when necessary to reduce future income tax assets arising from loss carry-forwards to amounts expected to be realized.

3. Mineral Properties

a) Burundi Nickel Project

During 1998, Andover entered into a Protocol agreement with the Republic of Burundi acquiring the exclusive rights to the Musongati nickel project. On February 11, 1999, a Mining Convention setting out Andover's rights and obligations for the completion of a feasibility study on the Musongati nickel project was ratified by the Burundian Parliament. The Mining Convention requires that Andover complete a feasibility study for the development of a nickel/cobalt processing facility by the end of 2001 or such later date as may be determined by extensions granted by the Minister of Mines. On April 19, 2000, Andover declared force majeure and curtailed its activities in Burundi as a result of the deterioration in security in the region. Pursuant to the terms of the Mining Convention the declaration of force majeure may be in place for up to two years during which time Andover's obligations are interrupted and the completion of the feasibility study delayed by the period of force majeure. Pursuant to the terms of the Mining Convention, Andover was required to post a performance bond of US\$100,000.

On March 28, 2002 the Corporation announced the withdrawal of the declaration of force majeure and planned to resume its exploration activities, however security deteriorated ahead of the implementation of an agreed cease-fire between various political parties and the Corporation re-imposed the declaration of force majeure in August 2002. Following improved security conditions, the Corporation lifted force majeure in July 2004 and commenced planning of a drilling program at Musongati. However, following a massacre outside Bujumbura, the Corporation re-imposed force majeure in August, 2004. In 2005, following elections, a new government was elected, resulting in improving stability in Burundi. Consequently, Andover lifted the declaration of force majeure in May and has commenced

discussions with the Ministry of Mines regarding an extension to the term of the Mining Convention and the re-commencement of activities at Musongati. As at December 31, 2005, the Corporation had not reached agreement with the Ministry of Mines regarding an extension of the term of the Mining Convention.

At December 31, 2002, the Corporation wrote off its investment in the project of \$7,973,049, to recognize the reduction in value due to the ongoing political instability in the country and the failure of nickel laterite projects around the world.

The term of the performance bond provided by the Corporation expired during 2002. A new performance bond will be required should the Corporation lift force majeure and re-commence activity in Burundi.

b) Lac Panache - Sudbury

In April 2005, the Corporation entered into an agreement whereby it can earn 100% of the Lac Panache Project through staged cash payments totalling \$300,000 and incurring expenditures over three years totalling \$455,000. On production the vendor would retain a 3% net smelter return ("NSR") which is subject to buy-back provisions. The Corporation's annual cash payment and work expenditure commitments are as follows:

<u>Cash Payments:</u>	2005	\$ 40,000	(paid)	<u>Work Expenditures:</u>	by April 8, 2006	\$ 65,000	(incurred in 2005)
	2006	80,000			8, 2007	130,000	
	2007	120,000			8, 2008	260,000	
	2008	60,000				-	
		<u>\$ 300,000</u>				<u>\$ 455,000</u>	

The Corporation may terminate its option at any time.

On making cash payments of \$300,000 and incurring \$455,000 in exploration expenditures the Corporation will have exercised its option to acquire the Lac Panache properties, subject to the 3% NSR. The Corporation will have the right to purchase 2% of the NSR for \$3 million and have a right of first refusal to purchase the remaining 1%.

The Lac Panache Project area is located some 40kms southwest of Sudbury, Ontario in Canada and covers 48 claims containing a total of 201 claim units.

c) Slovak Gold Property

In July 2003, the Corporation sold its Slovak subsidiary, the owner of the Slovak Gold Property for \$500,000. During the year ended December 31, 2001, the Corporation wrote down its investment in the project by \$7,533,332 to recognize the difficulty in being able to sell the project or introduce a joint venture partner. The sale of the project gave rise to a gain on disposal of \$125,500.

d) New Caledonia Nickel Project - Joint Venture Arrangement and Arbitration

On July 25, 2001, the Corporation announced JSC "MMC Norilsk Nickel" ("Norilsk") had taken the positive decision to proceed with the Nakety/Bogota Project in New Caledonia by completing a feasibility study leading to the joint development with the Corporation and Societe des Mines de la Tontouta ("SMT") of the project. The Tripartite Agreement (the "Agreement") between the Norilsk subsidiary, NN Invest Holdings SA ("NNIH"), SMT and a subsidiary of the Corporation was signed on October 16, 2001. Under the terms of the Agreement, NNIH reimbursed the Corporation's subsidiary 45% of its costs incurred, amounting to US\$7,166,000 (C\$11,307,948) which was applied to reduce the carrying value of the project. Thereafter, NNIH had the ability to earn a 45% stake in the project by completing a feasibility study to international standards over two years.

On August 5, 2002, the Corporation received a notice of termination from NNIH terminating the Agreement and its involvement in the New Caledonia Nickel Project. On September 13, 2002, the Corporation received a request for arbitration by NNIH from the International Court of Arbitration of the International Chamber of Commerce ("IC"). The request for arbitration sought to recover US\$7,166,000 paid to the Corporation's subsidiary, plus an additional US\$1,368,222 expended on the project.

The termination notice effectively terminated the Agreement and the Corporation wrote off its remaining investment of \$2,539,625 in the project. Following a meeting between the Corporation and NNIH in November 2004, the arbitration was settled. The terms of the settlement agreement are bound by a confidentiality agreement signed between the parties, however, each party remains responsible for its costs incurred in the arbitration process and neither party has any future claim outstanding against the other regarding this matter. The Corporation does not anticipate that it will incur any further costs related to this matter.

e) Albetros Diamond Project

The Albetros Project is an alluvial diamond project situated on the west coast of South Africa near Kleinsee. The Corporation held its interest in the Albetros Project through an option agreement to purchase up to 85% of the shares of Albetros Inland Diamond Exploration Pty Ltd ("Albetros") the owner of the Project.

The Option Agreement provided for:

- a) an option exercise date of August 31, 2004. *

- b) monthly option fees totalling R4,050,000 (\$799,000) payable as follows:
 - 2003 – R2,400,000 (\$469,000) – paid.
 - 2004 – R1,650,000 (\$344,000) – of which R550,000 has been paid, and
- c) a purchase price of R17,000,000 (\$3,609,000) less all option fees paid at the date of exercise of the option. Should the Corporation exercise its option to acquire Albetros the purchase price of R17,000,000 less option fees totalling R4,050,000 (R2,950,000 has been paid to date) will be paid in two payments as follows:
 - R7,000,000 (\$1,486,000) on August 31, 2004. *
 - R5,950,000 (\$1,263,000) on December 1, 2004. *

An application for a new prospecting permit (“Permit”) was submitted in January 2004 as the expiry date of the Permit was March 15, 2004. However with the new Minerals and Energy Act in South Africa coming into force in May 2004, processing of the application was delayed.

*Pursuant to the Agreement with the shareholders of Albetros, the Corporation had until August 31, 2004 (the option exercise date) to fully evaluate the Project. As a new Permit had not yet been issued, the Corporation ceased its obligation to make option payments subsequent to March 2003 and advised the shareholders of Albetros that all payment obligations would be extended by the number of days that Albetros did not hold a valid Permit.

In March 2005, the Corporation terminated its option to acquire Albetros as a new Permit still had not been issued.

f) Nevada Gold Project

The Nevada Gold Project is situated within the southern boundary area of the Humboldt – Toiyabe National Forest, in Northern Elko County, Nevada and comprised 70 unpatented lode mining claims and 2 unpatented claims covering water rights.

The Corporation held the Nevada Gold Project under 2 option agreements. The option agreement dated November 17, 2003 over the Gold Creek property covered 37 unpatented mining claims and 2 claims covering water rights. The agreement was for 3 years and had an annual option payment of US\$20,000 and a purchase price of US\$1,250,000 for 100% of the claims. During May 2004 the Corporation entered into an option agreement over the adjoining 33 unpatented claims. The agreement was for 3 years and had an annual option payment of US\$20,000 and a purchase price of US\$1,500,000 for 100% of the claims.

On June 1, 2005 and November 23, 2005 the Corporation announced that it had terminated its Option Agreements with respect to the Nevada Gold Projects.

4. Project Assessment Expenditures

Details of Project Assessment Expenditures during the years ended December 31, 2005, 2004 and 2003 are as follows:

	2005	2004	2003
<u>Lac Panache Project</u>			
Consulting, Supervision and Legal	\$ 9,130	\$ -	\$ -
Travel and Accommodation	1,705	-	-
Option and Claim Fees	43,900	-	-
Contractor, Equipment and Labor	111,026	-	-
	<hr/> 165,761	-	-
<u>Albetros Diamond Project</u>			
Consulting, Supervision and Legal	-	44,565	218,115
Drilling	-	80,207	486,693
Gravel Processing and Sorting	-	57,020	147,866
Travel and Accommodation	-	55,220	129,608
Option Fees	-	117,158	469,000
Rehabilitation	-	30,934	-
	-	<hr/> 385,104	1,451,282
<u>Nevada Gold Project</u>			
Consulting, Supervision and Legal	4,990	81,995	-
Assessment and Data	-	8,894	-
Option Fees	-	59,317	-
Claim Fees	6,328	12,904	-
Travel and Accommodation	-	53,135	-
	<hr/> 11,318	216,245	-

Other Projects

Consulting	44,889	40,331	142,216
Assessment	3,622	-	74,463
Option Fees	61,513	-	-
Travel, Accommodation and other	15,737	62,368	53,402
Expenses Recovered	(61,513)	(116,804)	-
	64,248	(14,105)	270,081
Total	\$ 241,327	\$ 587,244	\$ 1,721,363

5. Capital Stock

a) Authorised Capital Stock

The Corporation is authorised to issue an unlimited number of common shares without par value.

b) Issued

	Number of Shares	Amount
Total Issued – December 31, 2005 and 2004	95,969,105	\$ 44,075,384

Stock Options

The Corporation grants stock options to employees as determined by the Corporation's Board of Directors. Stock options granted to the directors of the Corporation are granted subject to approval of the Corporation's shareholders.

No stock options were granted during the years ended December 31, 2005, 2004 and 2003.

No compensation expense was recognised in 2005, 2004 or 2003 because no stock options were granted or vested in those years. Any consideration paid by employees on the exercise of stock options is credited to capital stock.

The status of stock options granted to employees and directors as at December 31, 2005 and 2004 and the changes during the years ended on those dates is presented below:

	December 31, 2005		December 31, 2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding and exercisable				
- Beginning of Year	2,725,000	\$0.33	3,075,000	\$0.34
Cancelled/Expired	(600,000)	\$0.33	(350,000)	\$0.34
Options outstanding and exercisable				
- End of Year	2,125,000	\$0.30	2,725,000	\$0.33

All options outstanding at December 31, 2005 have an exercise price of Australian \$0.35 (C\$0.30). The weighted average remaining contractual life of these options is 0.4 years.

c) Escrow Shares

At December 31, 2005 there were no common shares of the Corporation subject to escrow.

6. Related Party Transactions

During the year ended December 31, 2005: \$233,633 (2004: \$748,593; 2003: \$461,623) was paid to five directors of the Corporation, or to companies controlled by them, for director's fees, management consulting services and project management and assessment services.

In addition \$111,292 (2004: \$117,700, 2003: \$414,181) was paid to two companies, \$33,392 to an Australian company and \$77,900 to a Canadian company, each controlled by a director of the Corporation for the provision of office facilities and personnel in Australia and Canada respectively. These services are reimbursed at cost, which approximate fair value.

At December 31, 2005, management and consulting fees and directors' fees payable amounted to \$91,750 (2004: \$NIL) and are included in accounts payable and accrued liabilities.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Income Taxes

A potential future income tax asset of approximately \$3,465,000 arises from the following loss carry forwards (for Canadian Tax purposes):

a) Non capital loss carry forwards	\$ 8,595,000
b) Other deductible tax amounts	1,362,000
	<u>\$ 9,957,000</u>

The non-capital loss carry forwards can be offset against income for Canadian purposes in future years and expire as follows:

2006	\$ 88,000
2007	1,576,000
2008	-
2009	1,506,000
2010	1,505,000
2011	2,088,000
2012	1,032,000
Total	<u>\$ 8,595,000</u>

The Corporation has reduced the value of the potential future income tax asset to \$Nil through the application of a valuation allowance of \$3,465,000 as the Corporation does not have any current source of income to which the tax losses can be applied.

The Corporation's statutory tax rate of 34.80% (2004 and 2003–35.62%) has been reduced to an effective rate of nil% (2004–nil%) due to losses for which no tax benefit has been recognized.

8. Segmented Information

	2005		
	Canada	Australia	Total
Current Assets	\$ 3,643,229	\$ 9,275	\$ 3,652,504
Office equipment and furniture	4,515	14,142	18,657
	<u>\$ 3,647,744</u>	<u>\$ 23,417</u>	<u>\$ 3,671,161</u>

	2004			
	Canada	Australia	UK	Total
Current Assets	\$ 69,699	\$ 40,325	\$ 4,673,343	\$ 4,783,367
Office equipment and furniture	5,148	24,412	-	29,560
	<u>\$ 74,847</u>	<u>\$ 64,737</u>	<u>\$ 4,673,343</u>	<u>\$ 4,812,927</u>

The Corporation's sole operating segment is the exploration for mineral resources.

9. Commitments

The Corporation has provided a guarantee to Albetros in the amount of R100,000 (\$21,000) for any environmental rehabilitation which may be required on the Albetros Diamond Project. See Note 3(e).

10. Differences between Canadian and US Generally Accepted Accounting Principles ("GAAP")

The Corporation's consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. The material measurement differences between GAAP in Canada and the United States that would have had an effect on these financial statements are as follows:

Statements of Operations and Deficit

	2005	2004	2003
Loss for the Year - under Canadian GAAP	\$ 1,198,637	\$ 3,148,252	\$ 2,493,133
Exploration Expenditures and write-downs - net of recoveries	-	-	(90,512)
Loss for the Year - under US GAAP	\$ 1,198,637	\$ 3,148,252	\$ 2,402,621
Basic & diluted loss per common share - under US GAAP	\$ (0.01)	\$ (0.03)	\$ (0.03)
Deficit - under US GAAP - Beginning of Year	\$ 39,413,458	\$ 36,265,206	\$ 33,862,585
Loss - under US GAAP	1,198,637	3,148,252	2,402,621
Deficit - under US GAAP - End of Year	\$ 40,612,095	\$ 39,413,458	\$ 36,265,206

Project Assessment Expenditures (Exploration Expenses)

For US GAAP purposes the Corporation expenses exploration costs as incurred. When proven and probable reserves are determined for a property, subsequent development costs of the property will be capitalized. The capitalized costs of such properties will then be measured, on a periodic basis for recoverability of carrying values. Acquisition costs of mineral properties are capitalized for US GAAP purposes.

Stock Based Compensation

For US GAAP purposes, the Corporation has prospectively adopted the fair value based method of accounting for stock based compensation in accordance with FASB 123(R). As no stock options were granted in fiscal 2005, there is no impact on the Corporation's loss for the year or balance sheet at December 31, 2005 under US GAAP.