ENDURANCE GOLD CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2006

AUDITORS' REPORT

To the Shareholders of
Endurance Gold Corporation

We have audited the balance sheets of Endurance Gold Corporation as at December 31, 2006 and 2005 and the statements of operations 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada | Chartered Accountants

February 9, 2007

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ENDURANCE GOLD CORPORATION
BALANCE SHEETS
AS AT DECEMBER 31

		2006		2005
ASSETS				
Current				
Cash	$	220,448	$	948,693
Prepaid expenses and deposits		19,673		23,778
Receivables		16,952		32,606
		257,073		1,005,077
Equipment (Note 3)		4,232		5,207
Reclamation bond		11,500		3,500
Mineral properties (Note 4)		2,068,187		1,223,968
	$	2,340,992	$	2,237,752
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current				
Accounts payable and accrued liabilities	$	52,808	$	21,026
Future income taxes (Note 10)		81,110		-
		133,918		21,026
Shareholders' equity				
Capital stock (Note 6)		2,525,976		2,641,166
Contributed surplus (Note 6)		185,285		158,880
Deficit		(504,187)		(583,320)
		2,207,074		2,216,726
	$	2,340,992	$	2,237,752

Nature and continuance of operations (Note 1)
Subsequent events (Note 12)

On behalf of the Board:

/s/ Duncan McIvor Director
Duncan McIvor

/s/ J. Christopher Mitchell Director
J. Christopher Mitchell

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

ENDURANCE GOLD CORPORATION
STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED DECEMBER 31

	2006	2005
EXPENSES		
Amortization	$ 1,355	$ 758
Corporate communications	19,067	16,509
Exploration and business development	13,790	46,006
Listing and transfer agent fees	17,676	33,091
Management fees	77,765	93,971
Office and administrative	80,681	67,170
Professional fees	36,292	77,394
Stock-based compensation	17,836	107,802
	(264,462)	(442,701)
OTHER ITEMS		
Interest income	20,955	8,458
Write-off of mineral property	(29,690)	(485)
	(8,735)	7,973
Loss before tax	(273,197)	(434,728)
Future income tax recovery (Note 10)	352,330	-
Net income (loss) for the year	79,133	(434,728)
Deficit, beginning of year	(583,320)	(148,592)
Deficit, end of year	$ (504,187)	$ (583,320)
Basic and diluted income (loss) per common share	$ 0.00	$ (0.04)
Weighted average number of common shares outstanding (Note 7)		
Basic	17,467,511	11,851,072
Diluted	17,477,035	11,851,072

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

ENDURANCE GOLD CORPORATION
STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	$ 79,133	$ (434,728)
Add items not involving cash:		
Amortization	1,355	758
Stock-based compensation	17,836	107,802
Write-off of mineral property	29,690	485
Future income tax recovery	(352,330)	-
Changes in non-cash working capital items:		
Prepaid expenses and deposits	4,105	(23,778)
Receivables	15,654	(1,962)
Accounts payable and accrued liabilities	21,411	(47,255)
Net cash used in operating activities	(183,146)	(398,678)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mineral properties	(836,719)	(548,618)
Purchase of equipment	(380)	(5,965)
Reclamation bond	(8,000)	(3,500)
Net cash used in investing activities	(845,099)	(558,083)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of shares	300,000	2,000,000
Share issuance costs	-	(262,403)
Subscriptions receivable	-	163,275
Net cash provided by financing activities	300,000	1,900,872
Net increase (decrease) in cash during the year	(728,245)	944,111
Cash, beginning of year	948,693	4,582
Cash, end of year	$ 220,448	$ 948,693

Supplemental disclosures with respect to cash flows (Note 8)

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Endurance Gold Corporation (the "Company") (formerly 6172342 Canada Ltd.) was incorporated under the *Canada Business Corporations Act* on December 16, 2003 and continued into British Columbia on August 16, 2004. Its principal business activities are the exploration and development of resource properties. All of the Company's resource properties are located in Canada.

The Company is in the process of exploring and developing its resource properties and has not yet determined whether the properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource properties and related deferred exploration costs are dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production.

These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

	December 31, 2006	December 31, 2005
Deficit	$ (504,187)	$ (583,320)
Working Capital	$ 204,265	$ 984,051

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Equipment

Equipment is carried at cost less accumulated amortization. Amortization is recorded on a declining basis at annual rates of 30% for computer and 20% for office furniture and equipment.

Mineral properties

Costs related to the acquisition, exploration and development of mineral properties are capitalized by property until the commencement of commercial production. If, after management review, it is determined that capitalized acquisition, exploration and development costs are not recoverable over the estimated economic life of the property, or the property is abandoned, or management deems there to be an impairment in value, the property is written down to its net realizable value.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Property option agreements

From time to time, the Company may acquire or dispose of properties pursuant to the terms of option agreements. Due to the fact that options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Asset retirement obligations

The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability.

Changes in the liability for an asset retirement obligation due to the passage of time will be measured by applying an interest method of allocation. The amount will be recognized as an increase in the liability and an accretion expense in the statement of operations. Changes resulting from revisions to the timing or the amount of the original estimate of undiscounted cash flows are recognized as an increase or a decrease in the carrying amount of the liability for an asset retirement obligation and the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset.

Flow-through shares

Canadian tax legislation permits a company to issue flow-through shares whereby the deduction for tax purposes relating to qualified resource expenditures is claimed by the investors rather than the Company. Recording these expenditures for accounting purposes gives rise to taxable temporary differences.

Effective March 19, 2004, the Emerging Issues Committee of the Canadian Institute of Chartered Accountants requires that, when flow-through expenditures are renounced, a portion of the future income tax assets that were not recognized in previous years, due to the recording of a valuation allowance, be recognized as a recovery of income taxes in the statement of operations.

Stock-based compensation plans

The Company uses the fair value method of accounting for all stock-based compensation. The Company estimates the fair value at the date of grant using the Black-Scholes option pricing model. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Loss per share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year.

For diluted per share computations, adjustments are made regarding potential common shares outstanding during the year. The weighted average number of common shares is increased to include the number of additional common shares that would be outstanding if, at the beginning of the year, or at time of issuance, if later, all options and warrants are exercised. Proceeds from exercise are used to purchase the Company's common shares at their average market price during the year, thereby reducing the weighted average number of common shares outstanding. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

Income taxes

The Company uses the asset and liability method of accounting for income taxes whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets are recognized to the extent that realization of those assets is more likely than not. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

3. EQUIPMENT

	December 31, 2006			December 31, 2005
	Cost	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Computers	$ 3,237	$ 1,311	$ 1,926	$ 2,751
Office furniture and equipment	3,108	802	2,306	2,456
	$ 6,345	$ 2,113	$ 4,232	$ 5,207

4. MINERAL PROPERTIES

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

	Balance December 31, 2004	2005 Expenditure	Balance December 31, 2005	2006 Expenditure	Balance December 31, 2006
BRITISH COLUMBIA					
Nechako Gold (Amarc JV) Property					
Acquisition costs	$ -	$ 80,000	$ 80,000	$ -	$ 80,000
Exploration costs					
Drilling	-	64,876	64,876	-	64,876
Equipment rentals	-	9,705	9,705	-	9,705
Field expenses	-	38,095	38,095	-	38,095
Geochemistry	-	36,690	36,690	3,378	40,068
Geological and miscellaneous	-	67,400	67,400	5,725	73,125
Geophysics	-	52,437	52,437	-	52,437
Land and recording fees	-	7,186	7,186	8,918	16,104
Line cutting	-	51,744	51,744	-	51,744
	-	**408,133**	**408,133**	**18,021**	**426,154**
Nechako – Endurance 100% Property					
Acquisition costs	-	873	873	-	873
Exploration costs					
Geological and miscellaneous	-	56	56	591	647
Land and recording fees	-	-	-	156	156
	-	**929**	**929**	**747**	**1,676**
BQ Property					
Acquisition costs	-	8,750	8,750	18,750	27,500
Exploration costs					
Drilling	-	-	-	193,661	193,661
Equipment rentals	-	-	-	263	263
Field expenses	-	4,734	4,734	54,274	59,008
Geochemistry	-	4,704	4,704	50,105	54,809
Geological and miscellaneous	-	12,348	12,348	102,512	114,860
Geophysics	-	8,100	8,100	44,541	52,641
Land and recording fees	-	960	960	12,435	13,395
Line cutting	-	4,146	4,146	28,602	32,748
	-	**43,742**	**43,742**	**505,143**	**548,885**

4. MINERAL PROPERTIES (cont'd…)

	Balance December 31, 2004	2005 Expenditure	Balance December 31, 2005	2006 Expenditure	Balance December 31, 2006
BRITISH COLUMBIA (cont'd)					
BQ – Endurance 100% Property					
Acquisition costs	-	-	-	1,649	1,649
	-	**-**	**-**	**1,649**	**1,649**
Virginia Silver Property					
Acquisition costs	-	-	-	8,569	8,569
Exploration costs					
Drilling	-	-	-	61,823	61,823
Field expenses	-	-	-	8,870	8,870
Geochemistry	-	-	-	17,071	17,071
Geological and miscellaneous	-	-	-	20,400	20,400
Line cutting	-	-	-	13,072	13,072
	-	**-**	**-**	**129,805**	**129,805**
Virginia Silver – Endurance 100% (Annie) Property					
Acquisition costs	-	-	-	712	712
Exploration costs					
Geological and miscellaneous	-	-	-	2,305	2,305
Land and recording fees	-	-	-	475	475
	-	**-**	**-**	**3,492**	**3,492**
BRITISH COLUMBIA –TOTAL	**$ -**	**$ 452,804**	**$ 452,804**	**$ 658,857**	**$ 1,111,661**
ONTARIO					
Dogpaw Property					
Acquisition costs	$ 214,000	$ -	$ 214,000	$ -	$ 214,000
Exploration costs					
Airborne survey	71,600	-	71,600	-	71,600
Drilling	207,091	-	207,091	-	207,091
Equipment rentals	-	1,920	1,920	-	1,920
Field expenses	-	25,155	25,155	375	25,530
Geochemistry	-	15,804	15,804	-	15,804
Geological and miscellaneous	30,883	89,432	120,315	1,682	121,997
Geophysics	-	22,130	22,130	-	22,130
Line cutting	59,692	12,145	71,837	-	71,837
	583,266	**166,586**	**749,852**	**2,057**	**751,909**
Pardo Property					
Acquisition costs	-	7,500	7,500	15,000	22,500
Exploration costs					
Drilling	-	-	-	13,729	13,729
Equipment rentals	-	-	-	5,821	5,821
Field expenses	-	-	-	27,816	27,816
Geochemistry	-	-	-	5,112	5,112
Geological and miscellaneous	-	5,081	5,081	49,733	54,814
Geophysics	-	-	-	5,005	5,005
Land and recording fees	-	91	91	13,500	13,591
Line cutting	-	-	-	14,307	14,307
Trenching	-	-	-	9,450	9,450
	-	**12,672**	**12,672**	**159,473**	**172,145**

4. MINERAL PROPERTIES (cont'd…)

	Balance December 31, 2004	2005 Expenditure	Balance December 31, 2005	2006 Expenditure	Balance December 31, 2006
ONTARIO (cont'd)					
Turner Property					
Acquisition costs	-	8,640	8,640	-	8,640
Exploration costs					
Field Expenses	-	-	-	17	17
Geological and miscellaneous	-	-	-	2,027	2,027
	-	**8,640**	**8,640**	**2,044**	**10,684**
Minnitaki Property					
Acquisition costs	-	-	-	4,409	4,409
Exploration costs					
Geological and miscellaneous	-	-	-	92	92
	-	**-**	**-**	**4,501**	**4,501**
ONTARIO –TOTAL	**$ 583,266**	**$ 187,898**	**$ 771,164**	**$ 168,075**	**$ 939,239**
SASKATCHEWAN					
Simmie Property					
Acquisition costs	$ -	$ -	$ -	$ 4,000	$ 4,000
Exploration costs					
Field Expenses	-	-	-	1,340	1,340
Geological and miscellaneous	-	-	-	8,760	8,760
Land and recording fees	-	-	-	3,187	3,187
	-	**-**	**-**	**17,287**	**17,287**
SASKATCHEWAN –TOTAL	$ -	$ -	$ -	$ 17,287	$ 17,287
TOTAL MINERAL PROPERTIES	**$ 583,266**	**$ 640,702**	**$ 1,223,968**	**$ 844,219**	**$ 2,068,187**

Nechako Gold (Amarc JV) Property

The Nechako Gold Property is comprised of eleven mineral claims located west of Quesnel, British Columbia.

During 2004, the Company entered into an option and joint venture agreement with Amarc Resources Inc. ("Amarc"), whereby the Company can earn a 60% interest in the Nechako Gold Property by completing $250,000 in exploration expenditures and issuing 250,000 shares to Amarc over a three year period. The Company has issued 250,000 shares to Amarc and 70,000 shares to an underlying property vendor at an aggregate value of $80,000 and fulfilled all of its obligations, and a joint venture as to 60% (Endurance) and 40% (Amarc) was formed in December 2005. Amarc elected not to participate in its pro-rata share of costs for the diamond drilling program completed in January 2006 and the subsequent exploration expenditures in 2006 on the Nechako Gold Property. As a result, the property is now held 69% by Endurance and 31% by Amarc.

Nechako – Endurance 100% Property

The Company staked six mineral claims located immediately north and south of the Company's Nechako Gold Property as described above. Five minerals claims were dropped during 2006. The Company currently has a 100% interest in one mineral claim located west of Quesnel, British Columbia.

4. MINERAL PROPERTIES (cont'd…)

BQ Property

The Company entered into an option agreement dated August 25, 2005 with three vendors (the "Vendors"), whereby the Company has the option to earn a 100% interest in mineral claims in the BQ Property in the Omineca Mining Division of British Columbia. To earn its 100% interest in the property, the Company must pay the Vendors a total of $70,000 ($17,500 paid) and issue a total of 250,000 shares (40,000 shares issued at a value of $10,000) over a three-year period. The Vendors retained a 3% net smelter return royalty interest, one-half of which may be purchased by the Company for $1,500,000.

BQ–Endurance 100% Property

The Company acquired a 100% interest in ten mineral claims in the Omineca Mining Division of British Columbia by staking.

Virginia Silver Property

By an agreement dated August 8, 2006, the Company acquired an option to earn a 100% interest in the Virginia Silver Property, located in the Omineca Mining Division of northwestern British Columbia. Under the terms of the agreement, the Company will issue 100,000 warrants (issued with a value of $8,569) to the Optionor. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.20 per share until October 23, 2008. In addition, the Company, at the discretion of the Optionor, must either issue 250,000 common shares of the Company, or pay $250,000, on or before October 23, 2009 to complete its 100% earn-in.

Virginia Silver – Endurance 100% (Annie) Property

The Company acquired a 100% interest in seven mineral claims in the Omineca Mining Division in British Columbia by staking.

Dogpaw Property

The Dogpaw Property is located in north-western Ontario. The 18 claims are 100% owned by the Company and were acquired by the issuance of 2,000,000 common shares valued at $214,000.

Pardo Property

The Company entered into an option agreement dated September 16, 2005 with three vendors (one of whom is the President of the Company), whereby the Company has the option to earn a 100% interest in the Pardo property located northeast of Sudbury, Ontario. To earn its interest, the Company must make $100,000 ($15,000 paid) in cash payments and issue 200,000 common shares (30,000 shares issued at a value of $7,500) over a four-year period. The vendors have retained a 3% net smelter return royalty interest, one-half of which may be purchased by the Company for $1,500,000.

Turner Property

The Company acquired a 100% interest in three mineral claims in the Sudbury Mining Division of east-central Ontario by staking.

Minnitaki Property

The Company acquired a 100% interest in three mineral claims in the Minnitaki Lake region of northwestern Ontario by staking.

4. MINERAL PROPERTIES (cont'd…)

Simmie Property

By an agreement dated January 30, 2006, as amended September 21, 2006, the Company acquired an option to earn a 100% interest in the Simmie Gold Project, located southwest of Swift Current, Saskatchewan, by issuing 200,000 shares (20,000 shares issued at a value of $4,000) and incurring $150,000 in exploration expenditures over three years. The Vendor retained a 3% net smelter return royalty interest, one-half of which may be purchased by the Company at any time for $1,500,000.

Eagle Gold – Silver Property

The Company terminated an option agreement, which was entered into in February 2006, to acquire a 100% interest in the Eagle Gold-Silver property, located south of Whitehorse, Yukon Territory, and south of the past producing Mt. Skukum gold mine, in the Atlin Mining District of northwest B.C., by issuing 100,000 shares (15,000 shares issued at a value of $3,000) and making cash payments $50,000 ($5,000 paid) over three years. At December 31, 2006, the Company wrote off the carrying value of $29,690 in acquisition and exploration costs incurred on the property.

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, a reclamation bond, accounts payable 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 these financial instruments. The fair values of cash, receivables, reclamation bond, accounts payable and accrued liabilities approximate their carrying value, unless otherwise noted.

6. CAPITAL STOCK

(a) The authorized share capital of the Company consists of an unlimited number of common shares without par value.

(b) Issued and outstanding:

	Number of Shares	Amount	Contributed Surplus
Balance at December 31, 2004	**7,377,880**	**$ 789,433**	**$ -**
For settlement of debt at $0.107 per share	1,117,206	119,541	-
For stock-based compensation	-	-	107,802
For cash at $0.25 per share	8,000,000	2,000,000	-
For Agent's commission at $0.25 per share	75,000	18,750	-
For mineral property acquisition at $0.25 per share	345,000	86,250	-
For share issuance costs	-	(321,730)	-
For agent's options	-	(51,078)	51,078
Balance at December 31, 2005	**16,915,086**	**2,641,166**	**158,880**
For mineral property acquisition at $0.20 per share	35,000	7,000	-
For mineral property acquisition at $0.25 per share	45,000	11,250	-
For mineral property acquisition – 100,000 warrants	-	-	8,569
For cash at $0.30 per share	1,000,000	300,000	-
For stock-based compensation	-	-	17,836
Flow-through share renunciation (Note 10)	-	(433,440)	-
Balance at December 31, 2006	**17,995,086**	**$ 2,525,976**	**$ 185,285**

6. CAPITAL STOCK (cont'd…)

Of the outstanding shares as of December 31, 2006, 4,312,400 are held in escrow. Under the escrow agreement, 15% of the original 7,187,334 shares held in escrow will be released every six months from August 4, 2005. Subsequent to the year end, 1,078,100 shares were released from escrow.

The Company closed an initial public offering ("IPO") of its common shares on July 27, 2005, raising gross proceeds of $2,000,000. The IPO consisted of 4,800,000 flow-through common shares at a price of $0.25 per share and 3,200,000 units (the "Units") at a price of $0.25 per Unit. Each Unit consists of one common share and one common share purchase warrant which may be exercised at any time until 24 months from closing. During the first 12 months the exercise price is $0.35 per share and thereafter the exercise price is $0.45 per share. The Agent received a cash commission of $150,000, 75,000 Units valued at $18,750 and compensation options entitling the Agent to purchase 800,000 Units at $0.25 per Unit with a value of $51,078.

The Company completed a non-brokered private placement of 1,000,000 units at $0.30 per unit for gross proceeds of $300,000 on June 16, 2006. Each Unit is comprised of one common share and one common share purchase warrant (a "Warrant") of the Company. Each Warrant entitles its holder to acquire one additional common share at an exercise price of $0.40 on or before June 16, 2007.

(c) Stock Options, Warrants and Agent's Compensation Options Outstanding

In March 2005, the Company adopted an incentive stock option plan (the "Plan") that conforms to the requirements of the TSX Venture Exchange (the "Exchange") for the purpose of granting options to purchase common shares to directors, officers, employees and consultants of the Company. The options granted from the Plan shall vest immediately on the date of grant.

The options outstanding at December 31, 2006 are as follows:

Number Outstanding	Exercise Price $	Expiry Date
1,050,000	0.25	August 4, 2008
100,000	0.20	February 2, 2009
75,000	0.26	April 25, 2009
1,225,000		

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

	Number of Options		Weighted Average Exercise Price
Balance, December 31, 2004	-	$	-
Options granted	1,050,000		0.25
Balance, December 31, 2005	1,050,000		0.25
Options granted	175,000		0.23
Balance, December 31, 2006	1,225,000	$	0.25
Number of options currently exercisable	1,225,000	$	0.25

6. CAPITAL STOCK (cont'd…)

As at December 31, 2006, the Company had warrants (the "Warrants") outstanding to purchase 4,375,000 common shares, exercisable at prices ranging from $0.20 to $0.45 per share that expire between June 16, 2007 and October 23, 2008.

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Number of Warrants		Weighted Average Exercise Price
Balance, December 31, 2004	-	$	-
Warrants granted	3,275,000		0.45
Balance, December 31, 2005	3,275,000		0.45
Warrants granted	1,100,000		0.38
Balance, December 31, 2006	4,375,000	$	0.43

The Company also had 800,000 Agent's compensation options outstanding at December 31, 2006. The Agent's compensation options were issued to the Agent in connection with the Company's initial public offering. Each Agent's compensation option entitles the Agent to purchase one Unit at a price of $0.25 per Unit until July 27, 2007, with each Unit consisting of one common share and one Warrant.

(d) Stock-based compensation

The fair value of options reported as compensation expense during the period has been estimated using the Black-Scholes Option Pricing Model using the following assumptions:

	2006	**2005**
Description		
Expected dividend yield	0.0%	0.0%
Risk free interest rate	4.10%	3.55%
Expected stock price volatility	68.82%	75%
Expected life of options	2.6 years	3 years
Weighted average fair value	$0.09	$0.10

Based on these variables, stock-based compensation expense of $17,836 (2005 - $107,802) and mineral property acquisition cost of $8,569 were recorded during the year. The offsetting credits were recorded in contributed surplus.

7. EARNINGS PER SHARE

A reconciliation of the weighted average number of common shares outstanding is as follows:

	2006	2005
Weighted average number of common shares		
Basic	17,467,511	11,851,072
Effect of dilutive stock options	9,524	-
Diluted	17,477,035	11,851,072

8. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

Supplementary disclosure of non-cash investing and financing activities:

	2006	2005
Shares issued for mineral properties	$ 18,250	$ 86,250
Shares issued to settle indebtedness	-	119,541
Stock-based compensation	17,836	107,802
Warrants issued for mineral property	8,569	-
Agent's compensation options	-	51,078
Agent's Units commission	-	18,750

Incurred mineral property expenditures of $16,690 through accounts payable ($6,319 - 2005).

9. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2006, the Company entered into the following related party transactions:

a) paid or accrued companies controlled by Company officers an aggregate of $78,000 ($29,359 in 2005) for geological fees included in general exploration and mineral property expenses and $77,765 ($93,971 in 2005) for management fees.

b) paid a company with a common director an aggregate of $24,573 ($18,630 in 2005) for rent, $nil ($3,064 in 2005) for accounting and $nil ($2,664 in 2005) for office services.

c) two directors of the Company, Messrs. Arnold and Gilliam, subscribed for 1,000,000 non-brokered private placement units of the Company at a price of $0.30 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each share purchase warrant will be exercisable at $0.40 into one common share on or before June 16, 2007.

During the year ended December 31, 2005, the Company entered into the following related party transaction:

a) issued 1,117,206 shares at a value of $0.107 per share to repay the sum of $119,541 that had been advanced as a non-interest bearing unsecured demand loan from a company that is a significant shareholder in the Company and that is itself controlled by two of the Company's directors.

The amounts charged to the Company for the transactions provided have been determined by negotiations amongst the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the same value as if the transactions had occurred with non-related parties.

10. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2006		2005
Loss before income taxes	$	(273,197)	$	(434,728)
Expected income tax (recovery)	$	(98,679)	$	(151,590)
Items not deductible for tax purposes		6,932		15,587
(Recognized) unrecognized benefit of non-capital losses		(260,583)		136,003
Total income taxes (recovery)	$	(352,330)	$	-
Represented by:				
Current income tax	$	-	$	-
Future income tax (recovery)		(352,330)		-

The significant components of the Company's future tax assets (liabilities) are as follows:

		2006		2005
Future tax assets (liabilities):				
Financing costs	$	65,865	$	87,819
Loss carry forwards		119,118		67,814
Mineral properties		(266,684)		(71,140)
Equipment		591		259
Less: valuation allowance		-		(84,752)
Net future tax assets (liabilities)	$	(81,110)	$	-

The Company has available for deduction against future taxable income non-capital losses of approximately $349,000. These losses, if not utilized, will expire through to 2026. Subject to certain restrictions, the Company also has resource expenditures available to reduce taxable income in future years. Future tax benefits which may arise as a result of non-capital losses have been offset by a valuation allowance due to the uncertainty of their realization.

Flow-through Expenditures

Under the Canadian *Income Tax Act* a company may issue securities referred to as flow through shares, whereby the investors may claim the tax deductions arising from the qualifying expenditure (Canadian Exploration Expense) of the proceeds by the company. 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 corporate tax rate), thereby reducing share capital. Previously unrecognized tax assets may then offset or eliminate the liability recorded.

In February 2006, the Company renounced $1,200,000 of exploration expenditures raised through the issuance of flow through shares in 2005, resulting in a future tax liability of $433,440, which was deducted from share capital (see also Note 6). The Company subsequently reduced the future income tax liability to $81,110 by recognizing previously unrecorded future income tax assets. This decrease in the valuation allowance has resulted in a future income tax recovery of $352,330 disclosed on the Statements of Operations and Deficit.

As at December 31, 2006, the flow-through proceeds of $1,200,000 have all been incurred, and there are no flow-through proceeds remaining to be expended.

11. SEGMENTED INFORMATION

The Company operates in one reportable operating segment in Canada, being the exploration and development of mineral properties.

12. SUBSEQUENT EVENTS

Subsequent to December 31, 2006:

a) In January 2007, the Company entered into an option agreement with Houston Lake Mining Ltd. (“HLM”), whereby HLM could earn a 100% interest in four claims forming part of the Dogpaw property in return for a work commitment of $56,000 and 100,000 shares of HLM (shares received in February 2007).

b) The Company issued 40,000 shares, at a value of $8,000, pursuant to the Simmie property option agreement.

c) The Company announced a brokered private placement with Pacific International Securities ("the Agent") of up to 4,350,000 flow through shares (“FT Shares”) at a price of $0.23 per FT Share and up to 2,175,000 non-flow through units (“Units”) at a price of $0.23 per Unit. Each Unit will consist of one common share and one share purchase warrant (“Warrant”), entitling the holder to purchase one common share of the Company (“Warrant Share”) for a period of up to eighteen months at a price of $0.40. Total gross proceeds to the Company will be up to $1,500,750.

d) The Company announced a non-brokered private placement of 2,282,600 non-flow through units having the same terms and conditions as the Units sold under the brokered private placement. Gross proceeds to the Company from the non-brokered private placement will be an additional $525,000, of which 1,913,034 units will be subscribed by three directors and an officer of the Company.

MANAGEMENT'S DISCUSSION & ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A")[(1)] has been prepared as of March 27, 2007 (the "Report Date"), containing information up to and including the Report Date, should be read in conjunction with the audited financial statements of Endurance Gold Corporation ("Endurance", or the "Company") for the year ended December 31, 2006, together with the related notes thereto. The accompanying audited financial statements are prepared in accordance with Canadian generally accepted accounting principles. All monetary amounts are in Canadian dollars. Additional information relating to the Company is available for viewing on SEDAR at www.sedar.com.

Overview

Endurance (formerly 6172342 Canada Ltd.) was incorporated under the provisions of the *Canada Business Corporations Act* on December 16, 2003 and continued into British Columbia on August 16, 2004. The Company is a relatively new company focused on the exploration and development of precious metal properties in Canada, principally in British Columbia and Ontario. The Company's common shares have been listed and traded on the TSX Venture Exchange under the symbol "EDG" since August 4, 2005.

The Company recently completed brokered and a non-brokered private placement financings on March 20 and 23, 2007, respectively, receiving gross proceeds in the aggregate amount of $2,009,648 by issuing 4,340,000 flow through shares ("FT shares") at a price of $0.23 per FT share and a total of 4,397,600 non-flow through units ("Units") at a price of $0.23 per Unit. Each Unit consists of one common share and one share purchase warrant entitling the holder to purchase one common share of the Company for a period of up to eighteen months at a price of $0.40. The funds from the private placements will be used to complete exploration programs on the Pardo, Turner and BQ Projects, with lesser work commitments on the Nechako and Simmie Projects, and to provide general working capital.

The Company incurred approximately $800,000 in exploration expenditures during 2006 on a portfolio of nine properties Canada-wide. As a result of that exploration work, three projects have moved to the forefront of our on-going exploration efforts; the Pardo and Turner Properties in east-central Ontario, and the BQ Property in northwestern British Columbia.

Exploration Activities

Pardo Property, Ontario

During the period June through October 2006, the Company completed two rounds of surface stripping and channel sampling of the conglomerate, in areas underlain by strong IP anomalies. At one location, known as Trench 2, the results returned impressive ore grade values, to 3.5 grams per tonne ("gpt") gold over 13 metres, and including an individual metre sample carrying a gold grade of 18.35 gpt Au. These results represent the most significant gold grades returned to date from the property, and from this under-explored geological setting. Based on the results, the Company dramatically expanded its land position in the area, staking an additional 96 claim units and increasing the property size to 180 units, or some 24 square kilometres of prospective geology. Late in the year, the Company completed a 20 line-kilometre grid over the new showing area, in advance of the 2007 program on the property.

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(1) This MD&A contains certain forward-looking information. All information, other than historical facts included herein, including without limitation data regarding potential mineralization, exploration results and future plans and objectives of Endurance is forward-looking information that involves various risks and uncertainties. There can be no assurance that such information will prove to be accurate and actual results and future events could differ materially from those anticipated in the forward-looking information.

Plans for 2007 at Pardo include additional IP surveys over the newly established grid, detailed humus sampling over the grid, geological mapping and sampling, additional trenching and surface channel sampling, to be followed by an aggressive drilling campaign to determine the extent and thickness of gold mineralization around the Trench 2 Area. Detailed prospecting will also take place over the remainder of the property, in order to identify any additional areas of significant gold mineralization within the conglomerate host.

Turner Property, Ontario

The Turner Property, located 40 kilometres northwest of Pardo, was acquired 100% by the Company through staking. The property covers a similar geologic environment to Pardo, with pyritic basal conglomerates unconformably overlying Archean basement rocks. The conglomerates saw a limited program of diamond drilling during the 1950's, when they were explored for their uranium potential. Significant U_3O_8 values have been returned, to 0.27% over 7 feet at surface, and 0.06% over 1.5 feet in drill core. The logs describe thick sections of pyritic conglomerates, none of which were assayed for gold, and the potential for both significant gold and uranium mineralization is strong on this property.

The proposed 2007 program for Turner will see establishment of a control grid, followed by detailed geological mapping and sampling, IP surveys, trenching and diamond drilling as warranted.

BQ Property, British Columbia

A significant focus of Endurance through the first half of 2006 was the BQ Property, where the Company completed extensive soil geochemistry, ground IP and magnetic surveys, followed by two rounds of diamond drilling totaling 11 holes and 2,017 metres. The drilling defined a broad area of intense phyllic/argillic alteration (sericite-quartz-carbonate-clay) within a sequence of metasediments and volcanoclastics, extensively intruded by quartz feldspar porphyry dykes. Associated with the alteration are zones of extensive sulphidization, with the introduction of appreciable amounts of pyrite, pyrrhotite, arsenopyrite, sphalerite, and chalcopyrite. Significant gold intercepts returned to date include 33 metres of 0.77 gpt Au in Hole BQ-03, and 3.03 gpt Au over 4 metres in Hole BQ-08. While no ore grade intercepts have been defined, the drilling has only tested approximately 400 metres of strike length, and recent soil geochemical results indicate that the mineralizing system may extend an additional 2.6 kilometres to the east.

Plans for BQ through 2007 include a detailed airborne magnetic and electromagnetic survey, followed by additional ground soil geochemical and geophysical surveys, and diamond drilling as warranted. Given the large size of the project, and an emerging focus on the Proterozoic Basin properties in Ontario, the Company will seek expressions of interest from a select group of potential joint venture partners early in the year. If no such partner is found, Endurance will proceed with exploration on its own behalf.

Virginia Silver Property, British Columbia

In September 2006, the Company acquired an option to earn a 100% interest in the Virginia Silver Property, located 10 kilometres northeast of the BQ Property, in northwestern British Columbia. Work in the 1960's by Silver Standard Mines had defined a narrow, high grade vein/shear system hosted within metasediments, on which Silver Standard had defined a small non 43-101 compliant resource of 30,000 tons grading 25 opt silver. That resource was based on extensive underground sampling from two adits driven by Silver Standard, as well as 22 short diamond drill holes. Work at the time indicated that the vein/shear was displaced by a post-mineral fault to the east, and was truncated to the north by a paleo-river channel. The mineralization did appear to be open to the southwest along strike. During the fall of 2006, the Company completed a program of line-cutting, geological mapping, soil sampling, and a small three hole diamond drilling program. The drilling was designed to test for extensions to the known silver bearing vein system to the southwest, as well as test a soil geochemical anomaly on the east side of the post-mineral fault zone. Drilling to the southwest failed to identify any significant extensions to known mineralization. Drilling east of the fault did return a narrow intercept of 67.2 gpt Ag and 0.391 gpt Au over 0.1 metre, indicating some prospectivity east of previously defined known limits of mineralization. There is currently no 2007 budget allocation for the Virginia Silver Property, and the Company will seek a joint venture partner to advance the project through 2007.

Other Properties

In February 2006, the Company acquired an option to earn a 100% interest in the Eagle Property, located in the Atlin Mining District of northwestern British Columbia, approximately 80 kilometres south of Whitehorse. The property covered a portion of a large Eocene aged caldera system, within which work by previous property holders had identified multiple narrow epithermal Au-Ag bearing veins. Of paramount interest was the previous discovery of a large quartz sulphide boulder at the foot of a glacier that assayed 44.5 gpt Au and 14,356 gpt Ag. During 2006, the Company completed a small helicopter supported reconnaissance prospecting program on the property, in an attempt to locate the source of the high grade boulder. That program was unsuccessful, and subsequent to year end the option on the property was terminated.

No work was completed on the Nechako Project during 2006. Disappointing results from the 2005 program, and a focus on BQ and Pardo, lowered the project's priority within the Company. A small program of deep penetration IP followed by limited diamond drilling is scheduled for the project in 2007.

No work was completed on the Simmie Property in southwestern Saskatchewan during 2006, primarily due to the difficulty in securing a rotary drill rig for the project. That effort will continue in 2007, with a small, approximately 700 metre RC drilling program slated for late in the spring of this year.

No work was completed on the Minnitaki Project during 2006 and none is slated for 2007. The Company is actively seeking a joint venture partner or purchaser for the small, 100% owned claim block.

No work was completed on the Dogpaw Project during 2006. Since late 2005, the Company has been seeking a joint venture partner or purchaser for the properties comprising the project. In January 2007, the Company entered into an option agreement with Houston Lake Mining Ltd. ("HLM"), whereby HLM could earn a 100% interest in four claims forming part of the Dogpaw ground in return for a work commitment of $56,000 and 100,000 shares of HLM. In February 2007, the Company entered into an option agreement with North American Uranium Corp. ("NAUC"), whereby NAUC has the right to acquire a 70% interest in the remaining 14 claims comprising the Dogpaw property, in return for a work commitment of $200,000 and payment of 400,000 common shares of NAUC by June 30, 2007. NAUC can earn a further 5% by issuing 50,000 common shares and spending an additional $250,000 exploration expenditures.

Selected Annual Information

Selected annual information from the audited financial statements for the years ended December 31, 2006 and 2005 is summarized in the table below.

	2006 $	2005 $
Total revenues	Nil	Nil
Net income (loss) for the year	79,133	(434,728)
Basic and diluted gain (loss) per share	0.00	(0.04)
Total assets	2,340,992	2,237,752
Long-term Income Tax Liability	81,110	Nil
Cash dividends declared per share	Nil	Nil

Results of Operations

The Company's net income for the year ended December 31, 2006 was $79,133 or $nil per common share, compared to a net loss of $434,728 or $0.04 per common share for the year ended December 31, 2005. The net income in the current year reflects a non-cash income tax recovery of $434,440 that relates to the renouncement of $1.2 million of flow through expenditures to investors in February 2006 (see notes 6 and 10 to the 2006 audited financial statements). This income item effectively reduces Capital whilst also decreasing Deficit by the same amount. The Company reduced the future income tax liability to $81,110 by recognizing previously unrecorded future income tax assets in the year end. This decrease in the valuation allowance has resulted in a future income tax recovery of $352,330 disclosed on the Statements of Operations and Deficit.

The expenses before other items for fiscal 2006 was $264,462, it was about $178,239 lower than the $442,701 incurred in 2005. The decrease was mainly attributable to:

- Stock-based compensation expenses (a non-cash charge) of $17,836 ($107,802 in 2005), incurred as a result of the vesting of 175,000 (1,050,000 in 2005) stock options granted in 2006.
- Professional fees of $36,292 ($77,394 in 2005) with the decrease attributed primarily to the fact that in 2005 the Company incurred expenses associated with the preparation and closing of its initial public offering ("IPO").
- Listing and transfer agent fees decreased to $17,676 ($33,091 in 2005) and the decrease was attributed primarily to the fact that in 2005 the Company incurred expenses in connection with the listing of the Company's common shares on the TSX Venture Exchange following the closing of the IPO.
- Management fees totaled $77,765 ($93,971 in 2005), a decrease of $16,206. In the current year, an additional $78,000 ($29,359 in 2005) in management fees was capitalized to mineral properties.
- Office and administrative expenses totaled $80,681 ($67,170 in 2005), which amount included $15,065 ($nil in 2005) in tax payable due to the penalty on unspent flow-through funds raised in August 2005.
- General exploration and business development expenses of $13,790 ($46,006 in 2005). The decrease can be attributed primarily to the fact that during 2006 the Company elected to focus its exploration efforts on evaluating its optioned or wholly-owned properties, where exploration costs are capitalized.

Summary of Quarterly Results

Results for the eight most recent quarters ending with the last quarter for the three months ending on December 31, 2006 is summarized in the table below.

Quarter Ended: / Year:	Dec. 31 2006	Sep. 30 2006	June 30 2006	Mar. 31 2006	Dec. 31 2005	Sep. 30 2005	June 30 2005	Mar. 31 2005
Net sales or total revenue ($000s)	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil	$Nil
Income (loss) from continuing operations:								
(i) in total (000s)	$(166)	$(35)	$(64)	$344	$(99)	$(117)	$(78)	$(141)
(ii) per share[1]	$(0.01)	$(0.00)	$(0.00)	$0.02	$(0.01)	$(0.01)	$(0.01)	$(0.02)
Net income or loss:								
(i) in total (000s)	$(166)	$(35)	$(64)	$344	$(99)	$(117)	$(78)	$(141)
(ii) per share[1]	$(0.01)	$(0.00)	$(0.00)	$0.02	$(0.01)	$(0.01)	$(0.01)	$(0.02)

(1) Basic and diluted losses per share are the same, as the effect of potential issuances of shares under stock option agreements would be anti-dilutive.

- The increase in loss in the first quarter of 2005 was largely due to the granting of 1,050,000 stock options, which resulted in stock-based compensation expense of $107,802 in that quarter.
- The net gain reported in the first quarter and loss in the fourth quarter of 2006 are related to potential future tax effects and adjustments related to the renouncement of $1,200,000 flow-through expenditures to investors in February 2006.

Fourth Quarter Comparison

For the three months ended December 31, 2006, the Company incurred a net loss of $165,929 ($98,620 in 2005), resulting in basic and diluted loss per share of $0.01 ($0.01 in 2005).

The increase was largely related to potential future tax adjustments of $67,070 ($nil in 2005) related to the renouncement of flow-through expenditures in February 2006 and to a write-off of mineral property costs of $29,690 ($485 in 2005). Excluding these items, the net loss for the three month period ended December 31, 2006 was $69,169 as compared to $98,135 in 2005. The overall cost of operating decreased, which was mainly attributable to the reduced general exploration and business development expenses of $3,097 as compared to $32,434 in the same period in 2005 as the Company initiated reconnaissance exploration activities following its initial IPO in August 2005.

Liquidity and Capital Resources

The Company has no operations that generate cash flow. The Company finances its activities primarily by the sale of its equity securities.

The Company does not use debt financing to fund its property acquisitions and exploration activities and the Company has no current plans to use debt financing. However, from time to time between the Company's formation in late 2003 and the closing of its IPO, the Company relied upon non-interest bearing advances from its principal shareholder to provide short-term funding. Such advances were converted into common shares at a price of $0.107 per share.

The Company has no stand-by credit facilities, or any off-balance sheet arrangements and it does not use hedges or other financial derivatives.

Cash and Financial Conditions

The Company's cash position was $220,448 at December 31, 2006 ($948,693 at December 31, 2005). The Company had working capital of $204,265 at December 31, 2006, as compared to $984,051 at December 31, 2005.

The Company completed two financings in March 2007 and received gross proceeds of $2,009,648 by issuing 4,340,000 FT shares and a total of 4,397,600 units ("Units"). Each Unit consists of one common share and one share purchase warrant entitling the holder to purchase one common share of the Company for a period of up to eighteen months at a price of $0.40.

The Company's current working capital position provide it with sufficient liquidity to meet its 2007 budgeted operating requirements. The Company expects to obtain financing in the future primarily through equity financing and/or debt financing. There can be no assurance that the Company will succeed in obtaining additional financing, now or in the future. Failure to raise additional financing on a timely basis could cause the Company to suspend its operations and eventually to forfeit or sell its interest in its properties.

Investing Activities

During the year ended December 31, 2006, the Company's cash flow used for investing activities was $380 ($5,965 in 2005) in equipment purchased, $8,000 ($3,500 in 2005) in reclamation bonds, and $836,719 ($548,618 in 2005) in mineral properties, all of which represented acquisition and exploration costs that were capitalized.

Financing Activities

During 2006, the Company received a total of $300,000 from the sale of 1,000,000 units in a non-brokered private placement at a price of $0.30 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each share purchase warrant is exercisable at $0.40 into one common share on or before June 16, 2007.

During 2005, the Company received $1,678,270 from the IPO, net of issuing costs. In the same period, the Company also received $163,275 from the sale of common shares in private placements that were completed in 2004. In addition, the Company issued 1,117,206 shares to settle debt in the amount of $119,541 which represented a sum that had been advanced from a company that is a significant shareholder of the Company and that is itself controlled by two of the Company's directors.

Outstanding share data as at the Report Date:

On the Report Date, the Company had 27,082,186 common shares outstanding or 39,781,286 shares on a fully diluted basis as follows:

	No. of Shares	Exercise Price	Expiry Date
Employees Stock Options	1,375,000	$0.20 - $0.26	Aug. 4, 2008 to Mar. 26, 2010
Warrants	9,082,100	$0.20 - $0.45	June 16, 2007 to Oct. 23, 2008
Agent's Options	1,442,000	$0.25 - $0.40	July 27, 2007 to Sept. 20, 2008
Agent's Warrants	800,000	$0.45	July 27, 2007

Transactions with related parties

During the year ended December 31, 2006, the Company entered into the following related party transactions:

(a) Paid an aggregate amount of $119,090 ($89,555 - 2005) to McIvor Geological Consulting, a company controlled by Duncan McIvor, for management and geological consulting services.

(b) Paid an aggregate amount of $nil ($29,925 - 2005) to Adera Company Management Inc., a company controlled by J. C. Mitchell, for management and administrative services.

(c) Paid an aggregate amount of $36,675 ($7,850 – 2005) to Teresa Cheng for management and administrative services.

(d) Two directors of the Company, Messrs. Arnold and Gilliam, subscribed for 1,000,000 non-brokered private placement units of the Company at a price of $0.30 per unit. Each unit is comprised of one common shares and one common share purchase warrant. Each share purchase warrant will be exercisable at $0.40 into one common share on or before June 16, 2007.

(e) Paid an aggregate amount of $24,573 ($24,358 – 2005) to First Point Minerals Corp., company with a common director, for accounting, rent and services.

(f) The Company did not issue any shares for debt during 2006, but issued 1,117,206 shares in 2005 at a value of $0.107 per share to repay the sum of $119,541 that had been advanced as a non-interest bearing unsecured demand loan from a company that is a significant shareholder in the Company and that is itself controlled by two of the Company's directors.

These transactions were in the normal course of operations and were measured at the exchange amount, which was the amount of consideration established and agreed to with the related parties.

Risk Factors Relating to the Company's Business

As a company active in the mineral resource exploration and development industry, the Company is exposed to a number of risks.

Exploration Stage Operations

The Company's operations are subject to all of the risks normally incident to the exploration for and the development and operation of mineral properties. The Company has implemented comprehensive safety and environmental measures designed to comply with government regulations and ensure safe, reliable and efficient operations in all phases of its operations. The Company maintains liability and property insurance, where reasonably available, in such amounts it considers prudent. The Company may become subject to liability for hazards against which it cannot insure or which it may elect not to insure against because of high premium costs or other reasons.

All of the Company's properties are still in the exploration stage. Mineral exploration and exploitation involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to avoid. Few properties that are explored are ultimately developed into producing mines.

Mineral exploration in various jurisdictions may involve consultation with First Nations groups. The Company endeavours to consult with such groups on a good faith basis, however, there are no guarantees the consultation process will result in decisions acceptable to all parties. The risk of unforeseen aboriginal title claims and disputes could affect the Company's existing operations as well as development projects and future acquisitions.

Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in mineral exploration and exploitation activities. The Company has relied on and may continue to rely on consultants and others for mineral exploration and exploitation expertise. Substantial expenditures are required to establish mineral reserves and resources through drilling, to develop metallurgical processes to extract the metal from the material processed and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining.

There is no assurance that commercial quantities of ore will be discovered. Even if commercial quantities of ore are discovered, there is no assurance that the properties will be brought into commercial production or that the funds required to exploit mineral reserves and resources discovered by the Company will be obtained on a timely basis or at all. The commercial viability of a mineral deposit once discovered is also dependent on a number of factors, some of which are the particular attributes of the deposit, such as size, grade and proximity to infrastructure, as well as metal prices. Most of the above factors are beyond the control of the Company.

There can be no assurance that the Company's mineral exploration activities will be successful. In the event that such commercial viability is never attained, the Company may seek to transfer its property interests or otherwise realize value or may even be required to abandon its business and fail as a "going concern".

Competition

The mining industry is intensely competitive in all of its phases, and the Company competes with other companies with greater technical and financing resources than itself with respect to acquire properties of merit, the recruitment and retention of qualified employees and other persons to carry out its mineral exploration activities. Competition in the mining industry could adversely affect the Company's prospects for mineral exploration in the future.

Management's evaluation of disclosure controls and procedures

The Company has adopted a policy of disclosure controls and procedures and will continue to review these, as appropriate, from time to time. The President & Chief Executive Officer and the Chief Financial Officer have concluded that, during 2006, the design and operation of the system of disclosure controls and procedures in place was effective enough to ensure that material information was accumulated and communicated to management in a sufficiently timely manner for management to make decisions regarding the Company's disclosure as required by securities legislation.

There were no changes in the Company's internal control over financing reporting during the year ended December 31, 2006 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

Outlook

The Company may face difficulties in the coming year due to the shortage of skilled exploration personnel, contractors and equipment, such that locating a drill or an IP Crew is a significant challenge unto itself. On going socio-political issues in all parts of the country will make increasing demands on management's time, as will new corporate governance and regulatory reporting requirements.

The Company plans to focus its 2007 exploration efforts on the Pardo and Turner Properties in Ontario, and the Nechako and BQ Properties in British Columbia, while continuing to seek significant new advanced stage acquisitions.