# Bison Gold Exploration Inc.
## (A Development Stage Company)
## Financial Statements
## December 31, 2006 and 2005

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CHARTERED ACCOUNTANTS

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# Auditors' Report

To the Shareholders of
Bison Gold Exploration Inc.

We have audited the balance sheets of Bison Gold Exploration Inc. as at December 31, 2006 and 2005 and the statements of operations and deficit and cash flows for the year ended December 31, 2006 and eight months ended December 31, 2005. 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 year ended December 31, 2006 and eight months ended December 31, 2005 in accordance with Canadian generally accepted accounting principles.

**Signed:** ***"Moore Stephens Cooper Molyneux LLP"***

Chartered Accountants

Toronto, Ontario
February 12, 2007

BISON GOLD EXPLORATION INC.
(A Development Stage Company)

## BALANCE SHEETS

| December 31, | 2006 | 2005 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | $ 103,604 | $ 722,832 |
| GST receivable | 3,464 | 23,699 |
| Prepaid and sundry receivables | 14,316 | 7,273 |
| | 121,384 | 753,804 |
| Equipment (Note 4) | 14,137 | 16,835 |
| Mineral properties and deferred exploration costs (Note 5) | 842,816 | 590,805 |
| | $ 978,337 | $ 1,361,444 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | $ 106,662 | $ 108,537 |
| Accrued interest payable | 19,811 | 17,761 |
| Notes payable (Notes 6 and 11(iii)) | 30,060 | 31,060 |
| Liability for shares to be issued (Note 7(a)(xi)) | - | 52,500 |
| | 156,533 | 209,858 |
| **Shareholders' Equity** | | |
| Share capital (Note 7(a)) | 1,434,335 | 1,381,835 |
| Contributed surplus (Note 7(b)) | 416,650 | - |
| Deficit | (1,029,181) | (230,249) |
| | 821,804 | 1,151,586 |
| | $ 978,337 | $ 1,361,444 |

Going Concern (Note 1)

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

Approved by the Board of Directors

Signed: ***"Chris Watkiss"***
Chris Watkiss

Signed: ***"Brian MacLellan"***
Brian MacLellan

BISON GOLD EXPLORATION INC.
(A Development Stage Company)

## STATEMENTS OF OPERATIONS AND DEFICIT

for the year ended December 31, 2006 and
the eight months ended December 31, 2005

| | 2006 | 2005 | Cumulative Since Inception on April 18, 2005 |
|---|---|---|---|
| **Expenses** | | | |
| Accounting and audit | $ 60,491 | $ 27,550 | $ 88,041 |
| Business development fees | - | 37,383 | 37,383 |
| Consulting fees | 14,500 | 79,439 | 93,939 |
| Flow-through interest expense | 6,075 | - | 6,075 |
| Insurance | 12,632 | 2,571 | 15,203 |
| Interest and bank charges | 3,436 | 124 | 3,560 |
| Investor relations | 20,581 | 5,250 | 25,831 |
| Legal fees | 38,394 | 13,950 | 52,344 |
| Office and general | 62,576 | 24,278 | 86,854 |
| Rent | 35,729 | 19,832 | 55,561 |
| Salaries | 107,858 | 94,900 | 202,758 |
| Stock based compensation (Note 7(b)) | 416,650 | - | 416,650 |
| Transfer agent, listing and filing fees | 23,737 | 6,729 | 30,466 |
| Travel | 2,262 | 3,391 | 5,653 |
| Amortization | 5,094 | 5,152 | 10,246 |
| | 810,015 | 320,549 | 1,130,564 |
| Interest income | (11,083) | - | (11,083) |
| **(Loss) for the period before recovery of income taxes** | (798,932) | (320,549) | (1,119,481) |
| Recovery of future income taxes | - | 90,300 | 90,300 |
| **Net (loss) for the period** | (798,932) | (230,249) | (1,029,181) |
| **Deficit, beginning of period** | (230,249) | - | - |
| **Deficit, end of period** | $ (1,029,181) | $ (230,249) | $ (1,029,181) |
| **Basic and fully diluted loss per share** (Note 8) | $ (0.04) | $ (0.02) | |

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

BISON GOLD EXPLORATION INC.
(A Development Stage Company)

## STATEMENTS OF CASH FLOWS

for the year ended December 31, 2006 and
the eight months ended December 31, 2005

| | 2006 | 2005 | Cumulative Since Inception on April 18, 2005 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net loss for the period | $ (798,932) | $ (230,249) | $ (1,029,181) |
| Items not affecting cash: | | | |
| Amortization | 5,094 | 5,152 | 10,246 |
| Stock based compensation | 416,650 | - | 416,650 |
| Future income tax recovery | - | (90,300) | (90,300) |
| Changes in non-cash working capital: | | | |
| GST receivable | 20,235 | (22,728) | (2,493) |
| Prepaid and sundry receivables | (7,043) | (7,273) | (14,316) |
| Accounts payable and accrued interest and liabilities | 175 | 54,393 | 54,568 |
| | (363,821) | (291,005) | (654,826) |
| **Cash flow from investing activities** | | | |
| Mineral property expenditures | (252,011) | (34,795) | (286,806) |
| Purchase of equipment | (2,396) | (21,987) | (24,383) |
| Acquisition of Mid-North Resources Limited, net of cash received | - | (167,191) | (167,191) |
| | (254,407) | (223,973) | (478,380) |
| **Cash flow from financing activities** | | | |
| Issuance of common shares | - | 1,250,300 | 1,250,300 |
| Costs associated with issuance of common shares | - | (12,490) | (12,490) |
| Note payable repayment | (1,000) | - | (1,000) |
| | (1,000) | 1,237,810 | 1,236,810 |
| **Increase (decrease) in cash and cash equivalents** | (619,228) | 722,832 | 103,604 |
| **Cash and cash equivalents, beginning of period** | 722,832 | - | - |
| **Cash and cash equivalents, end of period** | $ 103,604 | $ 722,832 | $ 103,604 |
| **Cash and cash equivalents comprised of:** | | | |
| Cash | $ 103,604 | $ 222,832 | |
| Term deposit | - | 500,000 | |
| | $ 103,604 | $ 722,832 | |
| **Non-cash transaction:** | | | |
| Shares issued in exchange for Mid-North Resources Limited common shares (Note 3) | $ - | $ 234,325 | $ 234,325 |
| Conversion of liabilities for common shares (Note 7(a)(xi)) | $ 52,500 | $ - | $ 52,500 |

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

## 1. NATURE OF BUSINESS AND GOING CONCERN

**Nature of business**
Bison Gold Exploration Inc. (the "Company" or "Bison") was incorporated on April 18, 2005 in Ontario and carries on business in one segment, being the acquisition, exploration and development of properties for mining of precious and base metals. The Company has not earned any revenue to date from its operations and is therefore considered to be in the development stage. The amounts shown as mineral properties and deferred exploration expenditures do not necessarily represent present or future values.

On December 23, 2005, the Company amalgamated with Mid-North Resources Limited ("Mid-North") as further explained in note 3.

**Going concern**

These financial statements have been prepared on a going concern basis, which presumes the Company will be able to realize its assets and discharge its liabilities in the normal course of operations in the foreseeable future.

The recoverability of the costs incurred to date on mining properties and deferred exploration expenditures is dependent upon the existence of economically recoverable reserves, maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties and upon future profitable production or proceeds from the disposition of the properties and deferred exploration expenditures. The Company will periodically have to raise funds to continue operations and, although it has been successful in doing so in the past, there is no assurance it will be able to do so in the future.

These financial statements do not reflect the adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to obtain adequate financing. Changes in future conditions could require material write-downs to the carrying value of the mineral properties.

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of presentation**
These financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and reflect the following policies:

**Cash equivalents**
For the purpose of the statements of cash flows, the Company considers cash equivalents to be cash and short-term investments with original maturities of three months or less.

**Mineral properties and deferred exploration costs**
Mineral property acquisition costs and related direct exploration and development expenditures, net of recoveries, are deferred until the properties are placed into production. These net costs will be amortized against income using the unit-of-production method based on estimated recoverable reserves if the properties are brought into commercial production, or written off if the properties are abandoned or sold. The cost of mineral properties includes any cash consideration paid and the fair market value of shares issued, if any, on the acquisition of property interests. The recorded amounts of property acquisition costs and their related deferred exploration costs represent actual expenditures incurred and are not intended to reflect present or future values.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Mineral properties and deferred exploration costs** (continued)
The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future profitable production or proceeds from the disposition thereof.

On an annual basis, the Company reviews the carrying values of deferred mineral property acquisition costs and deferred exploration expenditures to assess whether there has been an impairment in value. The Company recognizes write-downs for impairment where the carrying value of the mineral property exceeds its estimated long term net recoverable value. Recoverable value is estimated based upon current exploration results and upon management's assessment of the future probability of positive cash flows from the property or from the sale of the property.

**Joint ventures**
A portion of the Company's exploration activities is conducted jointly with others wherein the Company enters into agreements that provide for specified percentage interest in mineral properties. Joint venture accounting, which reflects the Company's proportionate interest in mineral properties, is applied by the Company only when commercial feasibility is established and the parties enter into formal comprehensive agreements for ownership and mineral participation.

**Equipment**
Equipment is recorded at cost. Amortization is provided over their expected useful lives using the following methods and annual rates with 1/2 year amortization recorded in the year of addition:

| | | |
|---|---|---|
| Computers and equipment | - | 30 % declining balance |
| Furniture and fixtures | - | 20 % declining balance |
| Computer software | - | 100 % straight line |

**Income taxes**
The Company accounts for income taxes using the asset and liability method of accounting. Under this method future income tax assets and future income tax liabilities are recorded based on temporary differences between the financial reporting basis of the Company's assets and liabilities and their corresponding tax basis. The future benefits of income tax assets, including unused tax losses, are recognized subject to a valuation allowance to the extent that it is more likely than not that such losses will be ultimately utilized. These future income tax assets and liabilities are measured using substantively enacted tax rates and laws that are expected to apply when the tax assets or liabilities are to be settled or realized.

**Flow-through shares**
The Company has financed a portion of its exploration activities through the issuance of flow-through shares. Under the terms of the flow-through share agreements, the tax attributes of the related expenditures are renounced to subscribers. The Company records the tax liability associated with the agreements at the time of the renouncement, provided there is reasonable assurance that the expenditures will be incurred. To recognize the foregone tax benefits to the Company, the carrying value of the shares is reduced by the tax effect of the tax benefits renounced to subscribers.

**Share issue costs**
Costs incurred for the issue of Common shares are deducted from share capital.

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Loss per share**
Basic loss per share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per share is computed using the treasury stock method. Stock options outstanding are not included in the computation of diluted earnings (loss) per share if their inclusion would be anti-dilutive.

**Stock based compensation**
The Company has in effect a Stock Option Plan ("the Plan") which is described in note 7(b). Stock options awarded are accounted for using the fair value-based method. Fair value is calculated using the Black-Scholes model and is recorded as stock option expense over the vesting period of the options. Consideration paid on the exercise of stock options is credited to share capital. The contributed surplus associated with the options is transferred to share capital upon exercise.

**Measurement uncertainty**
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Black-Scholes option pricing model is used by the Company to determine the fair value of stock-based compensation. This model requires the input of highly subjective assumptions, including expected future stock price volatility and expected time until exercise. Changes in the assumptions can materially affect the fair value estimate, and therefore, the existing model does not necessarily provide a reliable measure of the fair value of the stock options issued by the Company during the year.

Significant estimates used in the preparation of these financial statements include determining the estimated net realizable value of mineral properties and deferred exploration expenditures, the provision for income taxes and composition of future income tax assets and liabilities and the valuation of assets acquired and related shares issued in non-monetary transactions.

## 3. BUSINESS COMBINATION

On August 25, 2005, the Company entered into an agreement with Mid-North whereby the Company and Mid-North would amalgamate. Terms of the agreement provided that the former Bison shareholders would receive common shares of the amalgamated company equal to the number of shares that they held of the respective amalgamating company. Former Mid-North shareholders would receive one common share of the amalgamated company for every four shares that they held of the respective amalgamating company. As a result, the former Bison shareholders received 17,010,000 common shares of the amalgamated company and the former Mid-North shareholders received 3,347,502 common shares of the amalgamated company (subsequent to the four for one share consolidation by Mid-North). The transaction was completed on December 23, 2005 with the companies amalgamating on that date and continuing operations under the name Bison Gold Exploration Inc.

The transaction has been accounted for using the purchase method with Bison identified as the acquirer. The purchase consideration, being the fair value of the amalgamated company's shares issued to the former Mid-North shareholders, has been allocated to the estimated fair values of the assets acquired and liabilities assumed at the effective date of the purchase.

### 3. BUSINESS COMBINATION (Continued)

This allocation is summarized as follows:

| | | |
|---|---|---|
| Current assets | $ | 2,759 |
| Mineral properties | | 556,010 |
| | | 558,769 |
| Less: current liabilties | | 155,465 |
| Fair value of consideration given | $ | 403,304 |

Included in the fair value of the consideration are costs of $168,979 related to the transaction.

### 4. EQUIPMENT

| | | Cost | | Accumulated Amortization | | Net Book Value 2006 | | Net Book Value 2005 |
|---|---|---|---|---|---|---|---|---|
| Computers and equipment | $ | **16,599** | $ | **(7,492)** | $ | **9,107** | $ | **10,336** |
| Furniture and fixtures | | **7,221** | | **(2,472)** | | **4,749** | | **6,499** |
| Computer software | | **563** | | **(282)** | | **281** | | **-** |
| | $ | **24,383** | $ | **(10,246)** | $ | **14,137** | $ | **16,835** |

## 5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

| | 2006 | 2005 | Cumulative Since Inception on April 18, 2005 |
|---|---|---|---|
| **Central Manitoba Bissett** | | | |
| Balance, beginning of period | $ 515,805 | $ - | $ - |
| Acquisition costs | - | 481,010 | 481,010 |
| Consulting | 77,942 | 12,150 | 90,092 |
| Claims staking | 6,522 | - | 6,522 |
| Equipment rental | 1,300 | 1,950 | 3,250 |
| Drilling | 115,009 | - | 115,009 |
| Laboratory analysis | 18,258 | - | 18,258 |
| Other | 529 | 2,373 | 2,902 |
| Reports | 4,328 | - | 4,328 |
| Subcontracting | 11,962 | 13,697 | 25,659 |
| Linecutting | 6,362 | - | 6,362 |
| Transportation and accommodation | 9,799 | 4,625 | 14,424 |
| Total expenditures during the period | 252,011 | 515,805 | 767,816 |
| Balance, end of period | $ 767,816 | $ 515,805 | $ 767,816 |
| **Burntwood River** | | | |
| Balance, beginning of period | $ 75,000 | $ - | $ - |
| Acquisition costs | - | 75,000 | 75,000 |
| Balance, end of period | $ 75,000 | $ 75,000 | $ 75,000 |
| | $ 842,816 | $ 590,805 | $ 842,816 |

As a result of the amalgamation with Mid-North Resources Limited in December 2005, as described in note 3, Bison acquired the properties listed below. The Company determined the fair value of the respective mineral properties purchased from Mid-North by reviewing expenditures made in the preceding two years as well as considering future intentions to explore and develop the various sites. Disclosure of these estimates has been included on each property.

**Central Manitoba Bissett (Gold Property)**

The Company owns a 100% interest in 26 Central Manitoba and Cryderman claims located approximately 160 kilometres northeast of Winnipeg, Manitoba. On July 25, 2003, Mid-North granted Placer Dome (CLA) Limited ("Placer") an option to earn a 75% interest in the claims for $150,000 plus additional expenditures; however, on August 20, 2004 Placer advised the Company of its intention not to exercise its option. The Company allocated $481,010 of the consideration paid to Mid-North to this mineral property.

## 5. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (Continued)

**Burntwood River (Nickel Property)**

The Company has a 12.08% (2005 - 12.08%) interest through a joint venture agreement with Falconbridge Limited in 62 mineral claims located in the Burntwood River area of Manitoba. The Company allocated $75,000 of the consideration paid to Mid-North to this mineral property.

The Company also purchased the following properties from Mid-North to which none of the consideration paid was allocated:

**Bomber Lake (Gold/Copper Property)**

The Company owns 11 contiguous claims in the Bomber Lake area approximately 3 kilometres to the east of the Hudson Bay Mining And Smelting smelter in Flin Flon, Manitoba. There is currently a net smelter royalty of 2% on the claims. The Company has the option to purchase the net smelter royalty for $100,000 for each 1% purchased.

**Gunman Property (Zinc/Copper Property)**

The Company entered into a joint venture agreement dated January 31, 2002 with Cypress Development Corp. to continue exploration of the Gunman property in White Pine Country, Nevada. The Company holds a 26.87% interest and the joint venture partner holds a 73.13% interest. The Company has been requested to participate in an exploration program as discussed in note 11 (iv).

The Gunman property consists of 12 lode claims. There is currently a net smelter royalty of 2% on the claims. The Company, along with the other interest holders, has an option to purchase 1/4 of the net smelter royalty for US$500,000 or 1/2 of the royalty for US$1,000,000.

**Beaucage Lake (Gold Property)**

The Company owns 9 mineral claims situated approximately 50 kilometres southeast of Lynn Lake, Manitoba covering approximately 1,967 hectares.

**Apex/Miner (Gold Property)**

The Company owns a total of 28 claims (Apex - 5, Miner - 23) in the Snow Lake area of Manitoba. W. Bruce Dunlop Ltd. (a shareholder) and Bart Kobar hold 2 separate net smelter royalties of 1.25% with an option for the Company to buy the royalties down to 0.5% for payments of $200,000 for each area.

**Other Properties**

Pursuant to certain agreements purchased from Mid-North, the Company has the following options:

(i) War Baby Property - Option to acquire a 10% interest in one claim covering an area of 17 acres located within the limits of the City of Flin Flon, Manitoba. Under the terms of the agreement, the Company may exercise its option to acquire a 10% interest in the mineral claims by paying 10% of the exploration expenditures incurred by Callinan within 90 days of the receipt of a positive feasibility study on the property.

## 6. NOTES PAYABLE

The notes payable bear interest at 8% per annum, are unsecured and have no specific terms of repayment.

The remaining note was demanded in 2005 which the Company has not paid as described in note 11 (iii).

**7. SHARE CAPITAL**

**(a) Capital**

**Authorized**

Unlimited common shares

**Common shares issued**

| | NUMBER OF SHARES | VALUE |
|---|---|---|
| **Balance on incorporation, April 18, 2005** | **7,700,000** | **$ 100** |
| Private placement (i) | 250,000 | 250,000 |
| Private placement (ii) | 500,000 | 25,000 |
| Private placement (iii) | 500,000 | 25,000 |
| Private placement (iv) | 1,000,000 | 50,000 |
| Private placement (v) | 500,000 | 25,000 |
| Private placement (vi) | 100,000 | 100,000 |
| Private placement (vii) | 150,000 | 150,000 |
| Warrants exercised (viii) | 5,685,000 | 200 |
| Private placement (ix) | 375,000 | 375,000 |
| Private placement (x) | 250,000 | 250,000 |
| Common shares issued for acquisition of Mid-North | 3,347,502 | 234,325 |
| Tax benefits of renounced flow-through shares (x) | - | (90,300) |
| Costs of issue | - | (12,490) |
| **Balance at December 31, 2005** | **20,357,502** | **1,381,835** |
| Issued on settlement of debt (xi) | 105,000 | 52,500 |
| **Balance at December 31, 2006** | **20,462,502** | **$ 1,434,335** |

(i) On April 27, 2005, the Company issued 250,000 common shares at $1.00 per share for cash consideration of $250,000.
(ii) On July 29, 2005, the Company issued 500,000 common shares at $0.05 per share for cash consideration of $25,000.
(iii) On August 15, 2005, the Company issued 500,000 common shares at $0.05 per share for cash consideration of $25,000.
(iv) On August 23, 2005, the Company issued 1,000,000 common shares at $0.05 per share for cash consideration of $50,000.
(v) On September 23, 2005, the Company issued 500,000 common shares at $0.05 per share for cash consideration of $25,000.
(vi) On October 3, 2005, the Company issued 100,000 common shares at $1.00 per share for cash consideration of $100,000.
(vii) On October 31, 2005, the Company issued 150,000 common shares at $1.00 per share for cash consideration of $150,000.
(viii) On December 22, 2005, warrants for 5,685,000 common shares were exercised for cash consideration of $200.

**7. SHARE CAPITAL** (Continued)

(ix) On December 14, 2005, the Company issued 375,000 common shares at $1.00 per share for cash consideration of $375,000.
(x) On December 14, 2005, the Company completed a flow-through private placement of 250,000 shares at $1.00 per share for gross proceeds of $250,000. The Company renounced $250,000 of qualifying expenditures to the shareholders in 2005 which was required to be spent by the Company in 2006 under the 'look-back' provision governing flow-through shares. The full amount was spent by the Company in 2006.
(xi) In March 2006 and November 2006, the Company issued 105,000 shares valued at $52,500 as settlement of outstanding debts assumed by the Company as a result of the Mid-North amalgamation.

**(b) Stock option plan**
The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to qualified directors and officers of the Company and its affiliates. The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued and outstanding shares.

A summary of the Company's stock option activity is as follows:

| | Number of Options | Weighted-Average Exercise Price |
|---|---|---|
| Outstanding, beginning of year | - | - |
| Granted (i) and (ii) | 1,510,000 | $ 0.57 |
| Cancelled (ii) | (200,000) | $ 1.00 |
| Outstanding, end of year | 1,310,000 | $ 0.50 |

(i) On January 31, 2006, 1,310,000 stock options exercisable at $0.50 with an expiry date of December 23, 2010 were granted to directors and an employee of the Company.

(ii) On January 31, 2006, 200,000 stock options exercisable at $1.00 with an expiry date of December 23, 2006 were granted to a service provider of the Company. In 2006, all 200,000 options were cancelled.

The weighted-average remaining contractual life and weighted-average exercise price of options outstanding and of options exercisable as at December 31, 2006 are as follows:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Exercise Price | Number Outstanding | Weighted-Average Exercise Price | Average Remaining Contractual Life (years) | Number Exercisable | Weighted-Average Exercise Price |
| $0.50 | 1,310,000 | $0.50 | 3.98 | 873,333 | $0.50 |

## 7. SHARE CAPITAL (Continued)

The fair value of the 1,510,000 stock options granted during the year has been estimated at $639,429 (2005 - $NIL) using the Black-Scholes model for pricing options. The following assumptions were used:

| | 2006 | 2005 |
|---|---|---|
| Risk free interest rate | 2.03% - 2.78% | NIL |
| Dividend | NIL | NIL |
| Expected stock volatility | 100% | NIL |
| Weighted-average expected life | 4.5 years | NIL |

## 8. LOSS PER SHARE

| | 2006 | 2005 |
|---|---|---|
| The following sets forth the computation of basic and fully diluted loss per common share for the period ended: | | |
| Net loss attributed to common shareholders - basic and dilluted | $ (798,932) | $ (230,249) |
| Weighted average common shares outstanding - basic and fully dilluted | 20,375,379 | 9,628,483 |
| Basic and dilluted loss per share | $ (0.04) | $ (0.02) |

The stock options outstanding for the years ended December 31, 2006 and 2005 were excluded from the computation of basic and diluted loss per share as the potential effect was anti-dilutive.

## 9. INCOME TAX INFORMATION

Major items causing the Company's income tax rate to differ from the Canadian statuatory rate of 36.12% (2005 - 36.12%) were as follows:

| | 2006 | 2005 |
|---|---|---|
| Loss before recovery of income taxes | $ (798,932) | $ (230,249) |
| Expected tax recovery | 288,574 | 83,166 |
| Non-deductible mineral property expenses and write-downs | (13,538) | - |
| Non-deductible stock based compensation | (150,494) | - |
| Other items | (9,914) | (296) |
| Increase in valuation allowance with respect to current year's loss | (114,628) | (82,870) |
| Current year provision | **$ -** | **$ -** |

## 9. INCOME TAX INFORMATION (Continued)

| | | 2006 | | 2005 |
|---|---|---|---|---|
| Excess of book value over tax value of mineral properties | $ | (277,593) | $ | (200,831) |
| Undeducted share issue and other costs | | 21,419 | | 18,809 |
| Non-capital losses | | 385,761 | | 258,619 |
| Future income tax asset before valuation allowance | | 129,587 | | 76,597 |
| Valuation allowance | | (129,587) | | (76,597) |
| Net future income tax asset | **$** | **-** | **$** | **-** |

The timing of the utilization of the future income tax assets is undeterminable. Consequently, a full valuation allowance has been provided against the future value of those assets.

## 10. INCOME TAX LOSSES CARRYFORWARD

The Company has incurred non-capital losses of $1,068,000 for tax purposes which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses will expire as follows:

| | $ |
|---|---|
| 2007 | 34,000 |
| 2008 | 96,000 |
| 2009 | 100,000 |
| 2010 | 66,000 |
| 2014 | 134,000 |
| 2015 | 286,000 |
| 2026 | 352,000 |
| | 1,068,000 |

## 11. COMMITMENTS AND CONTINGENCIES

(i) The Company's mineral and exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

**11. COMMITMENTS AND CONTINGENCIES** (Continued)

(ii) Future minimum annual payments under operating leases expiring through 2008 are approximately as follows:

| | $ |
|---|---|
| 2007 | 15,500 |
| 2008 | 15,000 |
| | 30,500 |

(iii) There has been a statement of claim against the Company which has been accrued for in note 6. The Plaintiff has demanded repayment of the Promissory Note but the Company has not made any payment. The Company is currently in negotiations with the creditor to settle the liability by the issue of common shares.

(iv) The Company's Burntwood River joint venture partner believes that the Company was liable to praticipate in certain exploration costs and that lack of participation has caused the Company's joint venture interest to decrease to 11.44%. The Company does not agree with this position and is currently discussing resolution of this issue with its partner.

(v) Pursuant to its agreement on the Gunman property as per note 5, the operator has requested Bison's participation in its 2006 exploration program. Should the Company choose to participate, a payment of approximately $41,000 would be required to maintain its current proportionate interest in the joint venture. If Bison chooses not to participate, its interest in the joint venture would decline to approximately 15%. The Company has until April 27, 2007 to notify the operator of its decision.

**12. FINANCIAL INSTRUMENTS**

**Fair value of monetary assets and liabilities**
The carrying amount of cash, GST and sundry receivables, accounts payable and accrued liabilities and interest payable approximates their fair value because of the short-term maturities of these items.

**Commodity price risk**
The ability of the Company to develop its mineral properties and the future profitability of the Company is directly related to the market price of precious metals.