

TAMERLANE VENTURES INC.
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005

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MANNING ELLIOTT
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

Phone: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

AUDITORS' REPORT

To the Shareholders of
Tamerlane Ventures Inc.

We have audited the balance sheets of Tamerlane Ventures Inc. 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.

Manning Elliott LLP

Chartered Accountants

Vancouver, British Columbia

February 28, 2007

TAMERLANE VENTURES INC.**BALANCE SHEETS****AS AT DECEMBER 31, 2006 AND 2005**

	2006	(Restated – Note 12) 2005
	\$	\$
ASSETS		
Current Assets		
Cash and cash equivalents	3,405,320	153,555
Marketable securities	135,000	135,000
Amounts receivable	114,080	109,161
Due from related party (Note 10(a))	–	44,080
Prepaid expenses	5,902	–
	<hr/> 3,660,302	<hr/> 441,796
Property and Equipment (Note 3)	45,102	2,297
Property Bond (Note 4)	60,000	60,000
Mineral Interests (Note 5)	5,217,137	2,544,398
	<hr/> 8,982,541	<hr/> 3,048,491
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	184,784	38,964
Due to related party (Note 10(a))	108,508	–
	<hr/> 293,292	<hr/> 38,964
Future Income Taxes (Note 11)	146,094	–
	<hr/> 439,386	<hr/> 38,964
SHAREHOLDERS' EQUITY		
Share capital (Note 6)	7,752,171	3,150,038
Contributed surplus (Note 9)	1,783,409	219,391
Deficit	(992,425)	(359,902)
	<hr/> 8,543,155	<hr/> 3,009,527
	<hr/> 8,982,541	<hr/> 3,048,491

Subsequent Event (Note 13)

Approved on behalf of the Board: "J. Cowan McKinney"
J. Cowan McKinney, Director"Margaret Kent"
Margaret Kent, Director

(The accompanying notes are an integral part of the financial statements)

TAMERLANE VENTURES INC.**STATEMENTS OF OPERATIONS AND DEFICIT****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	(Restated – Note 12) 2005
	\$	\$
REVENUE	–	–
EXPENSES		
Amortization	10,746	460
Consulting fees	–	12,000
Foreign exchange loss	3,684	7,249
Office, rent and miscellaneous (Note 10(b))	139,462	108,090
Professional fees (Note 10(b))	105,891	70,080
Stock-based compensation	319,900	124,026
Transfer agent and regulatory fees	25,213	24,256
Travel and promotion	14,796	16,493
	619,692	362,654
Net Operating Loss	(619,692)	(362,654)
OTHER INCOME		
Interest income	133,263	21,160
Net Loss Before Income Taxes	(486,429)	(341,494)
INCOME TAXES		
Future income tax recovery (provision)	(146,094)	447,779
Net Income (Loss) for the Year	(632,523)	106,285
Deficit, Beginning of Year	(359,902)	(466,187)
Deficit, End of Year	(992,425)	(359,902)
Net Income (Loss) Per Share – Basic and Diluted	(0.02)	0.01
Weighted Average Number of Shares Outstanding	27,009,000	13,987,000

(The accompanying notes are an integral part of the financial statements)

TAMERLANE VENTURES INC.**STATEMENTS OF CASH FLOWS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	(Restated – Note 12) 2005
	\$	\$
Operating Activities		
Net income (loss) for the year	(632,523)	106,285
Items not involving cash		
Amortization	10,746	460
Future income tax expense (recovery)	146,094	(447,779)
Stock-based compensation	319,900	124,026
Changes in non-cash working capital		
Amounts receivable	(4,919)	(78,196)
Due from related party	44,080	(19,080)
Prepaid expenses	(5,902)	–
Accounts payable and accrued liabilities	145,820	(52,099)
Due to related party	108,508	–
	131,804	(366,383)
Investing Activities		
Acquisition of and expenditures on mineral interests	(3,712,739)	(1,230,556)
Property bond	–	(60,000)
Mineral property option payment received	40,000	–
Purchase of property and equipment	(53,551)	(2,757)
	(2,726,290)	(1,293,312)
Financing Activities		
Proceeds from shares issued	6,147,365	133,800
Share issuance costs	(301,114)	(23,445)
	5,846,251	110,355
Increase (Decrease) in Cash and Cash Equivalents	3,251,765	(1,549,341)
Cash and Cash Equivalents, Beginning of Year	153,555	1,702,896
Cash and Cash Equivalents, End of Year	3,405,320	153,555
Non-cash Investing and Financing Activities		
Shares issued as finders' fees	253,112	–
Supplemental Disclosures		
Interest paid	–	–
Income taxes paid	–	–

(The accompanying notes are an integral part of the financial statements)

TAMERLANE VENTURES INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

1. Nature and Continuance of Operations

The Company was incorporated under the provisions of the Province of British Columbia on May 16, 2000.

The Company has not generated any revenue since its inception and is considered to be an exploration stage mining company as contemplated under CICA Accounting Guideline No. 11. The Company is devoting all of its efforts to raising capital, exploring its ore resources and advancing the development of its Canadian resource properties.

These financial statements have been prepared on the going concern basis, which assumes that the Company will be able to continue as a going concern and realize its assets and discharge its liabilities in the normal course of business. These financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern. As at December 31, 2006, the Company has working capital of \$3,367,010 but has incurred losses since inception totalling \$992,425. The Company has sufficient cash resources to meet its immediate exploration and development objectives; however, long-term continuing operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's future liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

2. Significant Accounting Policies**(a) Basis of Presentation**

These financial statements are prepared in conformity with Canadian generally accepted accounting principles and are presented in Canadian dollars.

(b) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant financial statement items which involve the use of estimates include the valuation of mineral interests, valuation of long-lived assets, stock-based compensation, and future income tax asset valuation allowances. Actual results may differ from those estimates.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

(d) Marketable Securities

Marketable securities acquired as proceeds of mineral property option transactions are recorded at market value upon receipt. Marketable securities are recorded at the lower of cost or fair market value. As at December 31, 2006, the fair market value of the marketable securities held was \$201,000 (2005 - \$117,000).

TAMERLANE VENTURES INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

2. Significant Accounting Policies (continued)

(e) Property and Equipment

Furniture and equipment is stated at cost and is being amortized on a straight-line basis for three years.

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to estimate undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(f) Mineral Interests

The Company follows the recommendations of Accounting Guideline 11 in accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project, net of recoveries received. The amounts shown as mineral interests represent costs incurred to date less amounts amortized and/or written off, and do not necessarily represent present or future values. These costs will be amortized against revenue from future production or written off if the interest is abandoned or sold.

Once mineral reserves are determined and measurable the carrying value of a mineral interest in a property will be reviewed by management at least annually to determine if it has become impaired. If impairment is deemed to exist, the mineral interest will be written down to its net recoverable value. The ultimate recoverability of the amounts capitalized is dependent upon the identification of economically recoverable ore reserves, the Company's ability to obtain the necessary financing to complete their development and to realize profitable production or to obtain proceeds from their disposition. Management's estimates of recoverability of the Company's investment will be based on current conditions. However, it is possible that changes could occur in the near term, which could adversely affect management's estimates and may result in future write downs of capitalized property carrying values.

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 optionees, the amounts payable or receivable are not recorded. Option payments are recorded as resource property costs or recoveries when the payments are made or received, respectively.

(g) Financial instruments

The Company's financial instruments consist of cash and cash equivalents, marketable securities, amounts receivable, accounts payable and accrued liabilities, and amounts due to or from related parties. The fair values of these financial instruments approximate their carrying values due the relatively short-term maturity of these instruments with the exception of marketable securities. The fair value of marketable securities is based on the quoted market value, which is disclosed in Note 2(d).

(h) Asset Retirement Obligations

Effective January 1, 2004, the Company adopted CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the related asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at December 31, 2006, the Company has not incurred any asset retirement obligation related to the exploration and development of its mineral properties.

TAMERLANE VENTURES INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

2. Significant Accounting Policies (continued)

(i) Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under this method, future income taxes are recognized to reflect the expected future tax consequences arising from tax losses carried forward and temporary differences between the carrying values and the tax bases of the Company's assets and liabilities. A valuation allowance for income tax assets is recorded until their realization is more likely than not to occur.

(j) Flow-through Shares

The Company has adopted EIC-146, which is effective for all flow-through share transactions initiated after March 19, 2004. Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the Company assigns the tax deductions arising from the related resource expenditures, to the shareholders. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized for the net tax effect of the deductions renounced, and share capital is reduced.

If the Company has sufficient unrecognized tax losses carried forward or other unrecognized future income tax assets to offset all or part of this future income tax liability, a portion of such unrecognized future income tax assets is recorded as a future income tax recovery up to the amount of the future income tax liability that would otherwise be recognized.

(k) Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the balance sheet date; non-monetary assets and liabilities and revenues and expenses are translated at the exchange rates in effect at the time of occurrence or issue. The resulting foreign exchange gains or losses are included in operations.

(l) Stock-based Compensation

The Company applies the fair value method to stock-based payments to all awards that are direct awards of stock, that call for settlement in cash or other assets or are stock appreciation rights that call for settlement by the issuance of equity instruments. Compensation expense is recognized over the applicable vesting period with a corresponding increase in contributed surplus. When the options are exercised, the exercise price proceeds together with the amount initially recorded in contributed surplus are credited to share capital.

(m) Earnings Per Share

The basic earnings (loss) per share amount is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options and warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

(n) Comparative figures

Certain figures presented for comparative purposes have been reclassified to conform to the presentation adopted for the current year.

TAMERLANE VENTURES INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

3. Property and Equipment

	Cost \$	Accumulated Amortization \$	2006 Net Carrying Value \$	2005 Net Carrying Value \$
Furniture and equipment	56,308	11,206	45,102	2,297

4. Property Bond

On February 7, 2005, the Company posted a \$60,000 environmental bond for the Pine Point Property.

5. Mineral Interests

	Pine Point Property \$	Carolin Mine Property \$	Total \$
Balance, December 31, 2005	2,445,046	99,352	2,544,398
Expenditures during the year:			
Acquisition costs (Note 10(c))	1,006,565	55,834	1,062,399
Engineering and geological services (Note 10(b))	1,180,175	1,500	1,181,675
Drilling	129,935	—	129,935
Equipment rental and maintenance (Note 10(b))	5,798	—	5,798
Mining supplies	3,426	—	3,426
Survey	244,988	—	244,988
Travel	84,518	—	84,518
Less: Option payment received	—	(40,000)	(40,000)
	2,655,405	17,334	2,672,739
Balance, December 31, 2006	5,100,451	116,686	5,217,137
<hr/>			
Balance, December 31, 2004	1,214,490	99,352	1,313,842
Expenditures during the year:			
Acquisition costs	10,183	—	10,183
Engineering and geological services (Note 10(b))	391,568	—	391,568
Drilling	428,692	—	428,692
Equipment rental and maintenance (Note 10(b))	229,009	—	229,009
Labour	2,005	—	2,005
Mining supplies	53,340	—	53,340
Survey	66,050	—	66,050
Travel	49,709	—	49,709
	1,230,556	—	1,230,556
Balance, December 31, 2005	2,445,046	99,352	2,544,398

TAMERLANE VENTURES INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

5. Mineral Interests (continued)

(a) Carolin Mine Property

On February 10, 2004, the Company entered into an option agreement with Athabaska Gold Resources Ltd. ("Athabaska") to acquire a 90% interest in a block of 126 mineral claims located on eight Crown Granted Mineral Claims, together with the plant and equipment situated thereon, known as the Carolin Mine, located near Hope, B.C.

Under the terms of the agreement Athabaska had the right to retain a 10% interest in the property by funding 10% of each exploration program carried out on the property during each of the years 2004, 2005, and 2006. If Athabaska failed to provide its proportionate share of each exploration program undertaken for two out of the three years, the Company had the right, on or before December 31, 2006, to acquire the additional 10% interest in the property in exchange for the amounts owing by Athabaska.

On February 13, 2004, the Company sub-optioned their option in the Carolin Mine by entering into an option agreement with Century Mining Corporation ("Century") a company with common officers and directors, whereby Century has the exclusive right and option to earn an undivided 70% interest in the property. Century can earn its interest by spending \$700,000 in exploration expenditures on the property over a three year period; issuing 300,000 of its shares to the Company (paid); by posting a \$200,000 environmental bond (done); and by making a payment of \$75,000 to the Company on closing (received). The Company must incur 30% of the exploration costs and Century must incur 70% of the exploration costs.

On March 2, 2006, the Company amended its option agreement dated February 13, 2004 whereby Century has the exclusive write to earn an undivided 70% interest in the property by making an additional payment of \$40,000 (received). All other conditions were waived by the Company as a result of this amendment except that the Company must continue to incur 30% of the exploration costs and Century will continue to incur 70% of the exploration costs.

On April 3, 2006 the Company exercised its option and purchased 100% of the property from Athabaska under the original agreement dated February 10, 2004 by making a payment of \$40,000 (paid) and paying any outstanding consulting fees owed to Athabaska. These outstanding fees totalled \$5,000 (paid).

(b) Pine Point Property

On March 2, 2004, the Company entered into an option agreement with Kent Burns Group LLC ("Kent Burns") an entity with two common directors and officers to acquire up to a 100% interest in the Pine Point Property located in the Northwest Territories. In consideration for acquiring a 60% interest, the Company issued 1,200,000 of its shares at a fair value of \$660,000, paid \$150,000 in cash and must incur cumulative exploration expenditures on the property of not less than \$1,250,000 on or before April 30, 2007. Of the exploration expenditures, \$400,000 is to be incurred on or before December 31, 2004; and cumulative exploration expenditures of not less than \$750,000 are to be incurred on or before April 30, 2006.

In June 2006 the Company purchased the remaining 40% interest in the property for \$1,000,000. Kent Burns will receive a royalty of 3% of net smelter returns.

TAMERLANE VENTURES INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

6. Share Capital

(a) Authorized: 100,000,000 shares without par value

	Number of shares	Amount \$
Balance, December 31, 2004	13,578,662	3,487,462
Issued pursuant to private placement	446,000	133,800
Share issuance costs	—	(23,445)
Flow-through share tax recovery	—	(447,779)
Balance, December 31, 2005	14,024,662	3,150,038
Issued pursuant to private placement of units	14,285,714	5,000,000
Issued as finders' fees	723,178	253,112
Fair value attributed to share purchase warrants included in private placement	—	(1,254,118)
Share issuance costs	—	(554,226)
Exercise of share purchase warrants	2,830,911	1,132,365
Exercise of stock options	50,000	15,000
Fair value of stock options exercised transferred from contributed surplus	—	10,000
Balance, December 31, 2006	31,914,465	7,752,171

(b) Private Placements

On April 13, 2006, the Company completed a private placement of 14,285,714 units at \$0.35 per unit for gross proceeds of \$5,000,000. Each unit consisted of one share and one half warrant to purchase an additional share at \$0.45 per share expiring on October 13, 2007.

On February 2, 2005, the Company completed a private placement of 446,000 units at \$0.30 per unit for gross proceeds of \$133,800. Each unit consisted of one share and one warrant to purchase an additional share at \$0.40 per share expiring on August 2, 2006.

7. Share Purchase Warrants

The following table summarizes the continuity of the Company's share purchase warrants.

	Number of shares	Weighted average exercise price \$
Balance, December 31, 2004	2,543,421	0.40
Issued with private placement	446,000	0.40
Expired	(87,500)	0.30
Balance, December 31, 2005	2,901,921	0.40
Issued with private placement	7,142,857	0.45
Issued as finder's fee	373,439	0.45
Exercised	(2,830,911)	0.40
Expired	(71,010)	0.40
Balance, December 31, 2006	7,516,296	0.45

TAMERLANE VENTURES INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

7. Share Purchase Warrants (continued)

As at December 31, 2006 the following share purchase warrants were outstanding:

Number of Warrants	Exercise Price \$	Expiry Date
<u>7,516,296</u>	0.45	October 13, 2007

8. Stock Options

The Company has a fixed stock-based compensation plan in effect which provides that up to ten percent of the number of shares outstanding may be reserved for stock option grants to eligible optionees. Stock options granted under the plan vest immediately. At December 31, 2006, this plan provided for the grant of stock options to purchase a maximum of 3,191,447 common shares of which 1,638,000 have been granted and 1,553,447 options are available for future grants.

The following table summarizes the continuity of the Company's stock options:

	Number of Shares	Weighted Average Exercise Price \$
Balance, December 31, 2004	595,000	0.38
Granted	700,000	0.30
Cancelled/forfeited	(265,000)	0.35
Balance, December 31, 2005	1,030,000	0.33
Granted	733,000	0.30
Exercised	(50,000)	0.30
Cancelled/forfeited	(75,000)	0.33
Balance, December 31, 2006	1,638,000	0.30

Additional information regarding stock options outstanding as of December 31, 2006 is as follows:

Exercise price \$	Number of shares	Outstanding and exercisable	
		Weighted average contractual life (years)	Weighted average exercise price \$
0.28	50,000	4.08	0.28
0.30	480,000	3.08	0.30
0.38	480,000	2.47	0.38
0.40	50,000	4.08	0.40
0.43	100,000	4.83	0.43
0.45	347,000	4.29	0.45
0.48	106,000	4.00	0.48
0.50	25,000	4.67	0.50
	<u>1,638,000</u>	<u>3.41</u>	<u>0.38</u>

TAMERLANE VENTURES INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

8. Stock Options (continued)

The fair values for stock options granted were estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2006	2005
Interest rate	4%	3.32%
Expected life (in years)	5	3.5
Expected volatility	108%	104%

The weighted average grant date fair value of stock options granted during 2006 was \$0.26 per option (2005 - \$0.18).

9. Contributed Surplus

The following table summarizes the continuity of the Company's contributed surplus:

	Amount \$
Balance, December 31, 2004	95,365
Fair value of stock options granted	124,026
<hr/>	
Balance, December 31, 2005 (Restated – see Note 12)	219,391
Fair value of stock options granted	319,900
Fair value of stock options exercised transferred to share capital	(10,000)
Fair value of share purchase warrants included in private placements of units	1,254,118
<hr/>	
Balance, December 31, 2006	1,783,409

The proceeds raised under the private placement of units described in Note 6(b) were prorated between the relative fair values of the shares and the half warrants comprising the units. The Black-Scholes option-pricing model was used to determine the fair value of the warrants, assuming no expected dividends and the following weighted average assumptions:

Interest rate	4.07%
Expected life (in years)	1.5
Expected volatility	122%

10. Related Party Transactions

For the years ended December 31, 2006 and 2005, the Company was involved in the following related party transactions:

- (a) The amount of \$102,665 due to (2005 - \$44,080 due from) a company with common officers and directors is non-interest bearing and payable in normal course of business.
- (b) In 2004, the Company entered into an agreement with Century whereby Century would provide office space, accounting, geological services and vehicle rentals. During 2006, Century was paid \$29,000 for office, rent and miscellaneous and \$15,250 for professional fees. Included in mineral interests is \$807,123 for engineering and geological services and \$25,683 equipment rental and maintenance paid to Century. The agreement does not commit the Company to future expenditures.
- (c) In 2006 the Company paid \$1,000,000 to a limited liability company controlled by an officer and director of the Company to increase its interest in the Pine Point Property to 100%. See Note 5(b).

TAMERLANE VENTURES INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

10. Related Party Transactions (continued)

All of the above transactions have been in the normal course of operations and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

11. Income Taxes

The future income tax assets and liabilities are calculated at the substantively enacted rate of 34% (2005 – 36%). The tax effect of the significant temporary differences which comprise future tax assets and liabilities are as follows:

	2006 \$	2005 \$
Future income tax assets:		
Non-capital tax losses carried forward	287,025	206,000
Resource pools	–	496,000
Share issuance costs	111,527	42,000
Total gross future income tax assets	398,552	744,000
Valuation allowance	–	(744,000)
Net future income tax assets	398,552	–
Future income tax liabilities:		
Property and equipment	(5,182)	–
Resource pools	(539,464)	–
Net future income tax liability	146,094	–
	2006 \$	2005 \$
Reconciliation of income tax recovery (provision)		
Tax recovery at statutory rates	165,970	119,045
Effect of stock based compensation	(109,150)	(43,235)
Effect of deferred financing costs	20,712	36,683
Provision for valuation allowance and renunciation	(223,625)	335,286
Tax recovery (provision)	(146,093)	447,779

As at December 31, 2006, the Company has non-capital losses carried forward of approximately \$835,000, which are available to offset taxable income earned in Canada. These non-capital loss carry forwards expire as follows:

	\$
2007	3,000
2008	35,000
2009	68,000
2010	93,000
2014	174,000
2015	220,000
2026	242,000
	<hr/> 835,000

TAMERLANE VENTURES INC.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

11. Income Taxes (continued)

The Company has cumulative Canadian Exploration Expenses of \$1,611,000 which are 100% deductible against taxable income in future years.

The Company has cumulative Canadian Development Expenses of \$2,025,000 which are deductible at the rate of 30% per year on the declining balance basis against the taxable income in future years.

In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

12. Restatement

The Company has restated its financial statements for the year ended December 31, 2005 to correct an error that was made to contributed surplus and stock-based compensation relating to the cancellation of certain stock options during 2005. The effects of this correction are outlined below but have no overall effect on shareholders' equity.

	December 31, 2005 As Reported \$	Adjustment \$	December 31, 2005 As Restated \$
Balance Sheet			
Shareholders' Equity			
Contributed surplus	181,697	37,694	219,391
Deficit	(322,208)	(37,694)	(359,902)
	Year Ended December 31, 2005 As Reported \$	Adjustment \$	Year Ended December 31, 2005 As Restated \$
Statement of Operations and Deficit			
Stock-based compensation	86,332	37,694	124,026
Net Income for the Year	143,979	(37,694)	106,285
Deficit, End of Year	(322,208)	(37,694)	(359,902)

There was no change to basic and diluted net loss per share resulting from the restatement.

13. Subsequent Event

On January 9, 2007, 285,714 warrants were exercised for proceeds of \$128,571.