

**INTERNATIONAL CROESUS VENTURES CORP.**  
**(an exploration stage company)**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2005 and 2004**

## AUDITORS' REPORT

To the Shareholders of  
**International Croesus Ventures Corp.**  
(an exploration stage company)

We have audited the consolidated balance sheet of **International Croesus Ventures Corp.** (an exploration stage company) as at December 31, 2005 and the consolidated statements of loss and deficit and cash flows for the year 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 audit.

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

The financial statements as at December 31, 2004, and for the year then ended, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated April 7, 2005.

Vancouver, Canada,  
April 28, 2006.

**ERNST & YOUNG LLP**  
Chartered Accountants

# INTERNATIONAL CROESUS VENTURES CORP.

(an exploration stage company)

## Consolidated Balance Sheets

As at December 31	2005	2004
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 568,662	\$ 373,643
Accounts receivable (Note 9)	1,083	1,010
Refundable tax credit	1,407	1,062
Prepaid expenses	1,094	—
<b>Total current assets</b>	<b>572,246</b>	<b>375,715</b>
<b>Equipment and vehicle</b> (Note 3)	<b>2,638</b>	<b>3,525</b>
<b>Mineral interests</b> (Note 4)	<b>540,063</b>	<b>544,502</b>
<b>Total assets</b>	<b>\$ 1,114,947</b>	<b>\$ 923,742</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 22,470	\$ 15,076
Promissory note payable (Note 5)	—	15,209
<b>Total current liabilities</b>	<b>22,470</b>	<b>30,285</b>
<b>SHAREHOLDERS' EQUITY</b>		
<b>Share capital</b> (Note 6)	<b>4,924,908</b>	<b>4,476,160</b>
<b>Shares subscribed</b> (Note 6)	<b>—</b>	<b>88,000</b>
<b>Contributed surplus</b> (Note 6)	<b>211,196</b>	<b>183,095</b>
<b>Deficit</b>	<b>(4,043,627)</b>	<b>(3,853,798)</b>
<b>Total shareholders' equity</b>	<b>1,092,477</b>	<b>893,457</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 1,114,947</b>	<b>\$ 923,742</b>

See accompanying notes

On behalf of the Board:

“Alastair J. Sinclair”  
Alastair J. Sinclair

“Brian V. Hall”  
Brian V. Hall

# INTERNATIONAL CROESUS VENTURES CORP.

(an exploration stage company)

Consolidated Statements of Loss and Deficit

Years Ended December 31

	2005	2004
<b>Revenue</b>		
Interest	\$ 7,146	\$ 157
<b>Expenses</b>		
Amortization	887	1,282
Bank charges	941	1,201
Consulting fees	10,087	—
Foreign exchange loss	1,420	1,861
General prospecting costs	—	23,439
Management fees (Note 9)	18,000	17,907
Office and sundry	2,016	4,100
Professional fees (Note 9)	60,134	66,671
Rent (Note 9)	2,900	2,500
Stock based compensation	39,149	183,095
Telephone	458	716
Transfer agent and filing fees	14,630	17,670
Travel and promotion	11,829	6,602
Write-down of mineral interests (Note 4)	34,524	48,123
	196,975	375,167
<b>Loss for the year</b>	(189,829)	(375,010)
<b>Deficit, beginning of year</b>	(3,853,798)	(3,478,788)
<b>Deficit, end of year</b>	\$ (4,043,627)	\$ (3,853,798)
<b>Basic and diluted loss per share (Note 7)</b>	\$ (0.01)	\$ (0.02)
<b>Weighted average number of shares outstanding (Note 7)</b>	16,198,285	15,089,468

See accompanying notes

# INTERNATIONAL CROESUS VENTURES CORP.

(an exploration stage company)

Consolidated Statements of Cash Flows

Years Ended December 31

	<b>2005</b>	<b>2004</b>
<b>Operating activities</b>		
Loss for the year	\$ (189,829)	\$ (375,010)
Add items not involving cash		
Amortization	887	1,282
Stock based compensation	39,149	183,095
Write-down of mineral interests	34,524	48,123
	(115,269)	(142,510)
Net change in non-cash working capital balances related to operations	5,882	1,948
<b>Cash used in operating activities</b>	(109,387)	(140,562)
<b>Investing activities</b>		
Acquisition of mineral interests and exploration costs	(30,085)	(67,061)
<b>Cash used in investing activities</b>	(30,085)	(67,061)
<b>Financing activities</b>		
Proceeds from (repayment of) promissory note payable	(15,209)	15,209
Proceeds from issuance of shares	349,700	468,279
Proceeds from share subscription	—	88,000
<b>Cash provided by financing activities</b>	334,491	571,488
<b>Increase in cash and cash equivalents during the year</b>	195,019	363,865
<b>Cash and cash equivalents, beginning of year</b>	373,643	9,778
<b>Cash and cash equivalents, end of year</b>	\$ 568,662	\$ 373,643
<b>Supplemental cash flow information</b>		
Interest paid in cash	\$ —	\$ —
Income taxes paid in cash	\$ —	\$ —

# **INTERNATIONAL CROESUS VENTURES CORP.**

(an exploration stage company)

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

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## **1. Nature of Operations and Going Concern**

International Croesus Ventures Corp. [the “Company”] was incorporated under the laws of British Columbia, Canada on March 14, 1983.

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

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations rather than through a process of forced liquidation.

The ability of the Company to continue as a going concern is dependent on the continued financial support from its directors, public equity financing, or achieving profitable operations in the future which cannot be predicted at this time. These statements do not reflect adjustments to carrying values and classifications of the assets and liabilities that might be necessary should the Company be unable to continue realizing its assets and discharging its liabilities in the normal course of business.

## **2. Significant Accounting Policies**

### **(a) Consolidation**

The consolidated financial statements include the accounts of International Croesus Ventures Corp. and its wholly-owned subsidiary, Minera Croesus S.A. de C.V. (“Minera”), a company incorporated in Mexico. All significant inter-company balances and transactions have been eliminated.

### **(b) Use of estimates**

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

### **(c) Cash and cash equivalents**

Cash and cash equivalents consist of cash and highly liquid investments with maturities of less than 90 days and are readily convertible to cash.

## **INTERNATIONAL CROESUS VENTURES CORP.**

(an exploration stage company)

Notes to Consolidated Financial Statements

December 31, 2005 and 2004

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### **2. Significant Accounting Policies, continued**

(d) Equipment and vehicle

These assets are recorded at cost less accumulated amortization and are amortized over their estimated useful lives at the following rates:

Vehicle	30% per annum, declining-balance basis
Computer equipment	30% per annum, declining-balance basis

(e) Mineral interests

The Company follows the method of accounting for its mineral interests whereby all costs related to acquisition, exploration and development are capitalized by project. 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.

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

(f) Property option agreement

From time to time, the Company may acquire or dispose of mineral 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 mineral property costs or recoveries when the payments are made or received.

(g) Revenue recognition

Interest from cash and cash equivalents is recorded on an accrual basis, when collection is reasonably assured.

## **INTERNATIONAL CROESUS VENTURES CORP.**

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Notes to Consolidated Financial Statements

December 31, 2005 and 2004

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### **2. Significant Accounting Policies, continued**

(h) Loss per share

The calculation of the loss per share is based on net loss divided by the weighted-average number of common shares outstanding during the year. Diluted earnings (loss) per share reflects the assumed conversion of all dilutive securities using the treasury stock method. For the periods presented, the calculation of loss per share on a fully diluted basis excluded all potential common shares because the effect was anti-dilutive.

(i) Stock-based compensation plan

The Company has a stock option plan as described in note 6. The fair value method is used to determine the expense for stock-based awards granted to employees and non-employees. Under the fair value method, compensation cost is measured at fair value at the date of grant using the Black-Scholes option pricing model with assumptions described in note 6. The compensation cost is expensed over the vesting period with a corresponding credit to contributed surplus. Consideration paid on the exercise of stock options plus the amount of previously recognised expense is credited to share capital when the options are exercised.

(j) Foreign currency translation

The Company's functional currency is the Canadian dollar. Foreign currency transactions and the accounts of its subsidiary, which is considered to be an integrated foreign operation are translated into Canadian dollars using the temporal method. Under this method, assets and liabilities in foreign currencies related to integrated foreign operations are translated into Canadian dollars using current exchange rates at the balance sheet dates for monetary assets and liabilities, historical exchange rates for non-monetary assets and liabilities, and the average monthly exchange rate for revenues and expenses, except for amortization, which is translated at the historical exchange rate of the corresponding non-monetary assets. Exchange gains and losses arising on translation are included in operations in the period incurred.

(k) Income taxes

Income taxes are accounted for using the liability method of tax allocation. Under this method, temporary differences between the financial reporting bases and the income tax bases of the Company's assets and liabilities are recorded using tax rates anticipated to be in effect when the corresponding taxes will be paid or refunded.

(l) Asset Retirement Obligations

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at December 31, 2005 the Company does not have any asset retirement obligations.

## INTERNATIONAL CROESUS VENTURES CORP.

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Notes to Consolidated Financial Statements

December 31, 2005 and 2004

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### 2. Significant Accounting Policies, continued

(m) Financial instruments

Financial instruments include cash and cash equivalents, accounts receivable, refundable tax credit, and accounts payable and accrued liabilities. Unless otherwise stated, it is management's opinion that the Company is not exposed to significant interest or credit risk arising from these financial instruments. Unless otherwise stated, the book value of the Company's financial assets and liabilities approximates their fair value.

The Company through its subsidiary, Minera, is operating in Mexico, which may give rise to foreign currency risks from fluctuations and the degree of volatility of exchange rates between the Canadian dollar and the Mexican Peso.

### 3. Equipment and Vehicle

	December 31, 2005		
	Cost	Accumulated Amortization	Net book Value
Vehicle	\$ 14,425	\$ 13,237	\$ 1,188
Computer equipment	10,133	8,683	1,450
	<u>\$ 24,558</u>	<u>\$ 21,920</u>	<u>\$ 2,638</u>
	December 31, 2004		
	Cost	Accumulated Amortization	Net book Value
Vehicle	\$ 14,425	\$ 12,972	\$ 1,453
Computer equipment	10,133	8,061	2,072
	<u>\$ 24,558</u>	<u>\$ 21,033</u>	<u>\$ 3,525</u>

## INTERNATIONAL CROESUS VENTURES CORP.

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Notes to Consolidated Financial Statements

December 31, 2005 and 2004

### 4. Mineral Interests

	Balance December 31, 2004	Additions	Write-offs	Balance December 31, 2005
<b>Almatea, Jalisco State, Mexico</b>				
Deferred exploration costs	\$ 15,268	\$ 1,527	\$ —	\$ 16,795
<b>Cabrel, Jalisco State, Mexico</b>				
Deferred exploration costs	11,441	392	—	11,833
<b>Canton, Mexico</b>				
Acquisition costs	—	42	—	42
Deferred exploration costs	—	5,817	—	5,817
	—	5,859	—	5,859
<b>El Maple/La Diana, Jalisco State, Mexico</b>				
Acquisition costs	45,978	—	—	45,978
Deferred exploration costs	438,960	20,638	—	459,598
	484,938	20,638	—	505,576
<b>El Gordo Group, Guanajuato State, Mexico</b>				
Acquisition costs	—	—	—	—
Deferred exploration costs	—	1,305	(1,305)	—
	—	1,305	(1,305)	—
<b>Madunfo, Jalisco State, Mexico</b>				
Acquisition costs	15,000	—	(15,000)	—
Deferred exploration costs	17,855	364	(18,219)	—
	32,855	364	(33,219)	—
<b>Total</b>	<b>\$ 544,502</b>	<b>\$ 30,085</b>	<b>\$ (34,524)</b>	<b>\$ 540,063</b>

The following is a summary of deferred exploration costs incurred during the current period:

	Almatea	Cabrel	Canton	El Maple/La Diana	El Gordo	Madunfo	Total
Acquisition costs	\$ —	\$ —	\$ 42	\$ —	\$ —	\$ —	\$ 42
Geological consulting	—	21	3,529	4,398	—	—	7,948
Mining taxes	1,477	370	—	14,935	1,305	364	18,451
Supplies and Miscellaneous	55	—	139	—	—	—	194
Travel	—	—	2,149	1,301	—	—	3,450
<b>Total</b>	<b>\$ 1,532</b>	<b>\$ 391</b>	<b>\$ 5,859</b>	<b>\$ 20,634</b>	<b>\$ 1,305</b>	<b>364</b>	<b>\$ 30,085</b>

## **INTERNATIONAL CROESUS VENTURES CORP.**

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Notes to Consolidated Financial Statements

December 31, 2005 and 2004

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### **4. Mineral Interests, continued**

Mineral properties of International Croesus Ventures Corp. are all concentrated in or near the Cuale district, east of Puerto Vallarta, Mexico. They are comprised of the following:

Almatea, Jalisco State, Mexico: This property lies east of the el Maple property and was acquired by staking. The Company holds a 100% interest in this property. The surface area of the property is 15,487 hectares. Almatea overlaps the abandoned Cuatro Minas and Amaltea mines, as well as prospective ground near the Aranjuez VMS camp.

Cabrel, Jalisco State, Mexico: The Cabrel property is located approximately 45 kilometres southeast of Puerto Vallarta, Mexico, and was acquired by staking. The Company holds a 100% interest in this property. The surface area of the Property is 4,271 hectares.

Canton, Jalisco State, Mexico: The Canton property lies between the El Maple and Almatea properties and was staked to join the properties in a contiguous unit. The Company holds a 100% interest in this property. The surface area of the Canton claims is 6,516 hectares.

El Maple/La Diana, Cuale district, Mexico: This property is located 20 kilometres south of Puerto Vallarta, and consists of the El Maple Fraccion I, El Maple and La Diana claims. All of the claims were acquired by staking, and the Company holds a 100% interest in this property. The surface area of the claims is 2,902 hectares. Naricero, Refugio, San Nicolas and San Juan are some of the more significant past-producing VMS deposits on the Property.

Madunfo, Jalisco State, Mexico: The Company abandoned this property during 2005, and all deferred costs of the property were written off.

The Company also incurred a small amount of Mexican surface taxes in 2005 on the El Gordo property which was written off in the year. This property was abandoned and written off in a prior year.

### **5. Promissory Note Payable**

In 2004, the Company received \$15,190 [U.S. \$12,000], as part of an agreement with an arms length company. The note is unsecured, bears interest at 6% per annum and is due on demand. During the year, the company repaid the note including accrued interest in full.

## INTERNATIONAL CROESUS VENTURES CORP.

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Notes to Consolidated Financial Statements

December 31, 2005 and 2004

### 6. Share Capital

The following is a description of the authorized and issued share capital:

(a) Authorized: Unlimited common shares without par value

(b) Issued:

	Shares	Amount
<b>Balance, December 31, 2003</b>	<b>14,812,884</b>	<b>\$ 3,991,155</b>
Issued for cash pursuant to the exercise of options at \$0.22 per share	46,718	10,278
Issued for cash pursuant to the exercise of options at \$0.32 per share	25,000	8,000
Issued for cash pursuant to the exercise of warrants at \$0.39 per share	400,000	156,000
Issued for cash pursuant to the exercise of warrants at \$0.44 per share	100,000	44,000
Issued for cash pursuant to a private placement at \$0.50 per unit	500,000	250,000
Issued for debt at a deemed price of \$0.49 per share	34,135	16,727
<b>Balance, December 31, 2004</b>	<b>15,918,737</b>	<b>4,476,160</b>
Issued for cash pursuant to the exercise of options at \$0.32 per share	20,000	6,400
Issued for cash pursuant to the exercise of options at \$0.62 per share including \$11,048 contributed surplus attributed to stock-based compensation recognized in previous periods	40,000	35,848
Issued for cash pursuant to the exercise of warrants at \$0.44 per share	200,000	88,000
Issued for cash pursuant to a private placement at \$0.49 per unit	650,000	318,500
<b>Balance, December 31, 2005</b>	<b>16,828,737</b>	<b>\$ 4,924,908</b>

(c) Escrow Shares

During the year a total of 56,250 common shares were released from escrow, leaving the balance of shares in escrow at 450,000. The release of the balance of these shares is staged over a period of six years ending on December 18, 2009.

(d) Stock options

The Company has established a stock option plan the purpose of which is to attract, retain and motivate director, officers, employees and persons engaged to provide ongoing management and consulting services ("service providers") By providing them with the opportunity, through share options, to acquire a proprietary interest in the Company and benefit from its growth. The maximum number of shares which may be issued under the plan is fixed at 2,621,500. This number is subject to adjustment resulting from changes in the share capital of the Company. Such adjustments are subject to approval by the TSX Venture Exchange and by the shareholders of the Company. The number of shares reserved for issuance to any one person may not exceed 5% of the issued and outstanding shares at the date of such grant.

**INTERNATIONAL CROESUS VENTURES CORP.**

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Notes to Consolidated Financial Statements

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**6. Share Capital, continued**

## (d) Stock options, continued

The Option price of the shares which are the subject of any Option shall in no circumstances be less than the market price of the shares at the date of the grant of the Option.

A summary of the status of the Company's stock option plan as of December 31, 2005 and 2004, and changes during the years ending on those dates is presented below:

	2005		2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	1,156,000	\$ 0.52	447,718	\$ 0.31
Granted	-	-	780,000	\$ 0.62
Exercised	(60,000)	\$ 0.52	(71,718)	\$ 0.25
Outstanding at end of year	1,096,000	\$ 0.52	1,156,000	\$ 0.52
Exercisable at end of year	1,096,000	\$ 0.52	766,000	\$ 0.47

Range of Exercise Prices	Number Outstanding and Exercisable	Weighted Average Remaining Contractual Life (yr)	Weighted Average Exercise Price
\$0.32 - \$0.48	356,000	0.89	\$0.32
\$0.49 - \$0.62	740,000	3.22	\$0.62
	1,096,000	2.76	\$0.52

There were no options issued during 2005. During 2004, the weighted-average fair value of options granted was \$0.28. The compensation expense recorded in 2005 of \$39,149 relates to the vesting of the previously issued options. Compensation expense recorded in 2004 was \$183,095.

The fair values of the stock options granted during 2004 were estimated using the Black-Scholes option pricing model with the following assumptions and results:

	2004
Risk-free interest rate	3.5%
Dividend yield	0%
Expected volatility	48%

## INTERNATIONAL CROESUS VENTURES CORP.

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Notes to Consolidated Financial Statements

December 31, 2005 and 2004

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### 6. Share Capital, continued

#### (d) Stock options, continued

The following table sets forth the continuity of contributed surplus for the year ended December 31, 2005:

Balance, December 31, 2003	\$ —
Stock-based compensation expense during the year	183,095
<hr/>	
Balance, December 31, 2004	\$ 183,095
Reallocation to share capital of the estimated fair value of 40,000 stock option recognized in prior periods that were exercised during the period ended December 31, 2005	(11,048)
Stock-based compensation expense during the year	39,149
<hr/>	
Balance, December 31, 2005	\$ 211,196

#### (e) Share Purchase Warrants

As at December 31, 2005, the Company has share purchase warrants outstanding as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
500,000	\$0.63	December 30, 2006
650,000	\$0.61	November 9, 2007

Each share purchase warrant entitles the holder to acquire one common share of the Company.

In December 2004, the Company received \$88,000 for 200,000 shares pursuant to the exercise of share purchase warrants. However, the shares were not issued until January 2005 and were captioned as “share subscribed” on the balance sheet.

### 7. Basic and Diluted Loss per share

The basic and diluted loss per share is calculated based on the following:

	<u>2005</u>	<u>2004</u>
Weighted average number of common shares outstanding	16,198,285	15,089,468

The calculation of loss per share is based on net loss divided by the weighted-average number of common shares outstanding during the year. The effect of options and warrants under the stock option plan is not presented as it would have an anti-dilutive effect on the loss per share.

## INTERNATIONAL CROESUS VENTURES CORP.

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Notes to Consolidated Financial Statements

December 31, 2005 and 2004

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### 8. Income Taxes

The company's provision for income taxes differs from the amounts computed by applying the statutory income tax rates to the loss as a result of the following:

	<u>2005</u>	<u>2004</u>
Loss for year per financial statements	\$ 190,000	\$ 375,000
Statutory Canadian corporate tax rate	35%	36%
Income tax recovery	<u>66,000</u>	<u>134,000</u>
Change in tax rates resulting from:		
Permanent differences	(17,000)	(67,000)
Expired loss	(74,000)	(94,000)
Income tax rate difference	(2,000)	(1,000)
Income tax rate change	(28,000)	—
Effect of foreign exchange	3,000	(10,000)
Change in valuation allowance	<u>52,000</u>	<u>38,000</u>
	<u>\$ —</u>	<u>\$ —</u>

The significant components of the Company's tax assets are as follows:

	<u>2005</u>	<u>2004</u>
Losses	\$ 442,000	\$ 485,000
Mineral properties	197,000	206,000
Other	3,000	3,000
Valuation allowance	<u>(642,000)</u>	<u>(694,000)</u>
Net future tax assets	<u>\$ —</u>	<u>\$ —</u>

The Company has approximately \$845,000 of Canadian non-capital losses which may be carried forward to reduce taxable income in future years. If not utilized the non-capital losses will expire as follows:

2006	\$ 145,000
2007	140,000
2008	107,000
2009	118,000
2010	122,000
2011	115,000
2012	<u>98,000</u>
	<u>\$ 845,000</u>

## INTERNATIONAL CROESUS VENTURES CORP.

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Notes to Consolidated Financial Statements

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### 9. Related Party Transactions

- (a) The Company incurred the following expenses to its directors or corporations controlled by its directors:

	2005	2004
Geological fees	\$ 5,167	\$ 30,028
Legal fees	10,083	22,852
Management fees	18,000	17,907
Rent	—	500
	<u>\$ 33,250</u>	<u>\$ 71,287</u>

- (b) Accounts payable and accrued liabilities include \$3,528 (2004 - \$3,973) due to directors and/or officers of the Company
- (c) Accounts receivable include \$957 (2004 - \$940) due from a director of the Company for expense advances.

These transactions have been measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties and which the management believes reflect prevailing market rates.

### 10. Non-Monetary Transaction

In October 2004, amounts due to the former President of the Company, in the amount of \$16,726, were settled for 34,135 common shares of the Company at \$0.49 per share. The \$0.49 per share cost was determined by using the trading value of the shares as of the date of issuance.

### 11. Subsequent Events

Subsequent to December 31, 2005 an additional director, was appointed to the board of directors of the Company and was granted a stock option to purchase up to 50,000 shares of the Company. These stock options are exercisable at \$0.68 and expire on February 13, 2011; and 30,000 stock options originally exercisable at \$0.62 until March 22, 2009 were cancelled.

A large block of ground, "El Volantin" located in the western Jalisco State in Mexico was applied for (41,051 hectares) and the Company's land position now totals 69,226 hectares.

### 12. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.