

WINFIELD RESOURCES LIMITED

Financial Statements

December 31, 2005

Auditors' Report

**To the Directors of
WINFIELD RESOURCES LIMITED**

We have audited the balance sheets of Winfield Resources Limited as at December 31, 2005 and December 31, 2004 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Corporation'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 Corporation as at December 31, 2005 and December 31, 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian Generally Accepted Accounting Principles.

Calgary, Alberta
April 25, 2006

(Signed) "MPG"

CHARTERED ACCOUNTANTS

WINFIELD RESOURCES LIMITED
Balance Sheets

As at December 31

	Note	2005 \$	2004 \$
Assets			
Current Assets			
Cash		1	6,667
Accounts receivable		2,382	2,010
Prepaid expenses and deposits		6,756	20,236
Due from shareholder corporation	12	898	-
		10,037	28,913
Deferred Expenditures	3	109,101	129,070
Property and Equipment	4, 9	299,434	227,643
		418,572	385,626
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		112,825	109,664
Subscriptions received in advance	5	47,500	295,280
Due to shareholder corporation	12	-	2,592
		160,325	407,536
Shareholders' Equity			
Share Capital	6	2,390,129	1,975,613
Contributed Surplus	7	157,978	70,400
Deficit		(2,289,860)	(2,067,923)
		258,247	(21,910)
		418,572	385,626

Approved on Behalf of the Board:

(Signed) "Kenneth Tangen"

Kenneth Tangen, Director

(Signed) "Michael Foley"

Michael Foley, Director

WINFIELD RESOURCES LIMITED
Statements of Operations and Deficit

For the Years Ended December 31

	<u>Note</u>	<u>2005</u>	<u>2004</u>
		\$	\$
Revenue		-	-
Expenses			
Stock-based compensation	6	87,578	-
Management fees	12	33,000	24,000
Rent and occupancy costs		25,833	58,087
Public company costs		18,592	9,215
Legal, accounting and audit		17,368	15,582
Office and general		14,636	14,642
Consulting fees	12	8,650	83,625
Investor relations		5,000	-
Website		2,694	524
Interest and bank charges		2,056	2,659
Travel and related		1,776	5,993
Amortization		1,549	699
Due diligence		-	22,280
		<u>218,732</u>	<u>237,306</u>
		(218,732)	(237,306)
Loss on Foreign Exchange		<u>(3,205)</u>	<u>(8,016)</u>
Loss before income taxes		(221,937)	(245,322)
Income Taxes	8	-	-
Net Loss		(221,937)	(245,322)
Deficit, beginning of year		<u>(2,067,923)</u>	<u>(1,822,601)</u>
Deficit, end of year		<u>(2,289,860)</u>	<u>(2,067,923)</u>
Loss per share (basic and diluted)	6	<u>(0.013)</u>	<u>(0.018)</u>

WINFIELD RESOURCES LIMITED
Statements of Cash Flows

For the Years Ended December 31

	<u>Note</u>	<u>2005</u>	<u>2004</u>
		\$	\$
Operating Activities			
Net loss		(221,937)	(245,322)
Items not affecting cash flow			
Amortization		1,549	699
Stock-based compensation		87,578	-
Unrealized loss on foreign exchange		3,205	7,888
Cash flow deficiency from operations		(129,605)	(236,735)
Change in non-cash working capital	10	8,144	61,987
		<u>(121,461)</u>	<u>(174,748)</u>
Financing Activities			
Advances (to) from shareholder corporation		(3,490)	4,705
Issuance of share capital		452,780	-
Common shares issued from subscriptions received in advance		(425,280)	-
Subscriptions received in advance		177,500	295,280
Issuance costs		(21,500)	-
Deferred expenditures		-	(16,764)
Change in non-cash working capital	10	10,500	3,500
		<u>190,510</u>	<u>286,721</u>
Investing Activities			
Acquisition of property, plant and equipment		(5,715)	-
Mineral resource properties		(67,625)	(107,705)
Change in non-cash working capital	10	(2,375)	2,375
		<u>(75,715)</u>	<u>(105,330)</u>
Increase (decrease) in cash		(6,666)	6,643
Cash, beginning of year		6,667	24
Cash end of year		<u>1</u>	<u>6,667</u>
Supplemental Information	10		

WINFIELD RESOURCES LIMITED

Notes to Financial Statements

December 31, 2005

1. Nature of Business

Winfield Resources Limited (the Corporation) was incorporated under the British Columbia Company Act on June 19, 1987. Its shares are listed on the TSX Venture Exchange (TSX). The Corporation's primary focus is the evaluation, acquisition, exploration and development of resource properties.

2. Significant Accounting Policies

These financial statements have, in management's opinion, been properly prepared using careful judgement within reasonable limits of materiality and within the framework of the significant accounting policies summarized below. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are subject to measurement uncertainty. Actual results could differ from and affect the results reported in the financial statements.

MINERAL RESOURCE PROPERTIES

All expenditures relating to the acquisition of mining claims and permits and exploration thereof have been capitalized. The Corporation is presently evaluating these properties for the presence of mineral resources. Such resources have yet to be identified and accordingly the costs related to these properties are not yet subject to depletion. When a commercially acceptable level of sales has been attained, these capitalized costs will be depleted, using the unit of production method based upon estimated proven reserves as determined by independent engineers. Management reviews the carrying value of these properties, at least annually, to determine whether an impairment thereof has occurred.

Management has determined that, at present, the Corporation has no material obligation for future removal and site restoration costs.

OFFICE EQUIPMENT

Office equipment is recorded at cost and amortized at the rate of 20% per annum, using the declining balance method.

DEFERRED EXPENDITURES

The Corporation defers costs incurred in connection with proposed corporate transactions, where completion is more likely than not. Upon completion of the transaction, these costs are included in the cost of assets acquired or as issuance costs of equity securities. If the transaction is abandoned the costs are expensed, in full, as at the date of abandonment.

FLOW-THROUGH SHARES

A portion of the Corporation's exploration activities is financed through proceeds received from the issue of flow-through shares. Under the terms of the flow-through share issues, the tax attributes of the related expenditures are renounced to the share subscribers. To recognize the foregone tax benefits to the Corporation, the carrying value of the shares issued is reduced by the tax effect of the benefits renounced to subscribers. Under the liability method of accounting for income taxes, the future income taxes related to the temporary differences arising when expenditures are renounced are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

WINFIELD RESOURCES LIMITED

Notes to Financial Statements

December 31, 2005

2. Significant Accounting Policies, continued

PER SHARE AMOUNTS

Basic earnings per share are computed by dividing earnings by the weighted average number of common shares outstanding during the period. Diluted per share amounts reflect the potential dilution that could occur if options or other contracts to issue common shares were exercised.

Options and warrants have a dilutive effect only when the average market price of the common shares during the period exceeds the exercise price of the options or warrants. The Corporation uses the treasury stock method of computing diluted earnings per share. It assumes that any proceeds from the exercise of options and warrants would be used to repurchase the Corporation's common shares at the average market price during the period.

STOCK BASED COMPENSATION

Stock-based awards that call for settlement in cash or other assets are measured and recognized using a fair value based method. Awards that the Corporation has the ability to settle in stock are recorded as equity.

Under the fair value method, compensation expense is recorded based on the fair value of the options as estimated using the Black-Scholes option pricing model. The amount of compensation cost so determined is credited to contributed surplus. Upon exercise of the options, the cash payments together with the related contributed surplus are credited to share capital. If options are forfeited, the compensation expense is reversed in the year of forfeiture. If options are not exercised, the amount remains in contributed surplus.

INCOME TAXES

The Corporation records income taxes using the liability method of accounting for income taxes. Under this method, future income taxes are based on the differences between assets and liabilities reported for financial reporting purposes and those reported for income tax purposes. The future income taxes are measured using substantially enacted rates and laws that will be in effect when the differences are expected to reverse. The effect on future income taxes of a change in tax rates is recognized in net income in the period in which the change occurs.

FOREIGN CURRENCY

The Corporation uses the temporal method of translating financial statement amounts that are denominated in a foreign currency.. Under this method

- i) monetary items are translated at the rate of exchange in effect at the balance sheet date.
- ii) non-monetary items are translated at historical exchange rates, unless they are carried at market, in which case they are translated at the rate of exchange in effect at the balance sheet date.
- iii) revenue and expense items are translated at the rate of exchange in effect on the dates they occur.

RECOGNITION OF REVENUE

Interest income is recognized as earned.

WINFIELD RESOURCES LIMITED

Notes to Financial Statements

December 31, 2005

2. Significant Accounting Policies, continued

MEASUREMENT ESTIMATES

The carrying value assigned to the mineral resource properties is based on actual costs incurred. The ability of the Corporation to recover these costs is dependent upon the existence of economically recoverable reserves, obtaining the financing necessary to complete their development and upon future profitable operations.

3. Deferred Expenditures

Deferred expenditures at December 31, 2005 includes \$99,101 (2004 - \$102,306) representing the prepayment of a fee of \$85,000 US for services to be provided with respect to the identification and acquisition of resource properties and the financing of such acquisition by the Corporation. Deferred expenditures also include a payment of \$10,000 to be applied against future exploration expenses.

4. Property and Equipment

	<u>2005</u>	<u>2004</u>
	\$	\$
Mineral Resource Properties (Note 9)		
Options on properties	87,500	87,500
Exploration expenses	204,976	137,350
	<u>292,476</u>	<u>224,850</u>
Office Equipment	12,537	6,824
less accumulated amortization	5,579	4,031
	<u>6,958</u>	<u>2,793</u>
	<u>299,434</u>	<u>227,643</u>
Net book value not subject to deduction for income tax purposes, being costs renounced pursuant to the issuance of flow-through shares.	<u>16,099</u>	<u>16,099</u>

WINFIELD RESOURCES LIMITED

Notes to Financial Statements

December 31, 2005

4. Property and Equipment, continued

RINGO PROPERTY

The Ringo Property is located within the main camp of the Flin Flon Greenstone Belt, one of the most prolific copper-zinc-silver-gold volcanogenic massive sulphide mining districts in the world. Over 148 million tonnes of copper-zinc massive sulphide ore has been mined or is part of the inventory of thirty past producing or producing mines situated within the belt. The Ringo Property is located 5 km. East of the Hudson Bay Mining and Smelting's past-producing Flin Flon Mine (62.4 Mt @ 2.19% copper and 4.20% zinc), producing Callinan Mine (7 Mt @ 0.60% copper and 10.94% zinc), and 777 Mine Development Project (14.5 Mt @ 2.55% copper and 4.20% zinc). The property is also just 4 km south of the producing Trout Lake Mine (20 Mt @ 1.79% copper and 4.20% zinc). The host volcanic stratigraphy of Trout Lake Mine is believed to strike south onto the Ringo Property.

The Ringo Drill Program will test the down dip extension of a laterally extensive and exposed mineralized horizon located parallel to, and just west of the Ringo Property boundary. The mineralized horizon dips east onto the Ringo Property. Assays containing up to 125 zinc were obtained from samples of the horizon intersected by shallow drill holes collared just west of the Ringo Property. Some of the Corporation's drill holes are planned to intersect potential extensions of these intersections at depth.

The Corporation is in the process of raising additional financing to proceed with a five hole - 2000 metre diamond drilling program on the Ringo Property.

ALGERIA AND LIBYA

The Corporation is currently conducting due diligence on various mineral, oil and natural gas projects in Algeria and Libya.

ATLIN PROPERTY

During the year ended December 31, 2004, the Corporation paid \$15,000 for a 25% interest in the direct ownership of gold mineral claims located in the Atlin Mining District of British Columbia. The Corporation has an interest in four post claims of 20 units (each unit is 500m x 500m) and two post claims (each is 500m x 500m).

5. Subscriptions Received in Advance

The Corporation received \$295,280 in subscriptions during the year ended December 31, 2004. On February 15, 2005, the Corporation issued 2,527,800 units (for \$252,780) of a private placement at \$0.10 per unit.

During the current year, the Corporation received an additional \$177,500 in subscriptions. On October 4, 2005, the Company issued 3,450,000 units (for \$172,500) as part of a 4,000,000 unit private placement at \$0.05 per unit.

The remaining \$47,500 in subscriptions received were applied to the private placement of 5,500,000 units which closed on March 8, 2006 (Note 12).

WINFIELD RESOURCES LIMITED
Notes to Financial Statements

December 31, 2005

6. Share Capital

AUTHORIZED

250,000,000 common shares without par value
 6,527,800 common share purchase warrants

	<u>Number</u>	<u>Amount</u>
	#	\$
ISSUED COMMON SHARES		
Balance, December 31, 2003 and 2004	13,677,853	1,975,613
Issued for cash pursuant to private placements	6,527,800	452,780
Less issuance costs		(38,264)
Balance, December 31, 2005	<u>20,205,653</u>	<u>2,390,129</u>
ISSUED COMMON SHARE PURCHASE WARRANTS		
Balance, December 31, 2004	-	-
Issued pursuant to private placements	6,527,800	-
Balance, December 31, 2005	<u>6,527,800</u>	<u>-</u>

On February 15, 2005, the Corporation issued 2,527,800 units, at a price of \$0.10 per unit, with each unit consisting of one common share and a warrant to purchase an additional common share at an exercise price of \$0.18 per share for a period of twelve months from closing. Proceeds were \$252,780 less \$27,764 in share issuance costs. The related warrants expired on February 15, 2006.

On October 4, 2005, the Corporation issued 4,000,000 units, at a price of \$0.05 per unit, with each unit consisting of one common share and a warrant to purchase an additional common share at an exercise price of \$0.15 per share for a period of twelve months from closing. Proceeds were \$200,000 less \$10,500 in share issuance costs.

Management has determined that the warrants have a nominal value.

Outstanding warrants, as at December 31, 2005 are:

<u>Expiry</u>	<u>Exercise Price</u>	<u>Outstanding and Exercisable</u>
February 15, 2006 (expired without exercise)	\$0.18	2,527,800
October 4, 2006	\$0.15	4,000,000
		<u>6,527,800</u>

WINFIELD RESOURCES LIMITED
Notes to Financial Statements

December 31, 2005

6. Share Capital, continued

ESCROWED SHARES

Pursuant to an Escrow Agreement dated March 21, 2000, all 8,877,853 common shares issued prior to the Corporation's initial public offering were deposited with the Pacific Corporate Trust Company to be held in escrow. The Escrow Agreement provides that the escrowed shares may not be traded, released, transferred or dealt in any manner without the consent of the Executive Director of the Alberta Securities Commission. The Executive Director will normally consent to the release of 15% of the escrowed shares upon completion of the offering, a further 25% upon completion of the Corporation's work program and thereafter, a further 15% on each of the second, third, fourth and fifth anniversaries of the initial release, but may consent to an early release. As at December 31, 2005, there were 2,219,463 shares subject to Escrow.

STOCK OPTION PLAN

The Corporation has established a Stock Option Plan for the benefit of directors, officers and employees. Under the Plan, the directors may reserve, from treasury, a number of shares not exceeding 10% of the issued and outstanding common shares of the Corporation for the granting of options to designated recipients. Options granted under the plan generally have a term of five years and vest on the date of grant. The exercise price of each option equals or exceeds the market price of the Corporation's common shares on the date of grant. A summary of the Plan for 2005 and 2004 is as follows:

	2005		2004	
	Shares	Weighted Average Price	Shares	Weighted Average Price
Outstanding and exercisable, beginning of year	500,000	\$0.250	500,000	\$0.250
Cancelled/expired	(200,000)	0.250	-	-
Granted	1,800,000	0.100	-	-
Exercised	-	-	-	-
Outstanding and exercisable, end of year	2,100,000	\$0.121	500,000	\$0.250

Outstanding options, under the Plan, as at December 31, 2005 are:

Expiry	Exercise Price	Outstanding and Exercisable	Weighted Average Remaining Life (years)
March 18, 2007	\$0.25	100,000	1.2
March 24, 2007	\$0.25	200,000	1.6
November 1, 2010	\$0.10	1,800,000	4.8
		2,100,000	4.3

Per Share Amounts

Per share amounts are calculated using the weighted number of shares outstanding of 16,689,349 (2004 - 13,677,853). Diluted per share amounts are not presented as the effect thereof would be to decrease the loss per share.

WINFIELD RESOURCES LIMITED
Notes to Financial Statements

December 31, 2005

6. Share Capital, continued

STOCK-BASED COMPENSATION

On November 1, 2005, the Company granted 1,800,000 stock options to directors and consultants to purchase common shares at \$0.10 for a five year period. The Company recognized \$87,578 in stock-based compensation on the income statement with a corresponding entry to contributed surplus on the balance sheet.

The following assumptions were used for the Black-Scholes option-pricing model calculation of the stock options granted during the year.

Risk-free interest rate	3.90%
Expected life of options	5 years
Expected annualized volatility	108.78%
Dividend rate	0.0%

7. Contributed Surplus

	<u>2005</u>	<u>2004</u>
	\$	\$
Balance, beginning of year	70,400	70,400
Compensation cost arising on issuance of options	87,578	-
Transfer to share capital on exercise of options	-	-
	<hr/>	<hr/>
Balance, end of year	<u>157,978</u>	<u>70,400</u>

8. Income Taxes

PROVISION

The provision for income taxes varies from the amounts which would have been computed by applying the combined federal and provincial tax rates (approximately 34.86% (2004 -35.62%)) to the Corporation's loss before income taxes. This difference results from the following items:

	<u>2005</u>	<u>2004</u>
	\$	\$
Expected income tax recovery	(78,000)	(87,000)
Share issuance costs incurred	(14,000)	-
Benefit of non-capital losses forfeited	11,000	12,000
Effect of decrease in statutory rate	11,000	26,000
Change in valuation allowance	70,000	49,000
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

WINFIELD RESOURCES LIMITED
Notes to Financial Statements

December 31, 2005

8. Income Taxes, continued

FUTURE INCOME TAX ASSET

	<u>2005</u>	<u>2004</u>
	\$	\$
Future Tax Liabilities	-	-
Future Tax Assets		
Excess of tax values of property and equipment over carrying values	102,000	103,000
Share issuance costs	39,000	26,000
Unrealized loss on foreign exchange	12,000	11,000
Losses for income tax purposes	449,000	392,000
	<u>602,000</u>	<u>532,000</u>
less valuation allowance	(602,000)	(532,000)
	-	-
Net future income tax asset	<u>-</u>	<u>-</u>

LOSSES

The Corporation has losses, for income tax purposes, of approximately \$1,287,800 available to reduce taxable incomes of future years, as follows:

	\$
2006	58,200
2007	217,900
2008	192,400
2009	213,200
2010	150,400
2014	236,700
2015	219,000
	<u>1,287,800</u>

TAX POOLS

The Corporation also has income tax pools of approximately \$702,000 available to reduce taxable incomes of future years at the annual rates indicated:

	<u>Rate</u>	\$
Undepreciated capital cost	20% - 30%	12,500
Canadian development expense	30%	179,200
Foreign exploration and development expense	10%	401,600
Share issuance costs	1/5	108,700
		<u>702,000</u>

WINFIELD RESOURCES LIMITED
Notes to Financial Statements

December 31, 2005

9. Commitments and Contingencies

PROPERTY OPTION AGREEMENT

The Corporation is committed, pursuant to a Property Option Agreement with respect to a mineral resource property, to the following payments:

<u>Option Payments</u>	<u>Exploration Expenditures</u>
\$	\$
35,000	1,050,000

These payments were due by December 31, 2004; however, the grantor of the option has not taken steps to cancel the agreement. It is the Corporation's intent to incur expenditures in 2006 sufficient to satisfy escrow requirements; however, that amount will not fully satisfy the terms of the option agreement. These expenditures will be made with funds to be raised during that year. Once the expenditures have been made, either the property will be sold, the terms of the agreement extended or the rights will revert to the grantor. Should the rights revert to the grantor, the Corporation will be required to write off its investment therein, which is presently carried at \$117,146.

10. Change in Non-Cash Working Capital

	<u>2005</u>	<u>2004</u>
	\$	\$
Operating Activities		
Accounts receivable	(372)	-
Prepaid expenses and deposits	3,980	65,224
Accounts payable and accrued liabilities	4,536	(3,237)
	<u>8,144</u>	<u>61,987</u>
Financing Activities		
Prepaid expenses and deposits	9,500	(11,500)
Accounts payable and accrued liabilities	1,000	15,000
	<u>10,500</u>	<u>3,500</u>
Investing Activities		
Accounts payable and accrued liabilities	(2,375)	2,375
	<u>(2,375)</u>	<u>2,375</u>
SUPPLEMENTARY INFORMATION		
Interest paid	760	2,862
	<u>760</u>	<u>2,862</u>

WINFIELD RESOURCES LIMITED

Notes to Financial Statements

December 31, 2005

11. Financial Instruments

The Corporation's financial instruments consist of cash, accounts receivable, prepaid expenses and deposits, deferred expenditures, advances to a shareholder corporation, accounts payable and accrued liabilities and subscriptions received in advance. The Corporation's management has utilized valuation methodologies available as at the year-end and has determined that the carrying amounts of such financial instruments approximate their fair value in all cases due to the immediate or short term maturity thereof.

The Corporation is not exposed to significant credit risk or interest rate risk.

12. Related Party Transactions

	<u>2005</u>	<u>2004</u>
	\$	\$
Consulting fees and public company costs paid to corporations controlled by former officers and directors of the Corporation.	8,650	5,000
Management fees paid to a shareholder corporation which is controlled by a director of the Corporation.	33,000	24,000

The above transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The amount due from/to a shareholder corporation is non-interest bearing and has no formal terms of repayment.

13. Segmented Information

The Corporation conducts all of its operations in North America, in one business segment but, as described in Note 4, is conducting due diligence with the intent of expanding outside North America.

14. Subsequent Events

EXPIRED WARRANTS

On February 15, 2006, 2,527,800 warrants exercisable at \$0.18 per warrant expired unexercised (Note 6).

PRIVATE PLACEMENT

The Corporation received \$275,000 for the non-brokered private placement of 5,500,000 units (an increase from the 4,000,000 units proposed on October 27, 2005) priced at \$0.05 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.15 per share until March 8, 2008.

WINFIELD RESOURCES LIMITED

Notes to Financial Statements

December 31, 2005

14. Subsequent Events, continued

LETTER OF INTENT

On April 7, 2006, the Corporation entered into a letter of intent with respect to the acquisition of an interest in producing petroleum and natural gas properties in the United States. Cost of the interest is US\$35,000,000. The Corporation is negotiating debt financing with respect to the proposed purchase, which is subject to due diligence, financing and shareholder and regulatory approval.

PROPOSED FINANCING

On April 21, 2006, the Corporation proposed a non-brokered private placement of up to 2,000,000 units at \$0.10 per unit. Each unit will be comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder to acquire one additional common share at a price of \$0.15 per share for a period of two years after closing of the financing. The proposed financing is subject to regulatory approval.