

Simberi Gold Corporation

(Incorporated under the laws of Ontario)

(A Development Stage Company)

Consolidated Financial Statements

December 31, 2005 and 2004

April 14, 2006, except for Note 16(c), which is April 27, 2006

Auditors' Report

To the Shareholders of
Simberi Gold Corporation

We have audited the consolidated balance sheets of Simberi Gold Corporation, (a Development Stage Company) as at December 31, 2005 and 2004, and the consolidated statements of operations and deficit, and cash flows for each of the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and 2004 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

"McCarney Greenwood LLP"

Toronto, Canada

McCarney Greenwood LLP
Chartered Accountants

Simberi Gold Corporation

(Incorporated under the laws of Ontario)

(A Development Stage Company)

Consolidated Balance Sheets**Page 2**

	December 31,	
	2005	2004
Assets		
Current assets		
Cash	\$ 5,426,357	\$ 267,066
Sundry receivable	23,012	21,368
Prepaid expenses	18,264	-
Due from related parties (Note 7)	448,057	428,857
Loan receivable (Note 8)	58,295	-
Investment (Note 9(i))	547,274	-
	<hr/> 6,521,259	<hr/> 717,291
Mining interests (Note 9)	687,274	3,500,547
Equipment (Note 6)	3,981	-
	<hr/> \$ 7,212,514	<hr/> \$ 4,217,838
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 358,593	\$ 167,392
Net liabilities assumed from related party (Note 7)	29,880	29,880
	<hr/> 388,473	<hr/> 197,272
Non-controlling interest	49,826	-
	<hr/> 438,299	<hr/> 197,272
Shareholders' Equity		
Share capital (Note 10(a))	6,274,715	5,961,052
Warrants (Note 10(c))	2,002,000	-
Contributed surplus (Note 10(d))	740,396	314,742
(Deficit)	(2,242,896)	(2,255,228)
	<hr/> 6,774,215	<hr/> 4,020,566
	<hr/> \$ 7,212,514	<hr/> \$ 4,217,838

Approved by the Board "Michael Newbury" Director "Geoff Farrar" Director

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For the years ended December 31,

Consolidated Statements of Operations and Deficit

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	2005	2004	Cumulative From Incorporation October 28, 2003
Revenue			
Interest	\$ 43,090	\$ 1,866	\$ 45,856
Expenses			
Accounting and corporate services	25,254	20,630	46,184
Filing fees	9,774	5,950	16,024
Financing costs written off	-	436,319	436,319
Foreign exchange	15,354	3,040	18,394
General and administrative	145,369	141,222	287,842
Legal and audit	68,406	37,599	244,314
Management fees (Note 7)	10,085	283,135	513,220
Professional and consulting fees (Note 7)	226,853	87,269	334,122
Investor relations	34,504	82,324	116,828
Stock-option compensation (Note 10(b))	425,654	310,161	735,815
Directors' compensation (Note 7)	89,000	-	89,000
Amortization	519	-	519
Write-down of mining interests (Note 9(iii))	135,139	-	135,139
	1,185,911	1,407,649	2,973,720
(Loss) for the year before the undernoted	(1,142,821)	(1,405,783)	(2,927,864)
Gain on sale of mining interest (Note 9(i))	1,155,328	-	1,155,328
Non-controlling interest's share of income	(175)	-	(175)
Net income (loss) for the year	12,332	(1,405,783)	(1,772,711)
(Deficit), beginning of year as previously stated	(2,255,228)	(379,260)	-
Retroactive restatement of stock-based compensation (Note 2(g))	-	(4,581)	(4,581)
(Deficit), beginning of year as restated	(2,255,228)	(383,841)	(1,777,292)
Reorganization costs (Note 2(f))	-	(465,604)	(465,604)
(Deficit), end of year	\$ (2,242,896)	\$ (2,255,228)	\$ (2,242,896)
Basic and diluted income (loss) per share (Note 10(e))	\$ 0.00	\$ (0.02)	

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Consolidated Statements of Cash Flows

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	2005	2004	Cumulative From Incorporation October 28, 2003
Cash flows used in operating activities			
Net income (loss) for the period	\$ 12,332	\$ (1,405,783)	\$ (1,772,711)
Adjustment for:			
Stock-option compensation (Note 10(b))	425,654	310,161	735,815
Amortization	519	-	519
Prepaid financing costs written off	-	60,010	60,010
Gain on sale of mining interest	(1,155,328)	-	(1,155,328)
Non-controlling interest	175	-	175
Write-down of mining interests	135,139	-	135,139
Changes in non-cash items:			
Sundry receivable and prepaid expenses	(19,908)	(12,108)	(41,273)
Accounts payable and accrued liabilities	191,201	4,446	358,593
Net liabilities assumed from related party	-	29,880	29,880
Cash flows (used in) operating activities	(410,216)	(1,013,394)	(1,649,181)
Cash flows used in investing activity			
Mining interest acquisition on amalgamation	-	(885,870)	(885,870)
Mining interests expenditures	(862,560)	(835,894)	(3,477,237)
Proceeds on sale of mining interests	4,198,399	-	4,198,399
Additions to equipment	(4,500)	-	(4,500)
Cash flows from (used in) investing activities	3,331,339	(1,721,764)	(169,208)
Cash flows from financing activities			
Cash held in escrow	-	3,203,865	-
Loan receivable	(58,295)	-	(58,295)
Reorganization costs	-	(465,607)	(465,607)
Due to/from related parties	(19,200)	(1,086,029)	(448,057)
Issue of share capital	2,600,000	904,890	3,504,890
Issue costs	(284,337)	(87,129)	(371,466)
Issue of warrants	-	-	5,143,291
Prepaid financing costs written off	-	-	(60,010)
Cash flows from financing activities	2,238,168	2,469,990	7,244,746
Change in cash during the year	5,159,291	(265,168)	5,426,357
Cash, beginning of year	267,066	532,234	-
Cash, end of year	\$ 5,426,357	\$ 267,066	\$ 5,426,357

Simberi Gold Corporation

(A Development Stage Company)

Notes to Consolidated Financial Statements

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1. Nature of business

Simberi Gold Corporation (the "Company") was incorporated on October 28, 2003 under the Ontario Business Corporations Act. The Company's main business is the exploration and development of mining projects. In the course of its business the Company evaluates and reviews a number of potential base and precious metal projects throughout the world. At present, the focus of the Company's activities is the exploration and development of a copper/cobalt project in the Democratic Republic of the Congo.

To date, the Company has not earned significant revenues from its projects and is considered to be in the development stage.

The recoverability of amounts shown as mining interests is dependent upon a number of factors including environmental risks, legal and political risks, the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying properties, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

2. Significant accounting policies

The preparation of consolidated 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

The more significant accounting policies are as follows:

(a) Basis of consolidation

These consolidated financial statements include the accounts of Simberi Gold Corporation, its three wholly-owned subsidiaries Novaking Pty Ltd ("Novaking"), Novaking's wholly-owned subsidiary Renaissance Corporation Pty Ltd, Alive International Holdings, Optima Pharmaceuticals Inc. and the Company's majority-owned (66.67%) subsidiary, New Congo Resources Development Inc ("New Congo"). All significant intercompany balances and transactions have been eliminated on consolidation.

(b) Foreign currency exchange

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date.

At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in operations in the current period.

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2. Significant accounting policies (Continued)

Novaking and New Congo are considered integrated foreign operations therefore monetary items are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenses are translated at rates in effect at the time of the transaction. Foreign exchange gains and losses are included in operations in the current period.

(c) Mining interest

It is the Company's policy to defer expenditures related to the exploration and development of its mining properties (including direct administrative expenditures, if any) until such time as they are brought into commercial production. The cost of acquiring the mining property and all related deferred exploration and development expenditures will be amortized on a units-of-production basis.

The recorded book value of mining properties is not intended to reflect their present or future value. Should a mining property become impaired as evidenced by unfavourable exploration results, or a decision to discontinue further work, the acquisition cost and related deferred exploration and development expenditures will be expensed.

(d) Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method income taxes are recognized for the future income tax consequences attributed to the difference between the financial statement carrying values and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply when the asset is realized or the liability is settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period of the rate change. Future income tax assets are evaluated and if realization is not considered "more likely than not", a valuation allowance is provided.

(e) Asset retirement obligation

The Company measures the expected costs required to retire its mining interests at a fair value which approximates the cost a third party would incur in performing the tasks necessary to abandon the field and restore the site. The fair value is recognized in the financial statements at the present value of expected future cash outflows to satisfy the obligation.

2. Significant accounting policies (Continued)

Asset retirement costs are depleted using the units-of-production method based on estimated reserves and are included with depletion and amortization expense. The accretion of the liability for the asset retirement obligation would be expensed on the statement of operations.

(f) Share issue costs and reorganization costs

Share issue costs are recorded as a reduction of share capital. Reorganization costs are charged to deficit.

(g) Change in accounting policy

Effective January 1, 2004, the Company adopted CICA Handbook Section 3870 "Stock-based Compensation and other Stock-Based Payments". The new recommendations require that compensation for option awards to employees be recognized in the financial statements at fair value for options granted in fiscal years beginning on or after January 1, 2004. The Company, as permitted by CICA Handbook Section 3870, has chosen to apply this section retroactively by restating its opening deficit as at January 1, 2004. The effect of this change in accounting policy on the prior year's financial statements is to increase the opening deficit by \$4,581, increase stock-option compensation in the income statement by \$310,161 and increase contributed surplus by \$314,742. This change in accounting policy has had no effect on the basic or diluted (loss) per share.

(h) Equipment

Equipment is recorded at cost. Amortization is being provided for on the declining balance basis at the following rates:

Computer equipment:	30%
Office equipment	20%

3. Reverse takeover transaction ("RTO")

The Company was formed as the result of an amalgamation of Alive International Inc. ("Alive"), 2034879 Ontario Limited ("203") and PNG Pacific Resources Inc. ("PPR"). 203 was a wholly-owned subsidiary of PGM Ventures Corporation ("PGM"), who is the parent of Simberi Gold Corporation and holds PGM's joint venture interest in the Simberi Gold property in Papua New Guinea. PPR was also a wholly-owned subsidiary of Alive, incorporated solely to effect the amalgamation under the RTO Transaction. Pursuant to the RTO Transaction, Alive, 203 and PPR amalgamated and continued as PPR. The amalgamation is considered to be a reverse takeover. All of the outstanding 203 securities were exchanged for the corresponding securities of the amalgamated company on a one-for-one basis.

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Notes to Consolidated Financial Statements

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3. Reverse takeover transaction ("RTO") (Continued)

On March 22, 2004, PPR Inc. changed its name to Simberi Gold Corporation subsequent to the closing of the RTO amalgamation agreement described above. As a result of these transactions, an aggregate of 60,000,000 common shares were issued to the holders of common shares and Class A Special Shares of 203, an aggregate of 20,000,000 common shares purchase warrants ("Purchase Warrants") were issued to the holders of Class A Special Share purchase warrants of 203, and an aggregate of 2,000,000 compensation options ("Compensation Options") were issued to holders of compensation options of 203. Each Purchase Warrant entitles the holder to acquire at any time until December 8, 2005 one common share of the Company at an exercise price of \$0.40 per share. Each Compensation Option entitles the holder to acquire at any time until December 8, 2005 one common share and one purchase warrant of the Company at an exercise price of \$0.25 per Compensation Option.

In accordance with reverse takeover accounting, the consolidated balance sheet is a continuation of 203 in that the capital structure reflects that of Alive and the stated value of the share capital is that of 203. The purchase price has been allocated based on the net assets of Alive acquired as follows:

GST recoverable	\$	10,370
Reorganization costs		242,713
Simberi gold project - acquisition costs		885,870
		<hr/>
		1,138,953
Total liabilities		(256,132)
		<hr/>
Net assets acquired, March 22, 2004	\$	882,821
		<hr/>
Allocated as follows:		
62,000,000	Common shares (Includes finder's fee)	\$ 882,821
20,000,000	Purchase warrants (i)	-
2,000,000	Compensation options (ii)	-
		<hr/>
	\$	882,821
		<hr/>

(i) See Note 10(c)(i) for assumptions used in the Black-Scholes option pricing model.

(ii) See Note 10(b)(iv) for assumptions used in the Black-Scholes option pricing model.

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4. Acquisition of Novaking Pty Ltd

On March 22, 2004, the Company acquired all of the shares of Novaking Pty Ltd ("Novaking"), a company incorporated in Australia, with mining interests in Western Australia through its subsidiary, in exchange for the issuance of 16,000,000 common shares.

The purchase price has been allocated to the net assets of Novaking Pty Ltd at their fair values on the date of acquisition as follows:

Cash	\$ 102,823
Receivables	208
Mining interest	25,648
	<hr/>
	336,128
Total liabilities	(106,609)
	<hr/>
Net assets acquired, March 22, 2004	\$ 100,000
	<hr/>
Allocated as follows:	
16,000,000 Common shares	\$ 100,000
	<hr/>

5. Acquisition of New Congo Resource Development Inc.

On December 21, 2005, the Company acquired 66.67% of the outstanding common shares of New Congo Resources Development Inc. ("New Congo"), a company incorporated in Canada, with mining interests in the Democratic Republic of Congo through its subsidiaries, for \$100,000 cash.

The purchase price has been allocated to the net assets of New Congo at their fair values on the date of acquisition as follows:

Cash	\$ 9,992
Receivables	38,863
Investment	99,652
Mining interest	287,273
	<hr/>
	435,780
Total liabilities	(335,780)
	<hr/>
Net assets acquired, December 21, 2005	\$ 100,000
	<hr/>

6. Equipment

	December 31, 2005			December 31, 2004	
	Cost	Accumulated Amortization	Net	Net	
Computer equipment	\$ 1,381	\$ 207	\$ 1,174	\$ -	
Office equipment	3,119	312	2,807	-	
	\$ 4,500	\$ 519	\$ 3,981	\$ -	

Amortization is at one-half of indicated rates in the year of acquisition.

7. Related party transactions

Management fees totaling \$25,000 (2004 - \$90,000) were paid to directors of the Company and were included in professional and consulting fees. Director fees totaling \$9,000 (2004 - \$NIL) were paid to directors of the Company and were included in directors' compensation. Management fees totaling \$NIL (2004 -\$180,000) were charged by the Company's former parent corporation, PGM Ventures Corporation, as a reimbursement of management fees charged to it by two other individuals, who are the former directors of the Company. Management fees totaling \$100,000 (2004 - \$15,500) were charged by a corporation owned by a director of the Company and were included in professional and consulting fees, and capitalized in mining interest. Management fees totaling \$9,243 (2004 - \$10,542) were paid to a director of Novaking Pty Ltd and were included in management fees. Severance fees totaling \$80,000 (2004 - \$Nil) were paid to two former directors upon resigning as directors of the Company and were included in directors' compensation. The recipients of the above management fees were also reimbursed for expenses incurred. These transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Related party transactions (Continued)

Balances to/from related parties at December 31 are summarized as follows:

	2005	2004
Due from PGM Ventures Corporation	\$ 393,800	\$ 393,800
Due from a director of Novaking Pty Ltd	54,257	35,057
Due from related parties	448,057	428,857
Net liabilities assumed from related party	(29,880)	(29,880)
Due to related parties	(29,880)	(29,880)
Net balance due from related parties	\$ 418,177	\$ 398,977

8. Loan receivable

The loan receivable in the amount of \$58,295 (US\$50,000) is due from Miminco LLC, a Delaware Limited Liability Corporation that owns a controlling interest in Miminco, SPRL of Kinshasa, Democratic Republic of Congo. The loan is due on or before February 20, 2007 and bears interest at 10% per annum.

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Notes to Consolidated Financial Statements**December 31, 2005 and 2004****Page 12****9. Mining interests**

As of December 31, 2005, accumulated costs with respect to the Company's interests in mineral properties owned, leased or under option, consisted of the following:

	2005	2004
Simberi Gold Project (i)		
Acquisition costs	\$ 2,664,653	\$ 2,664,653
Meals, travel and accommodation	31,609	31,609
Other exploration expenditures	894,083	732,104
Sale of Simberi Joint Venture	(3,590,345)	-
<hr/>		
Book value of mineral property	-	3,428,366
<hr/>		
Novaking properties (ii)		
Acquisition costs	25,648	25,648
Other exploration expenditures	81,065	46,533
<hr/>		
Book value of mineral property	106,713	72,181
<hr/>		
Mongolian properties (iii)		
Consulting	60,311	-
Travel	19,928	-
Geological	35,095	-
General and administrative	390	-
Maps and assays	598	-
Advance	7,448	-
Management fee	11,369	-
Write-down of Mongolian properties	(135,139)	-
<hr/>		
Book value of mineral property	-	-
<hr/>		
New Congo properties (iv)		
Acquisition costs	149,652	-
Regulatory fees	64,125	-
Travel	37,309	-
General exploration	169,055	-
Administration fee	17,489	-
Consulting	116,590	-
General and administrative	26,341	-
<hr/>		
Book value of mineral property	580,561	-
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Mining properties	\$ 687,274	\$ 3,500,547

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9. Mining interests (Continued)

- (i) Simberi Gold project was jointly controlled by the Company and Allied Gold Limited ("Allied"). The Company had a 50% interest in the Simberi Mining Joint Venture ("SMJV") related to a gold deposit property located in Papua New Guinea.

On April 5, 2005 the Company finalized its negotiations to sell 75% of its 50% interest (37.5% while maintaining a 12.5% free carried interest) in the Simberi Mining Joint Venture and its 1% interest in the Tabar Exploration Joint Venture located on Simberi Island, Tabar Island and Tatau Island, Papua New Guinea to Allied for \$4 million in cash. As partial consideration for the sale, Nord Pacific Limited ("Nord"), a wholly owned subsidiary of Allied, and subject to the establishment of Nord's right to a 14% interest in a gold prospect in Chester Township, Ontario, held by Young-Shannon Gold Mines, Limited, Nord has agreed to transfer its 14% interest to Simberi.

As of October 12, 2005, Simberi has completed an agreement with Allied to sell its remaining interest (12.5%) in the SMJV. The Company has received for its interest: (i) 2 million common shares of Allied; (ii) 2 million options exercisable at \$0.25 on or before December 31, 2006; (iii) 2 million options exercisable at \$0.50 on or before December 31, 2008; and (iv) \$200,000 cash in Canadian currency.

The 2,000,000 common shares of Allied were valued at AUD \$620,000 (CAD \$547,274). No values were assigned to the options as values could not be reasonably determined.

The Company recorded a gain on the sale of Simberi Gold project, net of disposition costs of \$1,601, in the amount of \$1,155,328.

Subsequent to the year end, the Company exercised the 4,000,000 options of Allied, and sold its 6,000,000 common shares of Allied in two separate transactions, as further described in Note 16(c).

- (ii) Novaking Pty Ltd is an Australian mining and exploration company. The Company's wholly owned Australian subsidiary, Renaissance Corporation Pty Ltd ("Renaissance") has completed a joint venture arrangement with Korab Resources Limited ("Korab") on its Novaking properties (re: Mt. Elephant gold prospect in Western Australia). Korab can earn a 70% interest in the Mt. Elephant properties by spending a minimum of \$40,000 Australian in the next 12 months and a total of \$500,000 Australian in exploration over a three year period. Korab will be the Manager of the Joint Venture and undertake and manage the exploration programs in cooperation with Simberi's subsidiary, Renaissance.

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9. Mining interests (Continued)

- (iii) The Company entered into a letter of intent with Mongal Gazar Resources Limited ("MGH") of Mongolia to acquire an initial 22% interest in its Olon Ovoot gold project in the South Gobi district of Mongolia. MGH will form a new company Mongolian Gold Mines Company ("MGMC") that will hold all the Olon Ovoot assets. The Company will be the Manager of the Joint Venture and MGH will be the on-site operator however the exploration programs will be conducted through joint cooperation of the two parties. The Company will invest US\$0.5 million in MGMC and pay MGH US\$1.85 million and 9.3 million shares for its interest. The Company will also pay a finder's fee of 700,000 common shares to The Balloch Group of Beijing. The Company will have an option to purchase up to a 100% interest in the Olon Ovoot project from MGH with the purchase price being a discounted value based on the resources delineated at the time of the purchase.

As of September 30, 2005, the Company has made a decision to suspend, until further notice, investigations on the Olon Ovoot gold project. The Company requires additional evaluation and discussion regarding the project that need to be clarified and assessed before the Company can proceed with a formal agreement with MGH.

As at December 31, 2005, the Company decided not to continue exploring with the Mongolian properties and as a result, the properties were written off.

- (iv) Effective December 21, 2005, the Company acquired from Firebird Global Master Fund Ltd. and Kershner, Grosso & Co. their combined interests in common shares in New Congo Resources Development Company Inc. ("New Congo"). a corporation that has natural resource projects in the Democratic Republic of Congo ("DRC"). The Company purchased 400,000 common shares of New Congo representing 66.67% equity ownership for \$100,000. In addition, the Company took over the obligation to provide funding for up to US \$900,000 in exploration expenditures on the Congo projects.

New Congo, through a wholly owned subsidiary in the DRC, has a joint venture agreement with Gecamines, the state owned copper mining company in the DRC, with respect to the Kakanda project. New Congo's subsidiary and Gecamines each have the right to participate in the joint venture on a 51% and 49% basis, respectively.

Subsequent to the year end, the Company acquired the remaining 33.33% of common shares, increasing its ownership interest to 100%, as further described in Note 16(b).

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10. Share capital

(a) Authorized

An unlimited number of common shares

Issued

	Number of Shares	Amount
Balance, December 31, 2003	15,881,831	\$ 5,143,291
Shares issued for RTO (i)	62,000,000	882,821
Acquisition of Novaking Pty Ltd (ii)	16,000,000	22,070
Exercise of warrant (iii)	500,000	-
Share issue costs	-	(87,130)
<hr/>		
Balance, December 31, 2004	94,381,831	5,961,052
Private placement (iv)	26,000,000	2,600,000
Warrant valuation (iv)	-	(2,002,000)
Share issue costs	-	(284,337)
<hr/>		
Balance, December 31, 2005	120,381,831	\$ 6,274,715

- (i) In connection with the RTO transaction, 60,000,000 shares were issued to 203. These shares were valued at the residual allocation of the purchase price to the carrying value of the net assets acquired from 2034879. Included are 2,000,000 shares issued to Tory Ryan & Co. Inc as compensation for finder's fees. The shares were valued at \$882,821.
- (ii) To effect the acquisition of Novaking Pty Ltd, 16,000,000 common shares were issued and were valued at \$22,070.
- (iii) On August 3, 2000, Alive, now Simberi, completed the acquisition of specific assets and employee contracts of Ideal Solutions International ("ISI") from Unique Products, Inc. in an arm's length transaction. In connection with this acquisition, Alive issued 500,000 Special Warrants at \$2.00 per Special Warrant. Each Special Warrant was exercisable into one common share of Alive. The warrants were converted to common shares during the period for \$NIL proceeds.

10. Share capital (Continued)

- (iv) On December 23, 2005, the Company issued 26,000,000 units at a price of \$0.10 per unit for gross proceeds of \$2.6 million. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one additional common share at an exercise price of \$0.20 for a period of two years until December 23, 2007. A finder's fee equal to 10% of the gross proceeds or \$260,000 was paid in connection with the private placement.

The fair value of the warrants was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 194.36%; expected dividend yield of 0%; risk-free interest rate of 3.83% and expected life of 2 years. The warrants were valued at \$2,002,000.

(b) Stock option plan

The Company has an employee stock option plan under which the Board of Directors, or a committee appointed for such purpose, may from time to time grant to employees, officers, directors of, or consultants to, the Company, options to acquire common shares in such numbers, for such terms, and at such exercise prices, as may be determined by the Board of Directors or such committee.

The options are valid for a maximum of 5 years from the date of issue. Vesting terms are 1/6th immediately and 1/6th after 3, 6, 9, 12 and 15 month anniversaries of the date of the grant.

The changes in stock options for each of the years ended December 31, 2005 and 2004 are as follows:

	Number	2005 Weighted average exercise price per share	Number	2004 Weighted average exercise price per share
Outstanding, beginning of year	10,000,000	\$ 0.15	3,055,000	\$ 0.15
Activity in the year:				
Granted	5,550,000	0.10	6,945,000	0.15
Exercised/expired	-	-	-	-
Outstanding, end of the year	15,550,000	0.13	10,000,000	0.15
Options exercisable at year end	11,750,000		6,527,500	
Weighted average fair value of options granted during the year		\$ 0.05		\$ 0.09

10. Share capital (Continued)

As of December 31, 2005 the following stock options were outstanding and exercisable:

<u>Expiry Date</u>	<u>Options outstanding</u>			<u>Options exercisable</u>	
	<u>Number of Options</u>	<u>Weighted average remaining contractual life</u>	<u>Weighted average exercise price</u>	<u>Number of Options</u>	<u>Weighted average exercise price</u>
June 30, 2008	3,055,000	2.50 years	\$0.15	3,055,000	\$0.15
May 13, 2009	6,945,000	3.37	0.15	6,945,000	0.15
August 24, 2010	5,250,000	4.65	0.10	2,101,902	0.10
November 23, 2010	300,000	4.90	0.10	70,652	0.10
	15,550,000	3.66	\$0.13	12,172,554	\$0.14

During the year, 5,550,000 (2004 - 6,945,000) stock options were granted. These options will be amortized over the vesting period, expensed in the statement of operations and deficit and credited to contributed surplus. For the year ended December 31, 2005, the following options were expensed.

<u>Option grant date</u>	<u>Number of options expensed</u>	<u>Amount expensed</u>
May 13, 2004 (i)	3,472,500	\$ 310,161
August 24, 2005 (ii)	2,109,722	109,299
November 23, 2005 (iii)	71,667	6,194
	5,653,889	\$ 425,654

The following table sets out the remaining options to be expensed as they vest:

<u>Option grant date</u>	<u>Number of remaining options to be expensed</u>	<u>Amount to be expensed</u>
August 24, 2005 (ii)	3,140,278	\$ 163,701
November 23, 2005 (iii)	228,333	19,906
	3,368,611	\$ 183,607

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10. Share capital (Continued)

- (i) The amount expensed was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 75%; risk-free interest rate of 4.50% and an expected average life of 5 years.
- (ii) The amount expensed was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 177.69%; risk-free interest rate of 3.51% and an expected average life of 5 years.
- (iii) The amount expensed was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected volatility of 195.19%; risk-free interest rate of 3.80% and an expected average life of 5 years.

Compensation options

The changes in compensation options for each of the years ended December 31, 2005 and 2004 are as follows:

	Number	2005 Weighted exercise price per share	Number	2004 Weighted exercise price per share
Outstanding, beginning of year	2,000,000	\$ 0.25	-	\$ -
Activity in the year:				
Granted (iv)	-	-	2,000,000	0.25
Exercised/expired	(2,000,000)	0.25	-	-
Outstanding, end of the year	-	\$ -	2,000,000	\$ 0.25

- (iv) The value assigned was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 4.50% and an expected life of 20 months. The calculated value for these options was \$Nil.

10. Share capital (Continued)

(c) Warrants

The following table sets out the warrant activity during the year.

The changes in Warrants for each of the years ended December 31, 2005 and 2004 are as follows:

	2005		2004	
	Number of warrants	\$ Amount	Number of warrants	\$ Amount
Balance outstanding, beginning of year	20,000,000	\$ -	500,000	\$ -
Activity in the year:				
Granted (10(a)(iv))	26,000,000	2,002,000	20,000,000	-
Exercised/Expired (i)	(20,000,000)	-	(500,000)	-
Balance outstanding, end of the year	26,000,000	\$ 2,002,000	20,000,000	\$ -

- (i) These warrants were issued to effect the RTO. The value assigned was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 4.50% and an expected life of 20 months. The calculated value for these warrants was \$Nil.

The following table summarizes the warrants outstanding at December 31, 2005:

Black-Scholes Value	Exercise Price	Expiry Date	Number of warrants outstanding at December 31, 2005
\$ 2,002,000	\$ 0.20	December 23, 2007	26,000,000

10. Share capital (Continued)

(d) Contributed surplus

The following is a continuity of contributed surplus for the years ended December 31, 2005 and 2004:

	Amount
Balance, December 31, 2003	\$ -
Stock options vested	314,742
<hr/>	
Balance, December 31, 2004	314,742
Stock options vested	425,654
<hr/>	
Balance, December 31, 2005	\$ 740,396
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Included in contributed surplus are the following items:

<u>Expiry Date</u>	<u>Stock options</u>	<u>Exercise Price</u>	<u>Black-Scholes Valuation</u>
June 30, 2008	3,055,000	\$ 0.15	\$ 9,162
May 13, 2009	6,945,000	0.15	615,741
August 24, 2010	5,250,000	0.10	109,299
November 23, 2010	300,000	0.10	6,194
<hr/>			
	15,550,000		\$ 740,396
<hr/>			

10. Share capital (Continued)

(e) Basic and diluted income (loss) per share

The following table sets forth the computation of basic and diluted income (loss) per share:

	2005	2004
Basic and diluted income (loss) per share	\$ 0.00	\$ (0.02)
<hr/>		
Numerator:		
Income (loss) for the year	\$ 12,332	\$ (1,405,783)
Numerator for basic and diluted income (loss) per share	12,332	(1,405,783)
Denominator:		
Weighted average number of common shares	95,010,863	87,089,648
Denominator for basic income (loss) per share	95,010,863	87,089,648
Effect of dilutive securities:		
Stock options (i)	11,886,712	-
Warrants (i)	5,777,778	-
<hr/>		
Denominator for diluted income (loss) per share	12,675,353	87,089,648
<hr/>		
Basic income (loss) per share	\$ 0.00	\$ (0.02)
Diluted income (loss) per share	\$ 0.00	\$ (0.02)

- (i) The stock options and warrants were not included in the computation of diluted income (loss) per share for 2004 because their inclusion would be anti-dilutive.

11. Income taxes

The Company has the following future income tax assets:

	2005	2004
Non capital loss carry-forwards	\$ 74,732	\$ 337,835
Cumulative eligible capital	93,945	101,016
Exploration expenditures	80,713	-
<hr/>		
Total future tax assets	249,390	438,851
Valuation allowance	(249,390)	(438,851)
<hr/>		
Future income tax assets recognized	\$ -	\$ -

11. Income taxes (Continued)

The Company provided a valuation allowance equal to the future tax asset because it is not more likely than not that they will be realized.

The Company has no future income tax liabilities.

The Company's income tax recovery for each of the years ended December 31, 2005 and 2004 is \$Nil. The Company's actual income tax expense for the year ended is made up as follows:

	2005	2004
Income (loss) before income taxes	\$ 12,332	\$ (1,405,783)
Income recovery at the combined federal and provincial rate of 36.12%	4,454	(507,769)
Non-deductible stock option compensation	153,746	112,030
Write-off of mining interest	48,812	-
Deferred financing	-	126,079
Share issue costs	(58,354)	-
Income from foreign resources tax pool	530,637	-
Non-taxable gain on sale of mining interest	(417,304)	-
Miscellaneous	1,112	665
Non-capital losses applied to reduce taxable income	(263,103)	-
Potential income tax recovery not recognized	-	268,995
Total income tax (recovery)	\$ -	\$ -

The Company has incurred non-capital loss carryforwards of approximately \$206,900 and Cumulative Foreign Resource Expenses of approximately \$223,458 which can be used to reduce future year's taxable income. The potential tax benefit of these losses and expenditures, has not been recognized in these financial statements. The non-capital losses will expire as follows:

2014	\$ <u>206,900</u>
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12. Financial instruments

Fair value of financial instruments

The Company's financial instruments consist of cash, sundry receivable, due from related parties, loan receivable, accounts payable and accrued liabilities and net liabilities assumed from related party. The fair value of these financial instruments approximates their carrying value due to their immediate or short-term maturity.

Commodity price risk

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals and oil and gas prospects. If the Company locates a mineral deposit or oil and gas prospects, it will be subject to commodity price risk.

Other risks

It is management's opinion that the Company is not exposed to significant price, currency or credit risk arising from its financial instruments.

13. Segmented information

Segmented assets

	December 31, 2005			
	Canada	Congo	Other areas	Consolidated
Current assets	\$ 5,836,287	\$ 73,284	\$ 611,688	\$ 6,521,259
Long-term assets	3,981	580,562	106,712	691,255
	\$ 5,840,268	\$ 653,846	\$ 718,400	\$ 7,212,514

	December 31, 2004			
	Canada	Congo	Other areas	Consolidated
Current assets	\$ 682,042	\$ -	\$ 35,249	\$ 717,291
Long-term assets	-	-	3,500,547	3,500,547
	\$ 682,042	\$ -	\$ 3,535,796	\$ 4,217,838

14. Commitments

The Company has a lease commitment for its premises ending on September 30, 2007. Annual minimum base rent and operating expense commitments are as follows:

2006	\$ 32,856
2007	<u>24,642</u>
Total	<u>\$ 57,498</u>

15. Comparative figures

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

16. Subsequent events

- (a) On January 30, 2006, the Company granted 1,000,000 stock options to a director of a subsidiary of Simberi. The stock options, which vest quarterly over an 18 month period, are exercisable at a price of \$0.24 for a period of 5 years from the date of grant. The common shares issuable upon exercise of the stock options will be subject to a 4 month hold period from the date of grant.

The fair value of the options was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions: expected volatility of 195.83%; expected dividend yield of 0%; risk-free interest rate of 4.04% and expected life of 5 years. The options were valued at \$234,000.

- (b) On April 4, 2006, the Company entered into a definitive agreement with Quartern Holdings Ltd. ("Quartern") to acquire the remaining 33.33% interest in the New Congo, a corporation that has interests in natural resource holdings in the Democratic Republic of Congo.

The Company has agreed in principal to purchase from Quartern, and Quartern has agreed to sell to the Company, the remaining 33.33% of the outstanding shares of New Congo and Quartern has agreed to continue its role in the development of the Kakanda Project in exchange for the following:

- i) payment by the Company to Quartern of \$100,000 in cash; and
- ii) the issuance by the Company to Quartern of 8 million common shares of the Company.

In addition, Quartern has agreed to enter into a consulting agreement with the Company and New Congo pursuant to which Quartern will be, amongst other things, responsible for continuing the development of the Kakanda Project. Pursuant to the terms of the consulting agreement, Quartern will be entitled to receive an additional 3.9 million common shares of the Company upon successfully increasing the Company's interest in the Kakanda Project from 51% to 75% or more, through a majority owned (66.67%) subsidiary, PTM Minerals (Congo) Limited.

16. Subsequent events (Continued)

The completion of this agreement is subject to the receipt of TSX Venture Exchange approval.

- (c) In March 2006, the Company sold 1,000,000 common shares of Allied for proceeds of AUD \$420,000.

On April 27, 2006, the Company entered into an agreement and is in the process of selling 5,000,000 common shares of Allied (2,000,000 common shares in addition to the conversion of 3,000,000 warrants prior to the sale) for total anticipated proceeds of AUD \$2,600,000 (CAD \$ 2,209,480).