

**Eloro Resources Ltd.**  
(a development stage company)  
**Balance Sheets**

	<b>As at June 30, 2006 \$ (unaudited)</b>	<b>As at March 31, 2006 \$</b>
<b>Assets</b>		
Current		
Cash	429,930	362,287
Accounts receivable	109,378	92,177
Deposit	90,000	-
Due from NFX Gold Inc. (note 4)	23,789	23,789
Due from Wavex International Inc. (note 5)	17,946	17,946
	<u>671,044</u>	<u>496,199</u>
Mineral resource properties (notes 6 and 10)	2,178,371	1,544,455
	<u>2,849,415</u>	<u>2,040,654</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	135,332	213,773
	<u>135,332</u>	<u>213,773</u>
<b>Shareholders' equity</b>		
Share capital (notes 7 and 10)	4,356,666	3,365,208
Contributed surplus	714,815	743,815
Deficit	(2,357,399)	(2,282,141)
	<u>2,714,083</u>	<u>1,826,882</u>
	<u>2,849,415</u>	<u>2,040,655</u>

*See accompanying notes to financial statements*

**Eloro Resources Ltd.**  
(a development stage company)  
**Statements of Operations and Deficit**

	<b>3 months ended June 30</b>		<b>Cumulative</b>
	<b>2006</b>	<b>2005</b>	<b>since</b>
	(unaudited)	(unaudited)	<b>October 1,</b>
			<b>2004</b>
			(unaudited)
<b>General and administrative expenses</b>			
Professional fees	4,151	5,316	51,042
Consulting fees	39,200	7,500	203,279
Stock-based compensation	111,000	-	399,792
General office	10,007	5,098	116,673
<b>Loss for the undernoted</b>	<b>164,358</b>	<b>17,914</b>	<b>770,786</b>
Gain on settlement of accounts payable	-	-	(3,741)
Loss on sale of marketable securities	-	-	14,735
Provision for amount due from Northfield Inc.	-	-	23,482
<b>Loss before income taxes</b>	<b>164,358</b>	<b>17,914</b>	<b>805,262</b>
Future income tax recovery	(89,100)	-	(331,488)
<b>Loss for the period</b>	<b>75,258</b>	<b>17,914</b>	<b>473,774</b>
Deficit, beginning of period	2,282,141	1,918,460	1,883,625
<b>Deficit, end of period</b>	<b>2,357,399</b>	<b>1,936,374</b>	<b>2,357,399</b>
<b>Loss per share</b>	Nil	Nil	
<b>Weighted average number of shares</b>	<b>34,074,208</b>	<b>20,668,730</b>	

*See accompanying notes to financial statements*

**Eloro Resources Ltd.**  
(a development stage company)  
**Statements of Cash Flows**

	<b>3 months ended June 30</b>		<b>Cumulative since October 1,</b>
	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
	(unaudited)	(unaudited)	(unaudited)
<b>Cash provided by (used in)</b>			
<b>Operating activities</b>			
Loss for the period	(75,258)	(17,914)	(473,774)
Stock-based compensation	111,000	-	399,792
Gain on settlement of accounts payable	-	-	(3,741)
Loss on sale of marketable securities	-	-	14,735
Provision for amount due from Northfield Inc.	-	-	23,482
Future income tax recovery	(89,100)	-	(331,488)
	(53,358)	(17,914)	(370,994)
Changes in non-cash operating working capital			
Accounts receivable	(17,201)	(6,208)	(74,851)
Deposit	(90,000)	-	(90,000)
Accounts payable	(78,441)	38,644	18,030
	(238,999)	14,522	(517,814)
<b>Financing activities</b>			
Issue of common shares	400,000	-	1,286,868
Issue of flow-through common shares	247,500	-	920,800
Exercise of warrants	305,395	-	523,968
Share issue costs	(12,337)	-	(201,994)
	940,558	-	2,529,642
<b>Investing activities</b>			
Purchase of marketable securities	-	-	(81,000)
Proceeds on sale of marketable securities	-	-	66,265
Advance to NFX Gold Inc.	-	-	(23,789)
Advance to Wavex International Inc.	-	-	(17,946)
Mineral resource properties	(633,916)	(59,952)	(1,525,623)
	(633,916)	(59,952)	(1,582,093)
<b>Net increase in cash</b>	67,643	(45,430)	429,735
<b>Cash, beginning of period</b>	362,287	54,866	195
<b>Cash, end of period</b>	429,930	9,436	429,930
<b>Supplementary information</b>			
Interest paid	-	-	-
Income taxes paid	-	-	-

See accompanying notes to financial statements

# **Eloro Resources Ltd.**

**(a development stage company)**

## **Notes to Interim Financial Statements**

### **June 30, 2006**

(unaudited)

#### **1. Management's comments on unaudited consolidated financial statements**

These unaudited interim consolidated financial statements of Eloro Resources Ltd. (the "Company") for the 3 months ended June 30, 2006 have been prepared by management and approved by the Board of Directors of the Company. These financial statements have not been reviewed by the Company's external auditors.

#### **2. Accounting presentation and disclosures**

These interim consolidated financial statements Company have been prepared using accounting policies that are consistent with the policies used in preparing the Company's annual consolidated financial statements. Generally accepted accounting principles for interim financial statements do not conform in all respects to the disclosures required for annual financial statements, and accordingly, these interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements.

#### **3. Nature of operations**

The Company operates solely in the exploration and development of mineral properties and extraction of precious and base metals in Canada. The Company has not yet determined whether its properties contain ore reserves that are economically recoverable.

The Company is in the development stage and the continued operations of the Company and the recoverability of amounts shown for mineral resource properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to complete the development of the mineral resource properties and upon future profitable production, or alternatively, upon the Company's ability to recover its costs through a disposition of its interests. The amounts shown for mineral resource properties represent costs to date, less amounts written off, and do not necessarily represent present or future value. Changes in future conditions could require a material change in the amount recorded for mineral resource properties.

These unaudited consolidated financial statements have been prepared on a going-concern basis, which assumes the continuity of operations and realization of assets and the settlement of liabilities in the normal course of business.

#### **4. Due from NFX Gold Inc.**

The amount due from NFX Gold Inc. ("NFX") is unsecured, bears no interest and has no fixed terms of repayment. Two directors of NFX are also directors of the Company.

#### **5. Due from Wavex International Inc.**

The amount due from Wavex International Inc. ("Wavex") is unsecured, bears no interest and has no fixed terms of repayment. Two directors of Wavex are also directors of the Company.

#### **6. Mineral resource properties**

On June 8, 2006, the Company signed an agreement with Cambior Inc. allowing Cambior to earn a 50% interest in three of the Company's James Bay Gold District properties, the Lemoyne North, Taiga and Sakami East properties, by spending \$2,000,000 on or before June 30, 2010, as follows: \$300,000 on or before June 10, 2007; an additional \$400,000 on or before June 10, 2008; an additional \$600,000 on or before June 10, 2009; and an additional \$700,000 on or before June 10, 2010.

#### **7. Share capital**

Share capital consists of 35,611,737 issued and outstanding common shares [March 31, 2006 – 32,529,241].

#### **Private placements of flow-through shares and flow-through units**

On April 25, 2006, the Company completed a private placement of 1,000,000 common shares of the Company at a price of \$0.40 per share for gross proceeds of \$400,000 and 550,000 common shares at a price of \$0.45 per common share on a flow-through basis pursuant to the Income Tax Act (Canada) for gross proceeds of \$247,500. Directors and officers of the Company purchased 495,000 of these shares. In connection with these private placements, the Company paid finder's fee of \$8,400.

#### **Stock options**

As at June 30, 2006 and March 31, 2006, there were stock options outstanding to acquire 2,500,000 common shares at an exercise price of \$0.20 per common share until January 9, 2011; 800,000 common shares at an exercise price of \$0.20 per common share until January 16, 2011; 250,000 common shares at an exercise price of \$0.25 per common share until February 1, 2011; and 100,000 common shares at an exercise price of \$0.40 per common share until March 29, 2011.

#### **8. Related party transactions**

During the 3 months ended June 30, 2006, consulting fees included \$30,500 (2005-\$7,500) paid or payable to two companies controlled by two directors of the Company and to a company owned by an officer of the Company. Mineral resource properties included exploration expenditures of \$10,641 (2005-\$nil) paid to a company controlled by a director of the Company and \$61,596 (2005-\$46,622) paid to a company controlled by an officer of the Company.

## **9. Contingency**

Under the terms of the merger and amalgamation agreements between the Company and Sovereign Capital Group (Ont) Limited ("Sovereign") which were terminated on August 29, 2002, Sovereign agreed to pay all costs incurred by the Company pursuant to the proposed amalgamation ("Amalgamation Costs"), whether or not the amalgamation was completed. The Company incurred approximately \$70,000 of Amalgamation Costs which have not yet been paid by Sovereign. Of that amount, the Company has paid approximately \$15,000 and settled \$13,500 through the issue of common shares, which are included as accounts receivable from Sovereign. The Company has received a judgment of \$124,630 plus costs to be assessed against Sovereign and is pursuing the collection of the judgment. No amount has been recorded in the statement of operations for Amalgamation Costs or the collection of the judgment.

## **10. Subsequent events**

(a) On July 7, 2006, the Company completed a non-brokered private placement of 2,222,221 units at a price of \$0.45 per unit for gross proceeds of \$1,000,000 ("Private Placement"). Each unit consisted of one common share issued on a flow-through basis pursuant to the Income Tax Act (Canada) and one warrant entitling the holder to purchase one common share at a price of \$0.75 per common share until June 29, 2007 or \$1.00 per common share until June 29, 2008. If the average closing price of the common shares is over \$1.00 for a period of 20 consecutive trading days after October 30, 2006 and before June 29, 2007, or over \$1.25 in year ended June 29, 2008, the warrants must be exercised within ten business days of receiving written notice from the Company, or the warrants will be terminated. In connection with the Private Placement, the Company paid a finder's fee equal to 5% of the gross proceeds and issued 222,222 warrants entitling the holder to purchase a unit at a price of \$0.45 per unit, with each unit consisting of one common share and one warrant with terms identical to the warrants subscribed for pursuant to the Private Placement.

(b) On July 26, 2006, the Company completed a sale to NFX Gold Inc, a related party, of 13 mining claims (collectively the "Eloro Larder Lake Properties") located along the Larder Lake Break in northeastern Ontario. Pursuant to the sale, NFX acquired a 100% interest in the Eloro Larder Lake Properties through the issuance to the Company of 250,000 common shares of NFX. The properties are currently encumbered with a 1% net smelter return royalty, of which the Company had the option to purchase 0.5% for \$500,000. The obligations of the existing royalty agreement were assigned to NFX, subject to the terms thereof. Pursuant to the sale, NFX granted to the Company a net smelter return royalty of 0.5%.

(c) On August 9, 2006, the Company acquired a 100% interest in the Horseshoe Property by paying \$30,000, issuing 300,000 common shares and 150,000 non-transferable warrants entitling the holder to purchase one common share at a price of \$0.75 per share until August 9, 2007 or \$1.00 until August 9, 2008. The Vendor retains a 1% net smelter return royalty, of which, the Company can purchase 0.5% for \$500,000.