

MAESTRO VENTURES LTD.

REPORT AND FINANCIAL STATEMENTS

July 31, 2006 and 2005

AUDITORS' REPORT

To the Shareholders,
Maestro Ventures Ltd.

We have audited the balance sheets of Maestro Ventures Ltd. as at July 31, 2006 and 2005 and the statements of loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
November 15, 2006

“AMISANO HANSON”
Chartered Accountants

MAESTRO VENTURES LTD.
BALANCE SHEETS
July 31, 2006 and 2005

	<u>ASSETS</u>	<u>2006</u>	<u>2005</u>
Current			
Cash and cash equivalents		\$ 267,482	\$ 593,348
GST receivable		22,928	12,782
Accounts receivable		-	29
Prepaid expense		<u>6,750</u>	<u>-</u>
		297,160	606,159
Computer equipment – Note 4		1,551	410
Mineral properties – Notes 3, 5 and Schedule 1		<u>318,475</u>	<u>81,773</u>
		<u>\$ 617,186</u>	<u>\$ 688,342</u>

LIABILITIES

Current			
Accounts payable and accrued liabilities		\$ 158,048	\$ 33,665
Management fees payable – Note 5		73,000	103,000
Due to related parties – Note 5		19,745	17,954
Current liabilities – discontinued operations		<u>-</u>	<u>12,387</u>
		<u>250,793</u>	<u>167,006</u>

SHAREHOLDERS' EQUITY

Share capital – Notes 6 and 10	1,447,932	1,319,173
Share subscriptions received – Note 10	80,000	-
Contributed surplus – Note 6	270,000	-
Deficit	<u>(1,431,539)</u>	<u>(797,837)</u>
	<u>366,393</u>	<u>521,336</u>
	<u>\$ 617,186</u>	<u>\$ 688,342</u>

Nature and Continuance of Operations – Note 1
 Commitments – Notes 3, 6 and 10
 Subsequent Events – Note 10

APPROVED BY THE DIRECTORS:

<u>“Allan Williams”</u> Allan Williams	Director	<u>“Hamish Greig”</u> Hamish Greig	Director
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SEE ACCOMPANYING NOTES

MAESTRO VENTURES LTD.
STATEMENTS OF LOSS AND DEFICIT
for the years ended July 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Expenses		
Amortization	\$ 345	\$ 71
Foreign exchange gain	(314)	(60)
Interest on loan payable	311	15,000
Legal fees	21,166	12,605
Management fees – Note 5	60,000	60,000
Office and sundry	6,428	3,248
Professional fees	18,948	19,341
Promotion and entertainment	13,889	10,109
Regulatory and filing fees	32,353	28,229
Rent and occupancy costs – Note 5	7,250	4,800
Stock-based compensation – Note 6	270,000	-
Travel and auto – Note 5	<u>23,925</u>	<u>11,944</u>
Loss before other items	(454,301)	(165,287)
Other items:		
Write-off of mineral properties – Note 3	(186,852)	-
Interest income	<u>7,451</u>	<u>2,253</u>
Loss before discontinued operations	(633,702)	(163,034)
Discontinued operations:		
Loss from discontinued operations – Note 9	-	(7,550)
Gain on disposal of subsidiary – Note 9	<u>-</u>	<u>108,172</u>
Net loss for the year	(633,702)	(62,412)
Deficit, beginning of the year	<u>(797,837)</u>	<u>(735,425)</u>
Deficit, end of the year	<u>\$ (1,431,539)</u>	<u>\$ (797,837)</u>
Basic and diluted loss per share before discontinued operations	<u>\$ (0.07)</u>	<u>\$ (0.03)</u>
Basic and diluted income per share from discontinued operations	<u>\$ -</u>	<u>\$ 0.02</u>
Basic and diluted loss per share	<u>\$ (0.07)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>9,120,709</u>	<u>6,461,844</u>

SEE ACCOMPANYING NOTES

MAESTRO VENTURES LTD.
STATEMENTS OF CASH FLOWS
for the years ended July 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating Activities		
Net loss for the year before discontinued operations	\$ (633,702)	\$ (163,034)
Add items not affecting cash:		
Amortization	345	71
Stock-based compensation	270,000	-
Write-off of mineral property	<u>186,852</u>	<u>-</u>
	(176,505)	(162,963)
Changes in non-cash working capital items:		
GST receivable	(10,146)	(8,425)
Accounts receivable	29	(29)
Prepaid expenses	(6,750)	-
Accounts payable	124,383	371
Management fees payable	(30,000)	55,000
Discontinued operations	<u>-</u>	<u>(5,312)</u>
	<u>(98,989)</u>	<u>(121,358)</u>
Financing Activities		
Loan payable	-	(60,000)
Due to related parties	1,791	(8,198)
Shares issued for cash	208,759	580,651
Discontinued operations	<u>(12,387)</u>	<u>5,313</u>
	<u>198,163</u>	<u>517,766</u>
Investing Activities		
Capital asset acquisitions	(1,486)	(481)
Mineral property expenditures	<u>(423,554)</u>	<u>(25,000)</u>
	<u>(425,040)</u>	<u>(25,481)</u>
Increase (decrease) in cash during the year	(325,866)	370,927
Cash, beginning of the year	<u>593,348</u>	<u>222,421</u>
Cash and cash equivalents, end of the year	<u>\$ 267,482</u>	<u>\$ 593,348</u>
Cash and cash equivalents consist of:		
Cash	\$ 16,217	\$ 512,575
Term deposit	<u>251,265</u>	<u>80,773</u>
	<u>\$ 267,482</u>	<u>\$ 593,348</u>
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	<u>\$ -</u>	<u>\$ 15,000</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>

Non-cash Transaction – Note 8

SEE ACCOMPANYING NOTES

MAESTRO VENTURES LTD.
SCHEDULE OF MINERAL PROPERTIES
for the years ended July 31, 2006 and 2005

	<u>Canada</u>	<u>U.S.A.</u>	
	<u>Porcupine</u>	<u>Nevada/ Utah</u>	<u>Total</u>
Balance, July 31, 2004	\$ 56,773	\$ -	\$ 56,773
Amendment fee	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Balance, July 31, 2005	81,773	-	81,773
Deferred exploration costs:			
Assays	-	26,200	26,200
Drilling program	12,974	203,113	216,087
Environmental	-	8,949	8,949
Geological	83,195	42,295	125,490
Lease payments	-	34,030	34,030
Legal	-	3,888	3,888
Staking costs	<u>8,910</u>	<u>-</u>	<u>8,910</u>
	186,852	318,475	505,327
Less: write-off	<u>(186,852)</u>	<u>-</u>	<u>(186,852)</u>
Balance, July 31, 2006	<u>\$ -</u>	<u>\$ 318,475</u>	<u>\$ 318,475</u>

MAESTRO VENTURES LTD.
NOTES TO THE FINANCIAL STATEMENTS
July 31, 2006 and 2005

Note 1 Nature and Continuance of Operations

Maestro Ventures Ltd. is incorporated under the laws of British Columbia. The Company is a public company and is listed for trading on the TSX Venture Exchange under the symbol MAP.

The Company, through its former wholly-owned subsidiary, International Chess Enterprises, Inc. ("ICE"), was in the business of providing chess related internet services and the distribution of chess books and products. During the year ended July 31, 2004, the Company changed its principal business operations to that of a mineral exploration company. On July 31, 2005, the Company disposed of ICE and accordingly its operations have been presented as discontinued operations in these financial statements.

The Company is in the exploration stage and is in the process of exploring its resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for resource properties and deferred exploration costs is dependent upon the discovery of economically recoverable reserves and confirmation of the Company's interest in the underlying resource properties, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At July 31, 2006, the Company had not yet achieved profitable operations, had working capital of \$46,367, which may not be sufficient to sustain operations over the next twelve months and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates that have been made using careful judgement. Actual results may differ from these estimates.

Note 2 Summary of Significant Accounting Policies – (cont'd)

The financial statements have, in management's opinion been properly prepared within the framework of the significant accounting policies summarized below:

a) Computer equipment

Computer equipment is recorded at cost. Amortization is provided on a straight-line basis over three years.

b) Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

c) Stock-based Compensation Plan

The Company has approved a share purchase option plan whereby the Company may grant share purchase options at market prices pursuant to the policies of the TSX Venture Exchange. The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

d) Financial Instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, management fees payable and due to related parties approximate fair value because of the short maturity of those instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Note 2 Summary of Significant Accounting Policies – (cont'd)

e) Income Taxes

The Company follows the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are determined based on differences between the tax and accounting basis of assets and liabilities. The future tax assets or liabilities are calculated using the tax rates for the periods in which the differences are expected to be settled. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

f) Mineral Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing mineral properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in mineral properties are credited to the carrying value of the mineral properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its mineral properties and has not yet determined the amount of reserves available. Management reviews the carrying value of mineral properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

g) Foreign Currency Translation

Operations of the Company (Note 1) were conducted in US dollars through ICE, which, prior to the year ended July 31, 2004, was a self-sustaining foreign operation. Accordingly, assets and liabilities denominated in a foreign currency were translated into Canadian dollars at exchange rates prevailing at the balance sheet date. Foreign currency denominated revenue and expense items were translated at the average exchange rates for the year. Any unrealised foreign exchange gain or loss resulting from consolidation was deferred and included in shareholders' equity on the balance sheet.

Note 2 Summary of Significant Accounting Policies – (cont'd)

g) Foreign Currency Translation – (cont'd)

During the year ended July 31, 2004, the Company changed its principal operations and management concluded that ICE was no longer a self-sustaining foreign operation but should be considered to be an integrated foreign operation and as a result has changed its method of foreign currency translation. Accordingly, monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations. This change in policy was applied on a prospective basis with no restatement of prior years. However in conjunction with the sale of ICE, the amount of \$46,454 of cumulative translation adjustments has been recognized as a component of the gain on discontinued operations.

h) Cash and Cash Equivalents

Cash equivalents include short-term deposits with a maturity of three months or less when purchased or which can readily be converted to cash at any time.

Note 3 Mineral Properties

Porcupine

By an option agreement dated February 3, 2004 and amended June 22, 2004 and November 11, 2004, the Company has the option to acquire a 50% interest, subject to a 2% net smelter royalty, in and to 128 mineral claims located in the Porcupine Mining Division, Ontario, Canada (the "Property") in consideration for expenditures of \$2,500,000 on exploration and development on the Property within five years as follows:

- (a) \$50,000 by March 31, 2004;
- (b) a further \$50,000 by December 31, 2004;
- (c) a further \$100,000 by March 31, 2005;
- (d) a further \$2,300,000 by February 3, 2009

In consideration for the November 11, 2004 amendment, the Company paid the optionor \$25,000.

Note 3 Mineral Properties – (cont'd)

Porcupine – (cont'd)

The Company has not completed the expenditures by the dates required, however, the optionors consider the agreement to be in good standing. Due to uncertainty whether or not it will continue exploration on the property, the Company has written off exploration expenditures incurred totalling \$186,852 during the year ended July 31, 2006.

Nevada/Utah

By an agreement dated May 2, 2006, with a public company having directors in common, the Company entered into an option agreement to acquire a 75% interest in six separate claim groups located in Nevada and Utah, USA. Consideration payable is the issue of 1,300,000 common shares (issued subsequent to July 31, 2006), exploration expenditures of US\$5,000,000 over five years, of which US\$1,200,000 is to be incurred prior to December 31, 2006 and the assumption of an underlying lease agreement. The underlying lease agreement requires advance minimum royalty payments as follows:

May 15, 2004 (date of lease)	US\$ 5,000	(paid)
May 15, 2005	US\$10,000	(paid)
May 15, 2006	US\$15,000	(accounts payable)
May 15, 2007	US\$25,000	
May 15, 2008 and thereafter	Payments shall increase by 10% annually	

The properties are subject to a Net Smelter Return royalty (“NSR”) of 2% and 1% NSR on encumbered property to the optionor and a 2% NSR (1% if gold is below US\$350 per ounce) to the underlying lessor. The NSR to the underlying lessor can be reduced by 1% upon payment of US\$1,000,000. The underlying lease terms require expenditures of US\$100,000 by October 31, 2006.

Note 4 Computer Equipment

	2006		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Computer equipment	\$ 1,967	\$ 416	\$ 1,551
	2005		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Computer equipment	\$ 481	\$ 71	\$ 410

Note 5 Related Party Transactions

The Company was charged the following amounts by a company with a common director and by a director of the Company:

	Years ended July 31,	
	<u>2006</u>	<u>2005</u>
Auto allowance	\$ 4,000	\$ -
Management fees	60,000	60,000
Rent and occupancy costs	<u>7,250</u>	<u>4,800</u>
	<u>\$ 71,250</u>	<u>\$ 64,800</u>

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

Due to related parties includes amounts due to directors of the Company for expenses incurred on behalf of the Company. Management fees payable are due to a company with a common director. These amounts are unsecured, non-interest bearing and have no specific terms for repayment.

As at July 31, 2006, prepaid expenses include \$4,750 (2005: \$Nil) advanced to a private company controlled by a director with respect to rent and auto allowance.

During the year ended July 31, 2006, the Company entered into an option agreement regarding a mineral property with a public company having directors in common (Note 3).

Note 6 Share Capital

a) Authorized:

100,000,000 common shares without par value

Note 6 Share Capital – (cont'd)

b) Issued:

	<u>Number</u>	<u>Amount</u>
Balance, July 31, 2004	5,588,604	\$ 738,522
Issued for cash:		
Pursuant to a private placement – at \$0.23	2,750,000	632,500
Less: finders' fees and share issue costs	181,250	(71,608)
Pursuant to the exercise of share purchase warrants – at \$0.15	<u>131,725</u>	<u>19,759</u>
Balance, July 31, 2005	8,651,579	1,319,173
Issued for cash:		
Pursuant to exercise of share purchase warrants		
– at \$0.15	495,000	74,250
– at \$0.30	179,500	53,850
– at \$0.23	10,000	2,300
Less: share issue costs	<u>-</u>	<u>(1,641)</u>
Balance, July 31, 2006	<u>9,336,079</u>	<u>\$ 1,447,932</u>

c) Share Purchase Options:

Stock-based Compensation Plan

The Company has a stock option plan for officers, directors, employees and consultants whereby options are granted with an exercise price determined by the Board of Directors, which may not be less than the market price of the Company's stock on the date of the grant. The vesting provisions are determined by the Board of Directors and, unless otherwise stated, fully vest when granted.

Details of stock option activity is as follows:

	Years ended July 31,			
	<u>2006</u>	Weighted Average Exercise Price	<u>2005</u>	Weighted Average Exercise Price
	<u>Shares</u>	<u>Price</u>	<u>Shares</u>	<u>Price</u>
Outstanding, beginning of the year	-	\$ -	-	\$ -
Granted	<u>900,000</u>	<u>\$0.30</u>	<u>-</u>	<u>\$ -</u>
Outstanding and exercisable, end of the year	<u>900,000</u>	<u>\$0.30</u>	<u>-</u>	<u>\$ -</u>

Note 6 Share Capital – (cont'd)

c) Share Purchase Options: – (cont'd)

Stock-based Compensation Plan – (cont'd)

The following stock options granted to directors, employees and consultants were outstanding at July 31, 2006:

<u>Number</u>	<u>Exercise Price Per Share</u>	<u>Expiry Date</u>
600,000	\$0.25	October 20, 2010
<u>300,000</u>	\$0.40	May 23, 2011
<u><u>900,000</u></u>		

Stock-based compensation expense of \$270,000 was recorded using the Black-Scholes option pricing model with the following assumptions:

	<u>2006</u>	<u>2005</u>
Risk-free interest rate	4.04% – 4.26%	-
Dividend yield	Nil	-
Expected stock price volatility	143% – 223%	-
Weighted average expected stock option life	5 years	-

d) Share Purchase Warrants:

At July 31, 2006, there were 3,086,750 share purchase warrants outstanding. Each warrant is exercisable into one common share as follows:

<u>Number</u>	<u>Exercise Price Per Share</u>	<u>Expiry Date</u>
2,945,500	\$0.40	April 20, 2007
<u>141,250</u>	\$0.23	April 20, 2007
<u><u>3,086,750</u></u>		

Note 7 Income Taxes

At July 31, 2006, the Company has accumulated \$505,323 in Canadian and foreign exploration and development expenses and has accumulated non-capital losses of \$691,662 which can be carried forward and applied against future taxable income. The non-capital losses expire as follows:

2006	\$ 8,972
2009	24,958
2010	84,245
2014	198,278
2015	154,975
2016	<u>220,234</u>
	<u>\$ 691,662</u>

Significant components of the Company's future income tax assets are as follows:

	<u>2006</u>	<u>2005</u>
Non-capital losses carried forward	\$ 236,000	\$ 168,000
Exploration and development expenditures	61,000	-
Share issue costs	20,000	28,000
Less: valuation allowance	<u>(317,000)</u>	<u>(196,000)</u>
	<u>\$ -</u>	<u>\$ -</u>

The Company has recorded a valuation allowance against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will be realized during the carry-forward periods to utilize all the future tax assets.

Note 8 Non-Cash Transaction

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows. The following transaction was excluded from the statement of cash flows:

During the year ended July 31, 2005, the Company disposed of its interest in a wholly-owned subsidiary for forgiveness of \$40,000 owed to a former director for unpaid management fees.

Note 9 Discontinued Operations

Effective July 31, 2005, the Company sold all of its interest in its wholly-owned subsidiary, International Chess Enterprises, Inc. (“ICE”), to a former director for proceeds of \$40,000 payable by forgiveness of management fees owed to the former director. As a result of the sale, the results of operations for ICE have been reported separately in the statements of loss and deficit. Summarized financial information for ICE is as follows:

<u>Loss from discontinued operations</u>	<u>2005</u>
Revenues	\$ -
Expenses	<u>7,550</u>
	<u>\$ (7,550)</u>
<u>Gain on disposal</u>	<u>2005</u>
Assets (liabilities) of ICE as at date of disposal	
Current assets	\$ 2,899
Current liabilities	<u>(24,617)</u>
	21,718
Proceeds	40,000
Cumulative translation adjustment (Note 2(g))	<u>46,454</u>
	<u>\$ 108,172</u>

Note 10 Subsequent Events

Subsequent to July 31, 2006:

- a) The Company issued 1,300,000 common shares pursuant to mineral property agreements outstanding at July 31, 2006.
- b) The Company issued 53,500 common shares at \$0.23 per share and 6,000 common shares at \$0.40 per share pursuant to the exercise of warrants outstanding at July 31, 2006.
- c) The Company issued 4,245,000 units at \$0.40 per unit pursuant to a private placement. Each unit consisted of one common share and one-half share purchase warrant. Each whole share purchase warrant entitles the holder to acquire an additional share at \$0.65 per share for two years. The proceeds received were net of a finder’s fee of \$109,200 cash. An additional finder’s fee of 273,000 units, each unit having the same terms as the private placement, is required of which 245,000 units are included in the units issued to date.
- d) The Company granted share purchase options to directors to acquire up to 500,000 shares at \$0.40 per share expiring September 14, 2011.