Financial Statements

Alyattes Enterprises Inc.

Toronto, Ontario

December 31, 2005

Contents

PRENTICE YATES & CLARK
CHARTERED ACCOUNTANTS

15 Toronto St., Suite 700
Toronto, Canada
M5C 2E3

(416) 366-9256
1 (800) 265-7818
Fax: (416) 366-9171
Web : www.pyc.net

Serving our clients since 1944

Auditors' Report

To the Shareholders of
Alyattes Enterprises Inc.:

We have audited the balance sheets of **Alyattes Enterprises Inc.** as at December 31, 2005 and 2004 and the statements of income 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 audit.

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

In our opinion, these 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 the years then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
January 9, 2005

"Prentice Yates & Clark"
Chartered Accountants

Balance Sheet – Assets

		2005		2004
Current				
Cash	$	5,419	$	10,686
GST recoverable		275		360
		5,694		11,046

Balance Sheet - Liabilities and Shareholders' Deficiency

	2005	2004
Current		
Accounts payable and accrued liabilities	40,088	39,988
Shareholders' Deficiency		
Capital stock, Note 4	159,500	159,500
Deficit	(193,894)	(188,442)
	(34,394)	(28,942)
	5,694	11,046

Approved by The Board

Allan Ferry
Director

David Lewis
Director

The notes on page 7 through 9 form an integral part of these financial statements.

Statement of Income and Deficit

	2005	2004
Expenses		
Audit and accounting fees	$ 3,029	$ 3,060
Bank charges and courier	122	132
Filing and OSC fees	2,301	2,550
Loss for the Year	(5,452)	(5,742)
Deficit, beginning	(188,442)	(182,700)
Deficit, Ending	(193,894)	(188,442)

Basic and diluted net loss per share	0.007	0.007

Alyattes Enterprises Inc.

Years Ended December 31

Statement of Cash Flows

		2005		2004
Operating Activities				
Loss	$	(5,452)	$	(5,742)
Changes in non-cash working capital components:				
GST recoverable		85		(68)
Accounts receivable		-0-		8,604
Accounts payable and accrued liabilities		100		(500)
Cash Increase (Decrease) During the Year		(5,267)		2,294
Cash position, beginning		10,686		8,392
Cash position, Ending		5,419		10,686

Notes to Financial Statements

Note 1 Nature of Operations

Alyattes Enterprises Inc. was incorporated on July 5, 1996 to engage in the acquisition and exploration of mineral properties. The Company is in the development stage and has yet to generate any revenue from operations.

Note 2 Summary of Significant Accounting Policies

Going Concern Basis of Accounting

These financial statements have been prepared in accordance with accounting principles that apply to a going concern. This presupposes that the Company will continue its operations in the foreseeable future and that it will be able to realize its assets and discharge its liabilities in the normal course of operations.

Unfavorable conditions have left some doubt as to the appropriateness of this assumption. The Company continues to experience operating losses and its working capital is deficient. The Company does not have a revenue source that can provide it with a regular source of cash flows and is dependent on financing for future operations.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

Stock-Based Compensation

The Company has adopted the CICA handbook section 3870 "Stock-Based Compensation and other Stock-Based Payments" which recommends the fair-value based method to account for stock-based compensation and other stock-based payments.

Note 2 Summary of Significant Accounting Policies – continued

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make assumptions about future events 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 revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 3 Tax Losses Carry Forward

As at December 31, 2005 the Company had losses available for carry forward to reduce future taxable income expiring as follows:

December 31, 2006	27,736
December 31, 2007	15,113
December 31, 2008	18,409
December 31, 2009	14,234
December 31, 2010	6,711
December 31, 2014	5,742
December 31, 2015	5,452

In assessing the realizability of future income tax assets, management considers whether it is more likely than not that some portion or all of the future income tax assets will be realized. The ultimate realization of future income tax assets is dependent upon the generation of future taxable income during the year in which the temporary differences are deductible. The potential income tax benefits of these losses are not recognized in these financial statements because management believes that the realization of future income tax assets does not meet the more likely than not realization criteria.

Note 4 Capital Stock

Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preference shares, issuable in series.

	Common Shares		Amount
Issued and outstanding	797,501	$	159,500

Stock Option Plan

The shareholders have approved a stock option plan. The number of shares to be reserved for issuance under the plan is limited to 15% of the company's issued and outstanding common shares less the number of options outstanding when the plan was approved.

The plan provides that the Board may determine, from time to time, in respect of any option when granted that the option vests automatically or pursuant to a vesting schedule.

During the year ended December 31, 2004, no stock options were granted, exercised or expired.

On March 24, 2005, 74,800 options were granted to directors and officers of the company. The fair value of these options has been estimated to be nil and therefore no stock based compensation expense was recorded in the financial statements. No options were exercised or expired during the year.

At year end Directors and Officers of the company hold 105,681 options to purchase common shares of the Company at an exercise price of $0.10 per share. These options expire November 9, 2006.

Note 5 Financial Instruments

The Company's financial instruments consist of cash, accounts receivable and accounts payable. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The carrying values of these financial instruments approximate their fair values.