

KINGSMAN RESOURCES INC.

**Financial Statements
September 30, 2006 and December 31, 2005**

Unaudited – Prepared by Management

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KINGSMAN RESOURCES INC.**Balance Sheets (note 2)****Unaudited**

	September 30, 2006	December 31, 2005
Assets		
Current		
Cash	\$ 9,246	\$ 40,223
Short-term investments	-	47,000
Accounts receivable	2,353	2,236
	11,599	89,459
Resource Properties (schedule) (note 5)	274,653	233,194
	\$ 286,252	\$ 322,653
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 32,207	\$ 44,239
Shareholders' Equity		
Capital Stock (note 6)	3,269,622	3,224,622
Contributed Surplus (note 6)	163,365	122,831
Deficit	\$ (3,178,942)	\$ (3,069,039)
	254,045	278,414
	\$ 286,252	\$ 322,653

Approved on behalf of the Board:

"Robert McLaughlin"..... Director
Robert McLaughlin*"James G. Stewart"*..... Director
James G. Stewart

See notes to financial statements.

KINGSMAN RESOURCES INC.
Statements of Operations and Deficit
Unaudited

	3 Months to September, 2006	3 Months to September, 2005	9 Months to September, 2006	9 Months to September, 2005
Expenses				
Stock-option compensation	0	0	40,534	40,648
Accounting and legal	6,000	12,998	20,750	31,138
Management fees	7,500	7,500	22,500	22,500
Transfer agent and filing fees	926	2,327	11,569	15,178
Office	2,048	1,182	8,073	5,222
Investor communications	328	300	2,691	568
Travel	622	286	5,018	7,848
Interest and bank charges	15	(410)	(1,232)	(567)
	17,439	24,183	109,903	122,535
Net Loss for Period	17,439	24,183	109,903	122,535
Deficit, Beginning of Period	3,161,503	3,019,978	3,069,039	2,921,626
Deficit, End of Period	3,178,942	3,044,161	3,178,942	3,044,161
Loss per Share	(0.002)	(0.003)	(0.013)	(0.015)
Weighted Average Shares Outstanding	8,728,699	7,953,905	8,728,699	7,953,905

KINGSMAN RESOURCES INC.
Statements of Cash Flows
Unaudited

	3 Months to September, 2006	3 Months to September, 2005	9 Months to September, 2006	9 Months to September, 2005
Operating Activities				
Net loss	(17,439)	(24,183)	(109,903)	(122,535)
Item not involving cash				
Stock-option compensation	0	0	40,534	40,648
Operating Cash Flow	(17,439)	(24,183)	(69,369)	(81,887)
Changes in Non-Cash Working				
Accounts payable	16,293	(12,165)	(12,032)	(11,408)
Accounts receivable	3,125	7,470	(117)	9,815
Cash Used in Operating Activities	1,979	(28,878)	(81,518)	(83,480)
Investing Activity				
Short-term investments	0		47,000	
Resource property costs	0	(6,000)	(26,459)	(122,278)
Cash Used in Investing Activities	0	(6,000)	20,541	(122,278)
Financing Activity				
Issuance of common shares	0	0	30,000	300,000
Inflow/Outflow of Cash	1979	(34,878)	(30,977)	92,242
Cash, Beginning of Period	7,267	136,551	40,223	7,431
Cash, End of Period	9,246	101,673	9,246	101,673
Supplemental Non-Cash Flow				
Interest paid	0	0	0	0
Taxes paid	0	0	0	0
Supplemental Cash Flow				
Shares issued for property	15,000	0	15,000	0

See notes to financial statements.

KINGSMAN RESOURCES INC.
Unaudited Notes to Financial Statements
September 30, 2006 and December 31, 2005

1. OPERATIONS

Kingsman Resources Inc. (the "Company") was incorporated under the Company Act of British Columbia on October 14, 1993, and is involved in the acquisition, exploration and development of mineral properties. The Company is currently evaluating opportunities both in the mineral sector and otherwise.

2. GOING-CONCERN ASSUMPTION

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles on a going-concern basis. This presumes funds will be available to finance on-going development, operations and capital expenditures and the realization of assets and the payment of liabilities in the normal course of operations for the foreseeable future.

The Company has minimal capital resources available to meet obligations, which normally can be expected to be incurred by similar companies, and has an accumulated deficit of \$3,178,942 (2005 - \$3,069,039). This factor raises substantial doubt about the Company's ability to continue as a going-concern, which is dependent on its ability to obtain and maintain an appropriate level of financing on a timely basis and to achieve sufficient cash flows to cover obligations and expenses. The outcome of these matters cannot be predicted. These financial statements do not give effect to any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue its operations as a going-concern.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Resource properties

The Company defers exploration and development expenditures, including cost of resource properties and administrative expenditures directly related to specific mineral projects or an area of interest, until such time as the extent of mineralization has been determined and resource properties are either developed, the Company's rights are allowed to lapse, or the property is sold. At that time, the costs will either be written off or amortized over the expected life of the ore body. General and administrative expenditures, which are not directly related to specific resource properties, are expensed in the period in which they are incurred.

(b) Revenue recognition

Revenues on short-term investments are recognized when received.

KINGSMAN RESOURCES INC.
Unaudited Notes to Financial Statements
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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Stock-based compensation

The Company follows the amended recommendations of the Canadian Institute of Chartered Accountants for stock-based compensation and other stock-based payments. Under the amended recommendations, the Company accounts for stock options granted to directors, employees and consultants using the fair value method. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model and charged to earnings over the vesting period with a corresponding increase in contributed surplus. Upon exercise of the stock options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to capital stock.

(d) Loss per share

Loss per share computation is based on the weighted average number of common shares outstanding during the year. Diluted loss per share has not been presented separately as the outstanding stock options are anti-dilutive.

(e) Use of estimates

The preparation of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of the impairment of assets. Financial results as determined by actual events could differ from those estimates.

(f) Income taxes

Income taxes are calculated using the liability method of tax accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to apply in the period that the temporary differences are expected to reverse. A valuation allowance is provided to reduce the asset to the net amount management estimates to be reasonable to carry as a future income tax asset.

(g) Asset retirement obligations

The Company follows the new Canadian accounting requirements for asset retirement obligations. The new standard requires liability recognition for retirement obligations associated with long-lived assets at fair value. The asset retirement cost equal to the fair value of the retirement obligation is capitalized as part of the cost of the related asset. These capitalized costs are depreciated using a straight-line method based on the estimated life of the asset. Amounts are recorded once they become known or can be readily estimated. The effects of this policy have no impact on the current year's financial statements.

KINGSMAN RESOURCES INC.
Unaudited Notes to Financial Statements
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4. FINANCIAL INSTRUMENTS

(a) Fair value

The carrying values of cash, short term investments, accounts receivable, and accounts payable and accrued liabilities approximate their fair values because of the short-term to maturity of these financial instruments.

(b) Interest rate risk

The Company is not exposed to significant interest rate risk due to the short-term maturity of its monetary current assets and current liabilities.

(c) Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and accounts receivable. Cash is placed with major financial institutions rated in the two highest grades by nationally recognized rating agencies.

5. RESOURCE PROPERTIES

On February 24, 2003, the Company entered into an option agreement (the "Agreement") with parties at arm's length to the Company, whereby the Company was granted an option (the "Option") to acquire a 100% interest in and to the Snowshoe mineral claims located in the Greenwood Mining Division of British Columbia.

To maintain the Agreement and the Option in good standing, the Company is required to make payments to the vendors and to perform exploration work on the Snowshoe Property according to the following schedule:

Date	Payment	Shares	Exploration Work
Approval Date	\$ 5,000 (Paid)	60,000 (Issued)	-
Year 1	\$ 10,000 (Paid in 2005)	75,000 (Issued)	\$ 50,000 (Completed)
Year 2	\$ 10,000 (Paid in 2005)	75,000 (Issued)	\$ 50,000 (Completed)
Year 3	\$ 10,000 (Paid in 2006)	75,000 (Issued)	\$ 50,000 (Completed)
Year 4	\$ 50,000	75,000	\$ 50,000
Year 5	-	-	\$ 50,000
Year 6	-	-	\$ 50,000
Year 7	-	-	\$ 50,000
	\$ 85,000	360,000	\$ 350,000

KINGSMAN RESOURCES INC.
Unaudited Notes to Financial Statements
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5. RESOURCE PROPERTIES (Continued)

The only firm obligations of the Company in respect of the Agreement were to make the payment and share issuance due on the Approval Date and to perform \$50,000 in exploration work in the summer of 2003. All other cash payments, share issuances and work requirements are optional to the Company, being those things necessary to keep the Agreement and the Option in good standing.

The vendors retained a 2.5% net smelter return royalty ("NSR") on the proceeds from production from the Snowshoe Property to a maximum of \$2,500,000.

Should the Property achieve commercial production defined as the point after which 10,000 tonnes of material have been processed and for which NSR payments have been made, the Company will pay a further \$150,000 and 150,000 shares.

The investment in and expenditures on resource properties comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

6. CAPITAL STOCK

(a) Authorized

Unlimited without par value

(b) Issued

	Shares	Amount
Balance at December 31, 2004	5,228,630	2,867,693
Exercise of options	340,000	39,000
Private placement	3,000,000	300,000
Reallocation from contributed surplus	0	17,929
Balance, December 31, 2005	8,568,630	\$ 3,224,622
Property payment	75,000	15,000
Exercise of warrants	200,000	30,000
Balance, September 30, 2006	8,843,630	\$ 3,269,622

In January 2005, the Company completed a 3,000,000 unit private placement for total proceeds of \$300,000. Each unit entitles the holder to one share at \$0.10 per share and one two-year warrant exercisable at \$0.15 in the first year or \$0.25 in the second year.

In November 2005, 160,000 options were exercised at \$0.12 netting proceeds of \$19,200.

In December 2005, 180,000 options were exercised at \$0.11 netting proceeds of \$19,800.

KINGSMAN RESOURCES INC.
Unaudited Notes to Financial Statements
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6. CAPITAL STOCK (Continued)

In January 2006, 200,000 warrants were exercised for proceeds of \$30,000.

In May 2006, 75,000 shares were issued pursuant to the Snowshoe Property agreement.

(c) Stock options

The Company does not have a formal stock option plan in place but follows the TSX-V Policy under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. Under the policy, the exercise price of each option equals the market price of the Company's stock as calculated on the date of grant. The options are for a maximum term of five years.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	2006		2005	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	341,429	\$ 0.25	501,429	\$ 0.25
Granted	510,000	\$ 0.13	320,000	\$ 0.20
Expired/cancelled	(21,429)	\$ 1.05	(140,000)	\$ 0.20
Exercised			(340,000)	\$ 0.11
Outstanding, end of year	830,000	\$ 0.20	341,429	\$ 0.20

The following stock options were outstanding and exercisable at September 30, 2006:

		2006	2005
Expiry Date	Exercise Price	Number of Shares	Number of Shares
February 14, 2006	\$ 1.05		21,429
February 27, 2007	\$ 0.20	320,000	320,000
January 19, 2008	\$ 0.13	510,000	
Weighted average outstanding life of options		1.4 years	1.6 years

The Company applies the fair value method in accounting for its stock options. Stock options granted resulted in stock-based compensation of \$40,534 (2004 - \$40,648).

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6. CAPITAL STOCK (Continued)

(c) Stock options (Continued)

The fair value of each option granted is calculated using the following weighted average assumptions:

	2006	2005
Risk-free interest rate	4.00%	4.00%
Expected life of options	2 years	2 years
Annualized volatility	125%	125%
Dividends	0.00%	0.00%

All options issued by the Company vest on the same date the options are issued.

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input 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 stock options.

(d) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

Expiry Date	Exercise Price	2006	2005
		Number of Warrants	
January 27, 2007	\$ 0.15 / \$0.25	2,800,000	3,000,000
Weighted average outstanding life of warrants		0.3 years	1.1 years

In January 2005, the Company completed a 3,000,000 unit private placement for total proceeds of \$300,000. Each unit entitles the holder to one share at \$0.10 per share and one two-year warrant exercisable at \$0.15 in the first year or \$0.25 in the second year. In January 2006, 200,000 warrants were exercised for proceeds of \$30,000.

(e) Contributed surplus

	2006	2005
Balance, beginning of year	\$ 122,831	\$ 100,112
Stock-based compensation expense	40,534	40,648
Reallocation to capital stock		(17,929)
Balance, end of year	\$ 163,365	\$ 122,831

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7. INCOME TAXES

The Company has non-capital losses carried forward of approximately \$648,000 available to reduce future years' income taxes, the tax benefit of which has not been recorded. These losses expire as follows:

2006	\$	14,000
2007		14,000
2008		65,000
2009		137,000
2010		151,000
2014		90,000
2015		107,000
2016		70,000
	\$	648,000

	2006	2005
Income tax asset		
Non-capital losses carry-forward	\$ 648,000	\$ 578,000
Cumulative Canadian exploration expenses	943,000	928,000
Cumulative Canadian development expenses	200,000	200,000
Cumulative foreign exploration and development expenses	441,000	441,000
	2,232,000	2,147,000
Approximate tax rate	38%	38%
	848,000	816,000
Valuation allowance	(848,000)	(816,000)
	\$ 0	\$ 0

The valuation allowance reflects the Company's estimate that the tax assets more likely than not will not be realized.

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8. RELATED PARTY TRANSACTIONS

- (a) Included in accounts payable at September 30, 2006 is \$22,638 (2005 - \$184) due to directors of the Company.
- (b) During the period, the Company incurred management fees of \$22,500 (2005 - \$30,000) that were paid or made payable to directors.
- (c) During the period, directors and officers were granted two-year stock options totalling 310,000 shares (2005 -160,000) exercisable at \$0.13 each.
- (d) During the period, directors and officers exercised nil stock options (2005 – 160,000).

9. SUBSEQUENT EVENTS

- (a) None.

KINGSMAN RESOURCES INC.
Schedules of Resource Property Costs

	Nine Months Ended September 30, 2006	Year Ended December 31, 2005
British Columbia		
Snowshoe		
Property acquisition costs (for cash and shares)	\$ 25,000	\$ 20,000
Property development costs		
Drilling and trenching		70,530
Engineering	11,270	36,815
Site preparation		12,012
Assays		8,558
Mapping and compilation	5,189	5,397
Travel and field accommodations		0
Cost recovery		0
Total Costs for Period	41,459	153,312
Balance, Beginning of Year	233,194	79,882
Balance, End of Period	\$ 274,653	\$ 233,194