ERIN VENTURES INC.

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2006

MORGAN & COMPANY
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
Erin Ventures Inc.

We have audited the consolidated balance sheet of Erin Ventures Inc, as at June 30, 2006 and the statements of loss and deficit, and cash flows for the year 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 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at June 30, 2005, and for the year thus ended, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated October 21, 2005.

Vancouver, Canada — "Morgan & Company"

October 31, 2006 — Chartered Accountants

ERIN VENTURES INC.
CONSOLIDATED BALANCE SHEETS
June 30, 2006 and 2005

ASSETS	2006	2005
Current		
Cash	$ 201,120	$ 289,561
GST and other receivables	2,977	6,467
Prepaid expenses and deposit	16,645	10,564
Due from related party – Note 8	17,449	-
	238,191	306,592
Equipment – Note 3	65,093	3,995
Investment – Note 4	-	1
Resource properties – Notes 5 and 8	245,509	21,973
	$ 548,793	$ 332,561
LIABILITIES		
Current		
Accounts payable and accrued liabilities – Note 8	$ 157,192	$ 243,979
Note payable – Note 6	395,399	368,360
	552,591	612,339
SHAREHOLDERS' DEFICIENCY		
Share capital – Notes 7 and 11	9,707,735	8,599,419
Shares subscribed – Note 7	-	353,481
Contributed surplus – Note 7	33,000	-
Deficit	(9,744,533)	(9,232,678)
	(3,798)	(279,778)
	$ 548,793	$ 332,561

Nature and Continuance of Operations – Note 1
Commitments – Notes 7 and 11
Subsequent Events – Notes 7 and 11

APPROVED BY THE DIRECTORS:

"Tim Daniels" Director
Tim Daniels

"James Wallis" Director
James Wallis

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
for the years ended June 30, 2006 and 2005

	2006	2005
Administrative expenses		
Accounting and audit fees	$ 40,350	$ 29,375
Amortization	11,870	1,108
Consulting fees – Note 8	-	23,466
Filing fees	11,202	5,731
Interest	8,813	7,879
Interest on long-term debt	57,040	56,457
Investor relations	68,793	60,000
Legal fees	84,821	15,550
Management fees – Note 8	60,000	60,000
Office and miscellaneous – Note 8	64,025	58,851
Rent – Note 8	18,179	23,149
Stock-based compensation – Note 7	33,000	-
Telephone	17,328	24,367
Transfer agent fees	8,309	7,924
Travel and promotion – Note 8	61,326	68,148
Web site	2,994	1,050
Loss before other items:	(548,050)	(443,055)
Other items:		
Interest income	-	2
Foreign exchange loss	(12,610)	(21,833)
Recovery of advances receivable – Note 8	7,067	5,350
Recovery (write-down) of resource property costs – Note 5	41,739	(300,904)
Property investigation costs – Note 8	-	(108,431)
Write-off of investment	(1)	-
Net loss for the year	(511,855)	(868,871)
Deficit, beginning of the year	(9,232,678)	(8,363,807)
Deficit, end of the year	$ (9,744,533)	$ (9,232,678)
Basic and diluted loss per share	$ (0.01)	$ (0.02)
Weighted average number of shares outstanding	40,685,006	35,982,812

SEE ACCOMPANYING NOTES

ERIN VENTURES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended June 30, 2006 and 2005

	2006	2005
Operating Activities		
Net loss for the year	$ (511,855)	$ (868,871)
Items not affecting cash:		
Amortization	11,870	1,108
Foreign exchange loss	12,610	21,833
Stock-based compensation	33,000	-
(Recovery) Write-down of resource property costs	(45,439)	300,904
Accrued interest payable	57,039	56,457
Write-off of investment	1	-
	(442,774)	(488,569)
Changes in non-cash working capital accounts related to operations:		
Due from related party	(17,449)	-
GST and other receivables	3,490	(1,459)
Prepaid expenses	(6,081)	(9,819)
Accounts payable and accrued liabilities	6,558	(10,030)
	(456,256)	(509,877)
Financing Activities		
Issuance of common shares	718,719	408,499
Shares subscribed	-	325,481
Repayment of note payable	(30,000)	(200,000)
	688,719	533,980
Investing Activities		
Increase in resource properties	(247,936)	(68,548)
Purchase of capital assets	(72,968)	(1,392)
	(320,904)	(69,940)
Decrease in cash during the year	(88,441)	(45,837)
Cash, beginning of the year	289,561	335,398
Cash, end of the year	$ 201,120	$ 289,561
Supplemental Cash Flow Information:		
Cash paid for:		
Interest	$ 30,000	$ 49,659

SEE ACCOMPANYING NOTES

Note 1 Nature and Continuance of Operations

The Company was incorporated under the laws of the Province of Alberta on July 19, 1993 and on May 28, 2001 registered in the Province of British Columbia as an extra-provincial company. The Company's common shares are listed for trading on the TSX Venture Exchange ("TSX").

The Company is in the development stage and is in the process of exploring and developing 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 related deferred exploration expenditures are dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, 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 June 30, 2006, the Company had not yet achieved profitable operations, had a working capital deficiency of $314,400 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

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted 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 which 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 reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Principles of Consolidation and Amortization

The financial statements include the accounts of the Company and its wholly owned subsidiaries 766072 Alberta Inc. of Alberta, Ceiba Resources Ltd. of Belize and Balkan Gold Corp. of Serbia. Balkan Gold Corp. was incorporated in Serbia for the purposes of complying with Serbian regulatory requirements related to the Piskanja property and is inactive and Ceiba Resources Ltd. was incorporated in Belize for the purposes of developing mineral properties. All inter-company transactions and balances have been eliminated.

b) Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is provided for using the declining balance method at the following annual rates:

Office equipment	20% Declining balance
Computer equipment	30% Declining balance
Mining equipment	30% Declining balance
Vehicle	30% Declining balance

Additions during the year are amortized at one half annual rates.

c) Resource 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 costs of impaired properties are written down to estimated realizable value 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.

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

c) Resource Properties – (cont'd)

Title to resource properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many resource properties. The Company has investigated title to all of its resource properties and, to the best of its knowledge, title to all of its properties are in good standing.

d) Government Assistance

Refundable mining tax credits are recorded in the accounts when there is reasonable assurance that the Company has complied with, and will continue to comply with, all conditions needed to receive the credits. The mining credits are earned in respect to exploration costs incurred in British Columbia, Canada and are recorded as a reduction of the related exploration expenditures.

e) Foreign Currency Translation

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.

f) 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. 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.

g) Financial Instruments

The Company's financial instruments consist of cash, mining credit receivable, GST receivable, due from related party, accounts payable and accrued liabilities, and note payable. The fair value of the financial instruments is considered to be equal to the carrying value. 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)

g) Financial Instruments – (cont'd)

As at June 30, 2006, accounts payable includes $29,496 (2005: $33,313) which bears interest at 18% per annum.

h) Stock-based Compensation

Effective for fiscal years commencing on or after January 1, 2004, Canadian generally accepted accounting principles require the fair value of all share purchase options granted in fiscal years commencing or after January 1, 2002 to be 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. Previously only share purchase options granted to non-employees followed this method and options granted to employees were not expensed.

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.

i) Long-term Investment

The Company follows the cost method of accounting for investments where the Company's interest is less than 20%. The carrying cost will be written down where a permanent impairment, as determined by management, has occurred.

j) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At June 30, 2006, the Company cannot reasonably estimate the fair value of the resource properties' site restoration costs, if any.

Note 3 Equipment

	2006		
	Cost	Accumulated Amortization	Net
Office equipment	$ 7,555	$ 4,344	$ 3,211
Mining equipment	53,779	8,067	45,712
Computer equipment	18,171	15,031	3,140
Vehicle	15,329	2,299	13,030
	$ 94,834	$ 29,741	$ 65,093

	2005		
	Cost	Accumulated Amortization	Net
Office equipment	$ 5,511	$ 3,797	$ 1,714
Computer equipment	16,356	14,075	2,281
	$ 21,867	$ 17,872	$ 3,995

Note 4 Investment

During the year, the Company fully wrote-off its investment in common shares of Genoray Advanced Technologies Ltd. Previously, the carrying value of the investment was adjusted to its estimated net realizable value of $1.

Note 5 Resource Properties

	Ceiba Belize	Stope Baby B.C.	Piskanja Borate Property Serbia	Total
Balance, June 30, 2004	$ -	$ 254,328	$ 1	$ 254,329
Acquisition costs	8,859	-	-	8,859
Consulting	-	-	31,336	31,336
Fuel	1,199	-	-	1,199
General and administrative	389	-	7,741	8,130
Geological consulting	9,697	-	7,500	17,197
Supplies	1,827	-	-	1,827
	21,971	254,328	46,578	322,877
Less: write-downs	-	(254,327)	(46,577)	(300,904)
Balance, June 30, 2005	21,971	1	1	21,973

Note 5 Resource Properties – (cont'd)

	Ceiba Belize	Stope Baby B.C.	Piskanja Borate Property Serbia	Total
Balance, June 30, 2005	$ 21,971	$ 1	$ 1	$ 21,973
Acquisition costs	17,131	-	-	17,131
Deferred exploration costs				
Consulting	-	-	24,398	24,398
Fuel and vehicle	34,719	-	-	34,719
General and administrative	383	-	-	383
Geological consulting	114,839	-	-	114,839
Road clearing	6,417	-	-	6,417
Supplies	17,298	-	-	17,298
Trenching and excavating	17,845	-	-	17,845
Wages	14,906	-	-	14,906
Reversal of prior year costs	-	-	(69,839)	(69,839)
Reversal of mining tax credit	-	3,700	-	3,700
	245,509	3,701	(45,440)	203,770
Less:(write-downs) recoveries	-	(3,701)	45,440	41,739
Balance, June 30, 2006	$ 245,509	$ -	$ -	$ 245,509

Ceiba Chico Property

By agreement dated May 26, 2005, the Company was granted the option to earn a 90% interest in mineral claims located in Belize. Consideration is US$100,000 cash and US$200,000 in exploration expenditures payable as follows:

Cash
a) US$5,000 to be paid by May 31, 2005 to earn a 4.5% interest (paid Cdn$6,328);
b) US$10,000 to be paid by May 31, 2006 to earn a 13.5% interest (paid Cdn$11,484);
c) US$15,000 to be paid by May 31, 2007 to earn a 27% interest;
d) US$25,000 to be paid by May 31, 2008 to earn a 49.5% interest;
e) US$45,00 to be paid by May 31, 2009 to earn a 90% interest; and

Exploration
a) US$100,000 to be incurred by May 26, 2006 (incurred);
b) US$100,000 to be incurred by May 26, 2007.

Note 5 Resource Properties – (cont'd)

Ceiba Chico Property – (cont'd)

The optionor has retained a 2.5% net smelter return royalty which may be purchased by the Company for US$400,000. Under the terms of the agreement, the Company will also pay US$24,000 per year, for a minimum of three years, to the optionor to act as general foreman on the exploration program.

The Company intends to issue 200,000 common shares as a finder's fee in connection with this acquisition.

Piskanja Borate Property

The Piskanja borate property is located in the Ibar region of the Republic of Serbia (the "Property"). The Company entered into a joint venture agreement dated October 4, 1996 whereby the Company could earn a 50% interest in the Property through direct exploration expenditures totalling $2,670,000.

In April 2005, the Serbian government announced a public tender regarding a concession for certain mineral rights, including those related to the Property. During the year ended June 30, 2006, the Company tendered a bid in accordance with the public tender process. The Company considers that participation in this tender process in no way mitigates its position regarding the validity of the previous agreement with the Serbian government with respect to the development of the Piskanja Borate property. The Company lost its bid and recovered the 4 million Dinar tender deposit. Due to fluctuation in exchange rates the recovered amount was $64,860 as compared to $72,832 paid.

All costs incurred with respect to the property have been written-off.

The Company believes it has a valid agreement for the mineral rights and is preparing to defend its position or seek compensation for its financial losses. However, the outcome of such actions and the status of the Company's agreements is unknown.

Stope Baby Mineral Claims

The Company does not intend to further pursue exploration activity on the Stope Baby mineral claims located in the Cariboo Mining District of British Columbia. During the year ended June 30, 2005 the Company wrote-down the cost of the property by $254,327 and wrote off the balance during the year ended June 30, 2006.

Note 6 Note Payable

	2006	2005
Note payable bearing interest at 15% per annum effective April 1, 2005 compounded semi-annually on June 30 and December 31, unsecured and is due October 5, 2006. The interest rate increases to 22% per annum 15 days after note is due.	$ 395,399	$ 368,360

Note 7 Share Capital

a) Authorized:

Unlimited voting common shares without nominal or par value
Unlimited preferred shares without nominal or par value

b) Issued: common shares

		Number	Amount
Balance, June 30, 2004		35,039,763	$ 8,190,920
For cash			
Pursuant to private placements	– at $0.25	812,000	203,000
	– at $0.30	693,662	208,099
Less: issue costs		-	(30,600)
Exercise of warrants	– at $0.35	80,000	28,000
Balance, June 30, 2005		36,625,425	8,599,419
For cash			
Pursuant to private placements	– at $0.18	2,110,999	379,980
	– at $0.09	1,000,000	90,000
	– at $0.075	4,000,000	300,000
	– at $0.095	3,987,306	378,794
Less: issue costs		-	(40,458)
Balance, June 30, 2006		47,723,730	$ 9,707,735

c) Commitments:

Stock-based Compensation Plan

The Company has granted directors and employees common share purchase options. These options are granted with an exercise price equal to the market price of the Company's shares on the date of the grant and vest when granted.

Note 7 Share Capital – (cont'd)

c) Commitments: - (cont'd)

Stock-based Compensation Plan – (cont'd)

A summary of the status of the stock option plan is presented below:

	2006		2005	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	300,000	$0.25	300,000	$0.25
Granted	1,100,000	$0.15	-	-
Expired	(300,000)	$0.25	-	-
Options outstanding and exercisable at end of year	1,100,000	$0.15	300,000	$0.25

At June 30, 2006, the Company has 1,100,000 share purchase options outstanding entitling the holder thereof the right to purchase one common share for each option held for $0.15 per share until October 12, 2007.

The Company has recorded $33,000 of compensation expense for stock based compensation awarded to directors and consultants during the year ended June 30, 2006. The Company uses the Black Scholes option pricing model to estimate the fair value of the options at each grant date using the following assumptions for the year ended June 30, 2006:

Dividend yield	Nil
Annualized volatility	108%
Risk-free interest rate	2.00%
Expected life	2 years

Shares Subscribed

As at June 30, 2005, $379,980 had been received in respect to a private placement of 2,110,999 shares at $0.18 per share, less issue costs of $28,499; and $2,000 had been received in respect to a private placement of 1,000,000 shares at $0.09 per share.

Note 7 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Share Purchase Warrants

At June 30, 2006, the Company has 10,598,305 common share purchase warrants outstanding entitling the holders thereof the right to purchase one common share for each warrant held as follows:

Number	Exercise Price	Expiry Date
2,110,999	$0.15	July 6, 2006
500,000	$0.15	September 16, 2006
4,000,000	$0.12	February 9, 2007
3,987,306	$0.14	April 25, 2007
10,598,305		

During the year ended June 30, 2006, 1,505,662 common share purchase warrants, previously outstanding and exercisable at $0.35 - $0.50 per share, expired unexercised.

Subsequent to June 30, 2006, 2,610,999 common share purchase warrants, exercisable at $0.15 per share, expired unexercised.

Note 8 Related Party Transactions

The Company incurred the following costs and expenses charged by directors and companies with directors in common with the Company:

	2006	2005
Resource property costs		
Consulting	$ 17,684	$ 10,500
General and administrative	-	1,012
Geological consulting	72,007	7,500
Property investigation costs	-	36,645
Consulting fees	-	7,000
Management fees	60,000	60,000
Office and miscellaneous	50	2,788
Rent	8,880	5,000
Travel and promotion	3,000	15,288
Recovery of advances receivable	(7,067)	(5,350)
	$ 154,554	$ 140,383

Note 8 Related Party Transactions – (cont'd)

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

The amount due from related party is comprised of advances for travel and promotion costs. This amount is unsecured, non-interest bearing and has no specific terms for repayment.

Accounts payable as at June 30, 2006 includes $65,454 (2005: $31,235) due to directors of the Company. This amount is comprised of unpaid consulting fees and travel costs.

Note 9 Corporation Income Tax Losses

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

	2006	2005
Resource deductions	$ 2,069,375	$ 1,977,428
Non-capital losses	905,674	706,149
Share issue costs	27,071	8,291
Temporary differences –capital assets	19,177	-
Less: valuation allowance	(3,021,297)	(2,691,868)
	$ -	$ -

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 not be realized in the future to utilize all future tax assets.

At June 30, 2006, the Company has accumulated Canadian and foreign exploration and development expenditures totalling $6,086,397 and non-capital losses totalling $2,663,747 which are available to reduce taxable income in future taxation years. The non-capital losses expire as follows:

2007	$ 73,418
2008	306,085
2009	445,199
2010	371,502
2014	422,909
2015	465,829
2016	578,805
	$ 2,663,747

Note 10 Segmented Information

Assets by geographic segment, at cost:

	2006	2005
Belize	$ 314,307	$ 30,784
Canada	234,454	298,441
Serbia	32	3,336
	$ 548,793	$ 332,561

Note 11 Subsequent Events

Subsequent to June 30, 2006, the Company:

a) issued 5,000,000 units at $0.10 per unit pursuant to a private placement. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant is exercisable into one common share of the Company at $0.16 per share until July 17, 2007;

b) settled $210,000 of debt by issuing 2,000,000 units at $0.105. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant is exercisable into one common share of the Company at $0.15 until September 13, 2007 and at $0.20 until September 13, 2008;

c) granted share purchase options entitling the holders thereof the right to purchase up to 1,630,000 common shares at $0.14 per share until September 12, 2011;

d) proposed a private placement of up to 2,000,000 units at $0.105 per unit. Each unit would consist of one common share of the Company and one-half share purchase warrant. Each warrant would be exercisable into one common share of the Company at $0.16 for one year. This private placement is subject to regulatory approval.

e) entered into a strategic alliance with another company to acquire, explore and develop mineral properties in the Southeastern United States. The term of the agreement is five years, in which the Company would acquire a 100% interest in the project subject to completion of a work program totalling US$400,000 during the first year of the agreement.

   Additionally, the Company has committed US$50,000 for land acquisition. The agreement includes a five-year management contract with the other company, which will receive from the Company annual stock-based payments of US$30,000; 600,000 stock options up to a maximum of 1,800,000 stock options; and a 0.08% production royalty from any eventual production.