

Pitchstone Exploration Ltd.
(the "Company")

Correction to Financial Statements

To the Shareholders of Pitchstone Exploration Ltd.

Please be informed that the Company had inadvertently SEDAR filed an incorrect version of the audited December 31, 2005 year-end financial statements earlier. This correct audited financial statements have the following changes made:

- The inclusion of the auditors' report dated March 17, 2006;
- A decrease of the current income taxes payable from \$95,427 to \$69,742 as of December 31, 2005; and
- A decrease of the income taxes from \$96,591 to \$70,906 for the year ended December 31, 2005.

On behalf of the Company

"Mark T. Brown"
Mark T. Brown, CFO
April 20, 2006

PITCHSTONE EXPLORATION LTD.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

For the Years Ended December 31, 2005 and 2004

DE VISSER GRAY

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of Pitchstone Exploration Ltd. ("the Company")

We have audited the balance sheets of Pitchstone Exploration Ltd. as at December 31, 2005 and 2004 and the statements of income (loss) and retained earnings (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 generally accepted auditing standards in Canada. 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 income (loss) and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

"De Visser Gray"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
March 17, 2006

Pitchstone Exploration Ltd.*(An Exploration Stage Company)*Statement 1**Balance Sheets****As at December 31**

	2005		2004
ASSETS			
Current			
Cash	\$ 4,655,246	\$	75,634
Marketable Securities <i>(Note 4)</i>	267,840		305,000
Accounts receivable	43,461		27,332
Prepaid expenses	20,008		-
Due from sxr Uranium One option	105,755		-
	<u>5,092,310</u>		407,966
Resource Property Costs <i>(Note 5)</i>	651,355		1,299
Equipment <i>(Note 6)</i>	7,289		-
	<u>\$ 5,750,954</u>	\$	<u>409,265</u>
LIABILITIES			
Current			
Accounts payable and accrued liabilities	\$ 53,355	\$	7,201
Income taxes payable	69,742		119,273
Due to related parties <i>(Note 9)</i>	32,786		2,912
Due to Triex Joint Venture	185,933		-
	<u>341,816</u>		129,386
Future Income Tax Liability <i>(Note 10)</i>	232,126		-
	<u>573,942</u>		129,386
SHAREHOLDERS' EQUITY			
Share Capital <i>(Note 7)</i>	4,616,271		286,667
Contributed Surplus	436,771		36,164
Retained Earnings (Deficit) - <i>Statement 2</i>	123,970		(42,952)
	<u>5,177,012</u>		279,879
	<u>\$ 5,750,954</u>	\$	<u>409,265</u>

Continuance of Operations *(Note 1)*

ON BEHALF OF THE BOARD:

"Edward A. G. Trueman"

_____, Director

"Paul Geyer"

_____, Director

Pitchstone Exploration Ltd.

Statement 2

(An Exploration Stage Company)

Statements of Income (Loss) and Retained Earnings (Deficit)

For the Years Ended December 31

	2005	2004
Revenues		
Option proceeds received in excess of resource properties costs	\$ 791,093	\$ 461,703
Overhead recoveries	107,811	13,783
Interest income	30,110	950
Equipment rental revenue	2,010	-
Gain on sale of marketable securities	199,609	-
	<u>1,130,633</u>	<u>476,436</u>
Administrative expenses		
Accounting and audit (Note 9)	64,746	2,610
Amortization	1,286	-
Community relations	11,157	-
Directors' fees (Note 9)	5,700	-
Filing fees	59,809	-
Insurance	4,285	-
Interest and bank charges	(1,034)	6,040
Investor relations	11,528	1,615
Legal fees	21,565	9,343
Management fees (Note 9)	20,968	-
Meals and entertainment	4,979	720
Property investigation	2,915	-
Office and sundry	2,994	3,913
Stock-based compensation	530,791	32,715
Telephone	1,952	1,181
Transfer agent fees	11,177	-
Travel	12,119	3,325
Unrealized loss on marketable securities	22,800	330,000
	<u>789,737</u>	<u>391,462</u>
Income before taxes	340,896	84,974
Income taxes	(70,906)	(119,273)
Future income tax expenses	(103,068)	-
	<u>166,922</u>	<u>(34,299)</u>
Net Income (Loss) for the year	166,922	(34,299)
Earnings (Deficit) – Beginning of year	(42,952)	(8,653)
Earnings (Deficit) – End of year	\$ 123,970	\$ (42,952)
Income (Loss) per Share – Basic		
	\$ 0.01	\$ (0.01)
Income per Share - Diluted		
	\$ 0.01	\$ N/A
Weighted Average Number of Shares Outstanding – Basic	15,637,667	2,905,914
Weighted Average Number of Shares Outstanding – Diluted	15,767,883	N/A

- See Accompanying Notes -

Pitchstone Exploration Ltd.*(An Exploration Stage Company)***Statements of Cash Flows****For the Years Ended December 31**

	2005	2004
Cash Resources Provided By (Used In)		
Operating Activities		
Net Income (Loss) for the year	\$ 166,922	\$ (34,299)
Items not affected by cash		
Amortization	1,286	-
Future income tax expenses	103,068	-
Gain on sale of marketable securities	(199,609)	-
Option proceeds received	(791,093)	(461,703)
Stock-based compensation	530,791	32,715
Unrealized loss on marketable securities	22,800	330,000
	<u>(165,835)</u>	<u>(133,287)</u>
Changes in non-cash working capital items		
Accounts receivable	(16,129)	(20,580)
Prepaid expenses	(20,008)	1,300
Accounts payable and accrued liabilities	12,494	5,201
Income taxes payable	(49,531)	119,273
Due to related parties	29,874	(318)
Due to/from joint venture partners	80,178	-
	<u>36,878</u>	<u>104,876</u>
	<u>(128,957)</u>	<u>(28,411)</u>
Investing Activities		
Resource property costs	(616,396)	(114,303)
Purchase of equipment	(8,575)	-
	<u>(624,971)</u>	<u>(114,303)</u>
Financing Activities		
Options proceeds received	156,093	87,500
Proceeds received from sale of marketable securities	848,969	-
Shares issued for cash	4,668,910	50,000
Financing costs	(340,432)	-
	<u>5,333,540</u>	<u>137,500</u>
Net Increase (Decrease) in Cash	4,579,612	(5,214)
Cash – Beginning of year	<u>75,634</u>	<u>80,848</u>
Cash – End of Year	\$ 4,655,246	\$ 75,634
Supplementary Information		
Shares received for option payment	\$ 635,000	\$ 635,000

- See Accompanying Notes -

Notes to Financial Statements

December 31, 2005 and 2004

1. Nature and Continuance of Operations

The Company was incorporated under British Columbia Company Act on April 24, 2003.

The Company is an exploration stage company and engaged principally in the acquisition, exploration and development of resource properties. The recovery of the Company's investment in its resource properties is dependent upon the discovery, development and sale of mineral products and the ability to raise sufficient capital to finance this activity. The ultimate outcome of this activity cannot presently be determined because they are contingent on future matters.

2. Significant Accounting Policies

a) 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 amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from these estimates.

b) Resource Properties and Deferred Exploration Expenditures

The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

Mineral exploration and development costs are capitalized on an individual project basis until such time as an economic ore body is defined or the prospect is abandoned. Costs for a producing deposit are amortized on a unit-of-production method based on the estimated life of the ore reserves, while costs for the prospects abandoned are written-off.

The recoverability of the amount capitalized for the undeveloped mineral properties is dependent upon the determination of economically recoverable ore reserves, confirmation of the Company's interest in the underlying mineral claims, the ability to farm out its resource properties, the ability to obtain the necessary financing to complete their development and future profitable production or proceeds from the disposition thereof.

Title to mineral properties may involve inherent risks due to the difficulties of determining the validity of claims. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

c) Environmental Expenditures

The operations of the Company have been, and may in the future, be affected from time to time in varying degree by changes in environmental regulations, including those for future reclamation and site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company vary greatly and are not predictable. The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures.

Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on their future economic benefits. Estimated future reclamation and site restoration costs, when the ultimate liability is reasonably determinable, are charged against earnings over the estimated remaining life of the related business operation, net of expected recoveries.

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Financial Statements

December 31, 2005 and 2004

2. Significant Accounting Policies - Continued

d) Marketable Securities

Marketable securities are recorded at the lower of cost and estimated market value.

e) Amortization

The Company provides for amortization on its equipment at 30% declining balance (one-half of the rate is taken in the year of acquisition).

f) Income Taxes

The Company accounts for the future tax consequences of the differences in the carrying amounts of assets and liabilities and their tax bases using tax rates expected to apply when these temporary differences are settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net assets are recognized. The Company has taken a valuation allowance against all potential tax assets.

g) Share Capital

i) The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.

ii) Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

h) Stock-Based Compensation

The Company has a stock option plan as disclosed on Note 7. The Company follows the Canadian Institute of Chartered Accountants Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments, to account for grants under this plan. As recommended by Section 3870, the Company has adopted the fair value method for stock-based compensation granted to employees, non-employees and for all direct awards of stock.

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the options. The fair value of direct awards of stock is determined by the quoted market price of the Company's stock.

i) Flow-through shares

The Company may issue securities referred to as flow-through shares, whereby the investor may claim the tax deductions arising from the expenditure of the proceeds. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and share capital is reduced. Previously unrecognized tax assets may then offset this liability, which amount would then be included in income.

Pitchstone Exploration Ltd.

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Notes to Financial Statements

December 31, 2005 and 2004

2. Significant Accounting Policies - Continued

j) Earnings (Loss) per Share

Basic earnings per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted earnings per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on earnings per share. The dilutive effect of convertible securities is reflected in diluted earnings per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted earnings per share by application of the treasury stock method. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

3. Fair Value of Financial Instruments

The Company's financial instruments consist of cash, marketable securities, accounts receivable, accounts payable and accrued liabilities, income taxes payable, due to related parties, and due to/from joint venture partners. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The fair value of these financial instruments approximates their carrying value due to their short-term maturity or capacity of prompt liquidation.

4. Marketable Securities

	<u>2005</u>		<u>2004</u>	
	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Cost</u>
57,600 (2004: 500,000(100,000 post roll-back)) shares and 300,000 (2004: 750,000(150,000 post roll-back)) share purchase warrants of sxr Uranium One Inc. (formerly Southern Cross Resources Inc.) (see Note 5(a)).	<u>\$340,992</u>	<u>\$267,840</u>	<u>\$305,000</u>	<u>\$635,000</u>

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Financial Statements

December 31, 2005 and 2004

5. Resource Properties Costs

	SXR Uranium One Joint Venture Properties, (Notes 5a) Saskatchewan	Triex Joint Venture Properties, (Notes 5b) Nunavut / Northwest Territories	100% owned Properties, (Note 5c) Saskatchewan	Total
Balance at December 31, 2003	\$ 147,793	\$ -	\$ -	\$ 147,793
Camp and general	900	10	-	910
Geological	46,436	-	-	46,436
Geophysical	68,369	-	-	68,369
Staking	30,633	-	32,535	63,168
Travel and accommodation	-	238	-	238
Recovery from optionee	(260,797)	-	-	(260,797)
Expenses recovered from optionee	(33,334)	-	-	(33,334)
	-	248	32,535	32,783
Unallocated assistance received	-	-	-	(31,484)
Balance at December 31, 2004	\$ -	\$ 248	\$ 32,535	\$ 1,299
Assays	-	1,033	-	1,033
Camp and general	-	5,402	428	5,830
Geological	100,000	264,619	3,022	367,641
Geophysical	125	237,706	31,147	268,978
Maps and reproduction	-	1,004	1,759	2,763
Overhead	-	47,597	-	47,597
Staking	-	28,051	28,288	56,339
Recovery from optionee	(125)	-	-	(125)
Expenses recovered from optionee	(100,000)	-	-	(100,000)
Total exploration expenditures for the year	-	585,412	64,644	650,056
Balance at December 31, 2005	\$ -	\$ 585,660	\$ 97,179	\$ 651,355
Cumulative totals as at December 31, 2005:				
	SXR Uranium One Joint Venture Properties, (Notes 5a) Saskatchewan	Triex Joint Venture Properties, (Notes 5b) Nunavut / Northwest Territories	Fireweed, Gumbboot and Fisher Properties, (Note 5c) Saskatchewan	Total
Acquisition costs	\$ 46,667	\$ -	\$ -	\$ 46,667
Aircraft charter	485	-	-	485
Assays	-	1,033	-	1,033
Camp and general	1,150	5,412	428	6,990
Geological	146,436	264,619	3,022	414,077
Geophysical	136,379	237,706	31,147	405,232
Maps and Reproduction	-	1,004	1,759	2,763
Overhead	-	47,597	-	47,597
Staking	61,877	28,051	60,823	150,751
Travel and accommodation	1,262	238	-	1,500
Recovery from optionee	(260,922)	-	-	(260,922)
Expenses recovered from optionee	(133,334)	-	-	(133,334)
Unallocated assistance received	-	-	-	(31,484)
Balance at December 31, 2005	\$ -	\$ 585,660	\$ 97,179	\$ 651,355

Pitchstone Exploration Ltd.*(An Exploration Stage Company)***Notes to Financial Statements**December 31, 2005 and 2004

5. Resource Properties - Continued**a. sxr Uranium One Joint Venture Properties, Saskatchewan**

On September 3, 2004 the Company signed an Option Agreement for the Athabasca Properties ("the Option Agreement") with sxr Uranium One Inc. (formerly Southern Cross Resources Inc., "SXRU1"), a TSE listed company, whereby SXRU1 can earn a 50% interest in the Company's 100% interests in each of the Darby, Waterfound, Moon Lake and Lynx Lake properties, and **Error! Not a valid link.**the Company's option to earn up to 75% joint venture interest in the Candle property. As consideration, SXRU1 must fulfill the following:

i) Make the following cash payments:

		Amount	
Upon execution of the agreement	\$	87,500	(received in Sep. 2004)
On or before September 3, 2005		87,500	(received in Sep. 2005)
On or before September 3, 2006		87,500	
On or before September 3, 2007		87,500	
	\$	350,000	

ii) Issue an aggregate of 1,000,000 common shares and 1,500,000 share purchase warrants (500,000 common shares and 750,000 share purchase warrants were issued on September 16, 2004 and the remaining were issued on January 4, 2005). The Company agreed that it would not sell more than 250,000 of the option payment shares during any period of thirty consecutive days, except with the prior written consent of SXRU1.

Subsequent to signing the Option Agreement, SXRU1 did a five-to-one roll back. There are now 150,000 (750,000 pre roll-back) warrants expiring on September 16, 2007 and another 150,000 (750,000 pre roll-back) warrants expiring on January 4, 2008, all with an exercise price of \$6.95 (\$1.39 pre to roll-back) per share (see Note 4).

iii) Provide the funding for aggregate exploration expenditures on the Athabasca Properties:

		Earn-in Expenditures	
On or before September 3, 2005	\$	1,000,000	(Requirement met)
On or before September 3, 2006		1,000,000	
On or before September 3, 2007		2,000,000	
	\$	4,000,000	

The Company is the operator of the five optioned properties during the option period.

During the year ended December 31, 2004 the Company spent a total of \$294,131 on the five optioned properties before the recovery from SXRU1.

As of December 31, 2005, SXRU1 incurred \$1,734,114 earn-in expenditures on the five optioned properties.

	December 31, 2005	December 31, 2004
Darby Property	\$ 573,568	\$ 248,124
Waterfound Property	815,291	10,619
Lynx Lake Property	25,144	92
Moon Lake Property	145,587	23,484
Candle Property	174,524	11,812
	\$ 1,734,114	\$ 294,131

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Financial Statements

December 31, 2005 and 2004

5. Resource Properties – Continued

a. srx Uranium One Optioned Properties, Saskatchewan – Continued

Darby Property

In 2003, the Company acquired from the President of the Company mineral claims totalling approximately 11,015 hectares in the Close Lake area of the Athabasca Basin, Saskatchewan by issuing 1,166,657 (4,666,628 after stock split) common shares at a deemed pre-split price of \$0.04 per share. In 2004 and 2005, the Company acquired additional 2,383 and 3,323 hectare claims in the same area.

Waterfound Property

In 2003, the Company acquired a mineral claim totalling approximately 1,694 hectares in the Athabasca Basin, Saskatchewan by way of staking. In April 2005, the Company staked an additional 2,430 hectares contiguous with the original claim. The property is located 55km north of the Company's Darby and Candle properties.

Lynx Lake Property

In 2004, the Company acquired a mineral claim totalling approximately 1,274 hectares in the Athabasca Basin, Saskatchewan by way of staking. The property is located 35km southwest of the Company's Darby and Candle properties.

Moon Lake Property

In 2003, the Company acquired a mineral claim totalling approximately 1,637 hectares in the Athabasca Basin, Saskatchewan by way of staking. In March 2004, the Company staked an additional 2,953 hectares contiguous with the original claim. The property is located 55km southwest of the Company's Darby and Candle properties.

Candle Property

On April 3, 2004 the Company signed an option agreement with JCU (Canada) Exploration Company, Limited ("JCU") in respect of the Candle property whereby the Company can acquire a 50% undivided interest in the property. If the 50% option is exercised, JCU will grant the Company the right to acquire an additional 25% of the property resulting in an aggregate of 75% undivided interest in the property. The Candle property mineral claim totals approximately 2,595 hectares in the Close Lake area of the Athabasca Basin, Saskatchewan and is to the immediate west of the Company's Darby property.

In order to exercise the 50% option, the Company is required to:

- a) make a cash payment of \$8,725 to JCU (paid in 2004)
- b) incur aggregate exploration expenditures of \$73,600 (\$8,725 + \$64,875) to July 28, 2005. (Requirement has been met)
- c) expend an additional \$376,400 (\$450,000 - \$73,600) by July 28, 2006

b. Triex Joint Venture Properties, Nunavut/Northern Territories

On May 9, 2005, the Company entered into a 50-50 joint venture to explore and develop the Mountain Lake, Dismal Lake, and Leith properties, located in the Hornby Bay Basin of Nunavut and Northwest Territories, with Triex Minerals Corporation ("Triex"), a TSX Venture Exchange listed company, which holds the remaining 50% interest in the properties.

Triex is the operator of the three properties.

As of December 31, 2005 and December 31, 2004, the Company spent a total of \$585,660 and \$248, respectively.

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Financial Statements

December 31, 2005 and 2004

5. Resource Properties – Continued

b. Triex Joint Venture Properties, Nunavut/Northern Territories – Continued

	2005	2004
Mountain Lake Property	\$ 328,108	\$ 248
Dismal Lake Property	253,614	-
Leith Property	3,938	-
	\$ 585,660	\$ 248

As of December 31, 2005, Triex and the Company incurred a total of \$1,085,013 exploration expenditures on the three optioned properties.

Mountain Lake Property

In 2004, the Company acquired a 50% interest in the Mountain Lake uranium property located in the Hornby Bay Basin, Nunavut. The property is situated approximately 550 kilometres north of Yellowknife, 100 kilometres south of Kugluktuk (formerly Coppermine), Nunavut, and comprises 8 mineral claims totalling 6,647 hectares.

Dismal Lake Property

In 2005, Triex was granted seven prospecting permits comprising 105,097 hectares in the Northwest Territories and Nunavut for uranium exploration where Triex holds these permits in a 50-50 joint venture with Company. These permits are situated approximately 70 kilometres west of the Mountain Lake property, 570 kilometres north of Yellowknife, Northwest Territories and 150 kilometres southeast of Kugluktuk, Nunavut. Five of the seven permits are located partly or totally in the Northwest Territories.

In May 2005, Triex staked two strategic areas contiguous to the Dismal Lake permits, designated as the Sandy Creek claims (10,451 hectares) and Dease River claims (2,090 hectares). These claims are also jointly owned by Triex and the Company and comprise part of the Dismal Lake property.

Leith Property

In 2005, Triex was granted two prospecting permits comprising 32,722 hectares in the Northwest Territories for uranium exploration where the Company has a 50-50 joint venture with Triex in these permits. These permits are situated approximately 400 kilometres northwest of Yellowknife.

c. 100 % owned Properties

Fireweed Property, Saskatchewan

In October 2004, the Company acquired mineral claims totalling approximately 10,921 hectares in the Athabasca Basin, Saskatchewan by way of staking. The property is located 10km northwest of the Company's Darby and Candle properties.

As at December 31, 2005 and 2004, the Company spent \$22,357 and \$18,776, respectively.

Gumboot Property, Saskatchewan

In November 2004, the Company acquired a mineral claim totalling approximately 4,196 hectares in the Athabasca Basin, Saskatchewan by way of staking. The property is located 6km north of the Company's Darby and Candle properties.

As at December 31, 2005 and 2004, the Company spent \$46,534 and \$13,759, respectively.

Pitchstone Exploration Ltd.*(An Exploration Stage Company)***Notes to Financial Statements**

December 31, 2005 and 2004

5. Resource Properties – Continued**c. Other Resource Properties – Continued***Fisher Project, Saskatchewan*

In December 2005, the Company acquired mineral claims totalling approximately 3,349 hectares in the Athabasca Basin, Saskatchewan by way of staking. The property is located 6km north of the Company's Darby and Candle properties.

As at December 31, 2005 and 2004, the Company spent \$28,288 and \$Nil, respectively.

6. Equipment

Details are as follows:

	Cost	Accumulated Amortization	Net Book Value as at 2005	Net Book Value as at 2004
Computer equipment	\$ 4,229	\$ 634	\$ 3,595	\$ -
Exploration equipment	4,346	652	3,694	-
	<u>\$ 8,575</u>	<u>\$ 1,286</u>	<u>\$ 7,289</u>	<u>\$ -</u>

7. Share Capital

a) Details are as follows:

Authorized:

Unlimited number of common shares without par value *

	Number	Amount
Issued and fully paid:		
Balance as at December 31, 2003	2,771,667	\$ 236,667
Private Placement (Note 7a)	200,000	50,000
Balance as at December 31, 2004	2,971,667	\$ 286,667
Private Placement (Note 7b)	758,805	862,325
Exercise of Stock Options (Note 7c)	460,000	269,800
	4,190,472	1,418,792
Stock Spilt (Note 7d)	12,571,416	-
Private Placement (Note 7e)	6,000,000	3,300,000
Share Issue Costs	-	(418,310)
Exercise of Warrants (Note 7f)	283,600	198,520
Exercise of Brokers' Warrants (Note 7g)	69,572	38,265
Fair value of Brokers' Warrants and Stock Options exercised (Notes 7c & g)	-	208,062
Tax benefit renounced to flow-through shares	-	(129,058)
Balance as at December 31, 2005	<u>23,115,060</u>	<u>\$ 4,616,271</u>

* By resolution dated March 31, 2005, the Company changed its authorized share capital from 30,000,000 common shares to an unlimited number of common shares.

Pitchstone Exploration Ltd.

(An Exploration Stage Company)

Notes to Financial Statements

December 31, 2005 and 2004

7. Share Capital, *Continued*

- a) During the year ended December 31, 2004, the Company completed a private placement of 200,000 common shares at \$0.25 per share for total proceeds of \$50,000.
- b) During the year ended December 31, 2005, the Company completed a private placement of 500,005 common shares at \$1.00 per share and 258,800 flow-through common shares at \$1.40 per share for total proceeds of \$862,325.
- c) During the year ended December 31, 2005, a total of 460,000 stock options were exercised for a gross proceeds of \$269,800. 60,000 stock options were exercised at \$0.08 per share, 180,000 stock options were exercised at \$0.25 per share, and 220,000 stock options were exercised at \$1.00 per share. A fair value of \$195,873 was recognized on these exercised options.
- d) Effective August 8, 2005, the Company subdivided its common shares on the basis of one old for four new shares.
- e) During the year ended December 31, 2005, the Company completed its initial public offering for 6,000,000 units at \$0.55 per unit (See Note 8).
- f) During the year ended December 31, 2005, 283,600 warrants of the initial public offering were exercised at \$0.70 per share for total proceeds of \$198,520.
- g) During the year ended December 31, 2005, 69,572 broker's warrants issued in connection with the initial public offering were exercised at \$0.55 per share for total proceeds of \$38,265. A fair value of \$12,189 was recognized on these exercised broker's warrants.

Stock Options

During the fiscal period ended December 31, 2003, the Company established a share purchase option plan whereby the Board of Directors may grant options to directors, officers, employees or consultants. Options granted must be exercised no later than five years from date of grant or such lesser period as determined by the Board of Directors. Options vest on the grant date unless determined otherwise by the Board of Directors.

Before the initial public offering ("IPO") (Note 8), the Company had a total of 460,000 stock options outstanding of which 220,000 stock options at a price of \$1.00 were granted on January 6, 2005. These existing option holders entered into stock option cancellation agreements to have their options either exercised prior to the closing of the IPO or have the options cancelled. All options were exercised on a post stock split basis with one option exercised into four new shares.

On September 1, 2005, the Company adopted the new stock option plan. Under this plan, the Company may grant up to 10% of its outstanding common shares to directors, employees and consultants of the Company. During the year ended December 31, 2005, 960,000 options at a price of \$0.55 and 250,000 options at a price of \$0.68 were granted under the new stock option plan to directors, officers and consultants of the Company.

Pitchstone Exploration Ltd.*(An Exploration Stage Company)***Notes to Financial Statements**

December 31, 2005 and 2004

7. Share Capital, Continued**Stock Options, Continued**

	2005		2004	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of year	240,000	\$ 0.21	60,000	\$ 0.08
Exercised	(460,000)	0.59	-	-
Granted	<u>1,430,000</u>	0.73	<u>180,000</u>	0.25
Outstanding, end of year	1,210,000	\$ 0.58	240,000	\$ 0.21

The following options were outstanding:

Expiry Date	Exercise Price	Number of Options
October 14, 2010	\$0.55	960,000
November 8, 2010	\$0.68	250,000
		<u>1,210,000</u>

Stock-based compensation

The Company recognizes compensation expense for all stock options granted using the fair value based method of accounting. Total fair value of broker's warrants and stock options granted during the year ended December 31, 2005 was \$608,669 (2004: \$32,715).

The following weighted average assumptions were used for the Black-Scholes method of valuation of stock options granted during the periods:

	2005	2004
Risk-free interest	3.37-3.89%	3.52%
Expected dividend yield	-	-
Expected stock price volatility	78-93%	93%
Expected option life in years	2 - 5	5

Option pricing models require the input of highly subjective assumptions including expected stock 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.

Warrants

	Number of Warrants	Weighted Average Exercise Price
Outstanding, December 31, 2004	-	\$ -
Exercised	(353,172)	0.67
Granted	<u>3,444,480</u>	0.68
Outstanding, December 31, 2005	3,091,308	\$ 0.68

Pitchstone Exploration Ltd.

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Notes to Financial Statements

December 31, 2005 and 2004

7. Share Capital, Continued**Warrants, Continued**

At December 31, 2005, the following warrants were outstanding:

Number Of Warrants	Exercise Price	Expiry Date
2,716,400	\$0.70	October 12, 2006 (Note 8) ⁽¹⁾
374,908	\$0.55	October 12, 2006 (Note 8) ⁽²⁾
3,091,308		

⁽¹⁾ Subsequently, 1,174,310 of these warrants were exercised.

⁽²⁾ Subsequently, 120,248 of these brokers' warrants were exercised.

Escrow Shares

On October 5, 2005, in accordance with escrow agreements with Pacific Corporate Trust Company, 12,920,464 shares were placed in escrow, of which 3,230,116 shares were released leaving a balance of 9,690,348 shares held in escrow as at December 31, 2005.

8. Initial Public Offering

On October 12, 2005, the Company completed the filing of a final prospectus with the British Columbia Securities Commission and its initial public offering on the TSX Venture Exchange. The initial public offering ("IPO") was for 6,000,000 units at \$0.55 per unit, each consisting of one common share of the Company and one half of one common share purchase warrant of the Company. Each whole warrant entitles the holder to acquire one additional common share at a price of \$0.70 per share until October 12, 2006, subject to a forced exercise provision. In the event that the Company's common shares trade at a closing price on the TSX Venture Exchange of greater than \$0.90 per share for a period of 20 consecutive trading days at any time after four months and one day after the closing date, the Company may accelerate the expiry date of the warrants by giving notice to the holders and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company.

The Company has entered into an agency agreement with Haywood Securities Inc., Dundee Securities Corp., and Pacific International Securities (collectively, the "Agents"). The Agents were paid a cash fees equal to 8% of the gross proceeds of the units sold pursuant to the IPO, and 6% commission for the funds raised by the Company. In addition, the agents received 444,480 brokers' warrants. Each brokers' warrant is exercisable into one common share of the Company at a price of \$0.55 until October 12, 2006. A fair value of \$77,878 on brokers warrants was recognized.

On October 14, 2005, the common shares of the Company began trading on the TSX Venture Exchange under the symbol "PXP".

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Notes to Financial Statements

December 31, 2005 and 2004

9. Related Party Transactions

Except as noted elsewhere in these financial statements, related party transactions are as follows:

- a) During the year ended December 31, 2005, the Company incurred geological consulting fees of \$100,000 (2004: \$33,334) to a company controlled by the President of the Company according to the Joint Venture agreement with SXRU1. Under this agreement, the Company is the operator of the exploration programs. The programs are managed by a company controlled by the President of the Company, which is paid \$8,333 per month by the Company. This amount is then reimbursed by SXRU1. As at December 31, 2005, \$17,833 (2004: \$Nil) was owed to this company.

During the year ended December 31, 2005, the President entered into a contract with the Company for management consulting services. The President is to be paid a fee of \$5,000 per month. During the year ended December 31, 2005, \$20,968 (2004: \$Nil) was incurred for management fees. As at December 31, 2005, \$3,882 was owed to the President. As of December 31, 2004, \$2,912 was owed to the President for the administrative expenses incurred on behalf of the Company.

- b) During the year ended December 31, 2005, the Company incurred accounting and administrative fees of \$31,821 (2004: \$Nil) from Pacific Opportunity Capital Ltd., a company of which the Chief Financial Officer is the President and Director. As at December 31, 2005, \$5,350 (2004: \$Nil) was owed to Pacific Opportunity Capital Ltd.
- c) During the year ended December 31, 2005, the Company incurred directors' fees of \$5,700 (2004: \$Nil), to non-executive directors. As at December 31, 2005, \$5,721 (2004: \$Nil) was owed to these directors.

10. Income Taxes

A reconciliation of expected and actual income tax expense at statutory rates is as follows:

	2005	2004
	\$	\$
Net income (loss) for accounting purposes	<u>166,922</u>	<u>(34,299)</u>
Expected income tax expense (recovery)	64,871	(8,825)
Net adjustment for additions and non-deductible amounts	<u>6,035</u>	<u>128,098</u>
Income tax expense	<u>70,906</u>	<u>119,273</u>

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Notes to Financial Statements

December 31, 2005 and 2004

10. Income Taxes, Continued

The Company aggregated income tax liability as follows:

	2005	2004
	\$	\$
Deferred development costs in excess of tax pool	(651,355)	-
Property and equipment carrying value in excess of tax pool	(318)	-
Total	(651,673)	-
Expected statutory rates	35.62%	35.62%
Potential future income tax liability	(232,126)	-

11. Subsequent Events

1. Subsequent to the year-end, the Company granted 150,000 stock options at a price of \$1.06 per share and an expiry date of January 11, 2011, to the Director of Exploration.
2. On February 23, 2005 the Company together with Cameco Corporation ("Cameco") signed a Letter Agreement with Motapa Diamonds Inc. ("Motapa") to jointly explore Motapa's uranium exploration licenses in Gabon, Africa. Motapa holds the executive rights to explore for uranium 396,100 hectares of Francevillian Basin in east-central Gabon.

Terms of the Letter Agreement provide Cameco and the Company with the option to earn a 56% (26% each) interest in the licences by incurring exploration expenditures of \$3,500,000 (\$1,750,000 each) over the four year period. In addition the parties will have a second option to acquire an additional 24% interest (12% each) by expending a further \$8,500,000 (\$4,250,000 each) within three years following the completion of initial vesting.

The Letter Agreement is subject to the satisfactory completion of a due diligence review by Cameco and the Company by May 31, 2006 and further subject to the waiver by Motapa's alliance partner BHP Billiton to certain back in rights to the project pursuant to a pre-existing agreement.