SILVERCREST MINES INC.

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2005

AUDITORS' REPORT

To the Shareholders of
SilverCrest Mines Inc.

We have audited the consolidated balance sheets of SilverCrest Mines Inc. as at December 31, 2005 and 2004 and the consolidated statements of operations 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 consolidated 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.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Accountants

March 28, 2006

1200 - 609 Granville Street, P.O. Box 10372, Pacific Centre, Vancouver, BC, Canada, V7Y 1G6
Telephone (604) 687-0947 Fax (604) 687-6172

SILVERCREST MINES INC.
CONSOLIDATED BALANCE SHEETS
AS AT DECEMBER 31

	2005	2004
ASSETS		
Current		
Cash	$ 170,336	$ 328,830
Short term investments (note 3)	1,472,828	3,917,296
Receivables	58,781	51,699
Prepaid expenses	19,054	32,931
	1,720,999	4,330,756
Equipment (note 4)	46,220	42,718
Mineral properties (note 5)	3,817,865	2,005,030
	$ 5,585,084	$ 6,378,504
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 128,679	$ 459,930
Shareholders' equity		
Capital stock (note 6)	7,365,311	7,144,759
Contributed surplus (note 6)	1,753,346	1,469,665
Share subscriptions	-	72,000
Deficit	(3,662,252)	(2,767,850)
	5,456,405	5,918,574
	$ 5,585,084	$ 6,378,504

Nature of operations (note 1)
Subsequent events (note 13)

On behalf of the Board:

"J. Scott Drever" Director "Barney Magnusson" Director

The accompanying notes are an integral part of these consolidated financial statements.

SILVERCREST MINES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED DECEMBER 31

	2005	2004
GENERAL AND ADMINISTRATIVE EXPENSES		
Administrative services	$ 78,588	$ 63,422
Amortization	13,028	4,634
Consulting	-	47,953
General exploration	78,524	246,318
Investor relations	71,440	42,020
Management fees	180,000	170,000
Office and miscellaneous	51,122	53,200
Professional fees	46,665	69,017
Regulatory and transfer agent fees	17,684	26,816
Rent and telephone	34,846	35,823
Shareholder communications	43,668	43,640
Stock-based compensation (note 7)	299,317	583,283
Trade shows and conferences	28,206	72,940
Travel and related costs	9,010	808
Loss before other items	(952,098)	(1,459,874)
OTHER ITEMS		
Interest income	63,773	47,207
Foreign exchange	(6,077)	(24,623)
Write-down of mineral properties (note 5)	-	(300,367)
	57,696	(277,783)
LOSS FOR THE YEAR	(894,402)	(1,737,657)
DEFICIT, beginning of year	(2,767,850)	(1,030,193)
DEFICIT, end of year	$ (3,662,252)	$ (2,767,850)
Basic and diluted loss per common share	$ (0.03)	$ (0.08)
Weighted average number of common shares outstanding	25,818,236	20,862,646

The accompanying notes are an integral part of these consolidated financial statements.

SILVERCREST MINES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED DECEMBER 31

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (894,402)	$ (1,737,657)
Items not affecting cash:		
Amortization	13,028	4,634
Stock-based compensation	299,317	583,283
Write-down of mineral properties	-	300,367
Accrued interest	1,828	-
Changes in non-cash working capital items:		
Increase in receivables	(7,082)	(18,454)
(Increase) decrease in prepaid expenses	13,877	(10,307)
Increase (decrease) in accounts payable and accrued liabilities	(433,058)	411,817
Net cash used in operating activities	(1,006,492)	(466,317)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of capital stock for cash	136,873	4,285,546
Share issuance costs	(3,957)	(439,189)
Share subscriptions	-	72,000
Net cash provided by financing activities	132,916	3,918,357
CASH FLOWS FROM INVESTING ACTIVITIES		
Equipment acquired	(24,564)	(16,835)
Mineral properties	(1,702,994)	(1,991,264)
Short-term investments	2,442,640	(3,917,296)
Net cash provided by (used in) investing activities	715,082	(5,925,395)
Decrease in cash during the year	(158,494)	(2,473,355)
Cash, beginning of year	328,830	2,802,185
Cash, end of year	$ 170,336	$ 328,830

Supplemental disclosure with respect to cash flows (Note 9)

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

SilverCrest Mines Inc. (the "Company") was incorporated under the laws of the province of Ontario on May 22, 1973 and effective May 15, 1998 was continued into the jurisdiction of the Province of British Columbia pursuant to the British Columbia Business Corporations Act.

The Company is engaged in the acquisition and exploration of mineral properties in Mexico and Central America. At the date of these financial statements, the Company has not identified a known body of commercial grade ore on any of its properties. The ability of the Company to realize the costs it has incurred to date on these properties is dependent upon the Company being able to identify a commercial ore body, to finance its exploration costs and to resolve any environmental, regulatory or other constraints, which may hinder the successful development of the property.

These financial statements have been prepared assuming the Company will continue on a going-concern basis. The Company has incurred losses since inception and the ability of the Company to continue as a going-concern depends upon its ability to develop profitable operations and to continue to raise adequate financing. Management is actively targeting sources of additional financing through alliances with financial, exploration and mining entities, or other business and financial transactions which would assure continuation of the Company's operations and exploration programs.

The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	2005	2004
Working capital	$ 1,592,320	$ 3,870,826
Deficit	(3,662,252)	(2,767,850)

2. SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries NorCrest Silver Inc., a company incorporated under the laws of Canada, Minera Atlas S.A. de C.V., a company incorporated under the laws of El Salvador, Nusantara de Mexico S.A de C.V., a company incorporated under the laws of Mexico, Compania Minera Maverick S.A. de CV, a company incorporated under the laws of Honduras. All significant inter-company transactions and balances have been eliminated upon consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Short-term investments

Short-term investments comprise highly liquid Canadian dollar denominated guaranteed investment certificates with terms to maturity greater than ninety days, but not more than one year, that are readily convertible to contracted amounts of cash.

Short-term investments are carried at the lower of cost or recoverable amount.

Equipment and amortization

Equipment is recorded at cost and amortized over its estimated useful life using the declining balance method at the following annual rates:

Equipment and furniture	20%
Computer hardware	30%
Computer software	100%
Automotive	30%

Mineral properties and deferred exploration costs

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties and deferred exploration costs do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company does not have any significant asset retirement obligations.

Foreign currency translation

The Company's subsidiaries are considered integrated operations and are translated into Canadian dollars using the temporal method. Under this method, the monetary assets and liabilities of the Company that are denominated in foreign currencies are translated into Canadian dollar equivalents at the rate of exchange at the balance sheet date and non-monetary items are translated at historical rates. Revenues and expenses are translated at exchange rates prevailing on the respective transaction dates. Exchange gains and losses arising on translation are included in the statement of operations.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

Stock-based compensation

The fair value of stock options granted is determined using the Black-Scholes option pricing model and recorded as stock-based compensation expense over the vesting period of the stock options.

Future income taxes

Future income taxes are recorded using the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year and does not include outstanding options and warrants. Dilutive loss per common share is not presented separately from loss per share as the conversion of outstanding stock options and warrants into common shares would be anti-dilutive.

3. SHORT-TERM INVESTMENTS

Short-term investments comprise of a highly liquid Canadian dollar denominated guaranteed investment certificate with term to maturity of greater than ninety days but not more than one year. Short-term investment is carried at the lower of cost or recoverable amount. The counter-parties include financial institutions. At December 31, 2005, the instrument was yielding an interest rate of 2.10% with a maturity of December 6, 2006.

The fair market value of the Company's short-term investment approximates its carrying value at the balance sheet dates.

4. EQUIPMENT

	2005			2004		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Equipment and furniture	$ 27,419	$ 9,494	$ 17,925	$ 22,664	$ 4,967	$ 17,697
Computer hardware	11,521	4,882	6,639	9,021	2,573	6,448
Computer software	19,906	11,251	8,655	2,597	2,597	-
Automotive	28,453	15,452	13,001	28,453	9,880	18,573
	$ 87,299	$ 41,079	$ 46,220	$ 62,735	$ 20,017	$ 42,718

5. MINERAL PROPERTIES

Title to mineral 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 mineral properties. 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 except as otherwise disclosed.

2005	El Zapote, El Salvador	Silver Angel, Mexico	Santa Elena, Mexico	2005 Total
Additions	$	$	$	$
Acquisition costs	-	-	11,660	11,660
Deferred exploration costs				
Assays	75,232	10,577	-	85,809
Drilling	303,044	171,467	-	474,511
Engineering and geological services	564,211	94,103	-	658,314
Exploration and general	346,057	97,509	-	443,566
Professional fees	96,798	42,177	-	138,975
	1,385,342	415,833	11,660	1,812,835
Balance, beginning of year	1,612,754	392,276	-	2,005,030
Balance, end of year	$ 2,998,096	$ 808,109	$ 11,660	$ 3,817,865

2004	Four Projects, Honduras	El Zapote, El Salvador	Silver Angel, Mexico	2004 Total
Additions	$	$	$	$
Deferred exploration costs				
Assays	-	38,585	33,909	72,494
Drilling	-	581,828	76,592	658,420
Engineering and geological services	14,838	661,651	132,975	809,464
Exploration and general	39,578	291,176	58,053	388,807
Professional fees	3,760	39,514	29,262	72,536
	58,176	1,612,754	330,791	2,001,721
Balance, beginning of year	242,191	-	61,485	303,676
Less write-down	(300,367)	-	-	(300,367)
Balance, end of year	$ -	$1,612,754	$ 392,276	$ 2,005,030

5. MINERAL PROPERTIES (cont'd…)

El Zapote Project, El Salvador

The Company acquired a 100% interest in the properties located in El Salvador by acquiring 100% of the share capital of Minera Atlas S.A. de C.V. ("Atlas") an El Salvadoran corporation which owns the Aldea El Zapote Exploration Concession located in the Department of Santa Ana in Northern El Salvador. The properties are subject to a sliding scale royalty, payable from production, varying from US$0.20 per ounce of silver equivalent to US$0.60 per ounce depending on the silver price. The transaction has been accounted for as an asset purchase since Atlas was not considered a business. The Company is also required to complete environmental impact and preliminary feasibility studies to satisfy concession work requirements as defined by El Salvador mining law.

Silver Angel Project, Mexico

The Company acquired a 100% interest in mineral properties located in the Northern Sierra Madre range in Mexico by concession applications.

Santa Elena Project, Mexico

On December 8, 2005 the Company entered into an option agreement to acquire the Santa Elena Project located northeast of Hermosillo, Sonora State, Mexico. The Company has the right to acquire a 100% interest in the Santa Elena property by making staged option payments of US$4,000,000 over a period of 5 years as follows: on signing US$10,000 (paid), sixty days US$60,000 (paid), six months US$60,000, twelve months US$60,000, eighteen months US$60,000, twenty-four months US$50,000, thirty months US$500,000, thirty-six months US$500,000, forty-two months US$600,000, fifty-four months US$600,000, sixty months US$500,000 and the final USUS$1,000,000 payment is conditional upon receipt of a Feasibility Study and all operating and environmental permits. Approximately 40% of the acquisition costs are payable in common shares at the Company's option.

El Ocote Project, Arena Blanca Project, Opoteca Project, La Pochota Project, Honduras

The Company acquired a 100% interest in certain properties located in Honduras by concession applications. During the year ended December 31, 2004, due to title uncertainty, the Company has written down the carrying values of the Honduran mineral property expenditures. The Company has filed a claim against the government of Honduras, amongst others, to protect its legal and property interests.

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Number of Shares	Capital Stock	Contributed Surplus	Total
Authorized 100,000,000 common shares without par value				
Balance at December 31, 2003	18,813,853	$ 3,162,200	$ 1,022,584	$ 4,184,784
Warrants exercised	3,160,605	1,275,323	(195,452)	1,079,871
Stock options exercised	117,500	89,973	(34,298)	55,675
Stock-based compensation	-	-	583,283	583,283
Private placements	3,500,000	3,150,000	-	3,150,000
Finders' fees for cash	-	(214,200)	-	(214,200)
Share issuance costs	-	(318,537)	93,548	(224,989)
Balance at December 31, 2004	25,591,958	$ 7,144,759	$ 1,469,665	$ 8,614,424
Warrants exercised	36,606	34,433	(8,810)	25,623
Stock options exercised	25,000	18,076	(6,826)	11,250
Stock-based compensation	-	-	299,317	299,317
Private placement	191,111	172,000	-	172,000
Share issuance costs	-	(3,957)	-	(3,957)
Balance at December 31, 2005	25,844,675	$ 7,365,311	$ 1,753,346	$ 9,118,657

On January 18, 2005 the Company issued 191,111 units at a price of $0.90 per unit for gross proceeds of $172,000. Each unit was comprised of one common share and one-half non-transferable purchase warrant. One whole warrant entitles the holder to acquire one common share at a price of $1.20 until January 18, 2007. The Company paid share issuance costs of $3,957.

During the current year, 36,606 warrants were exercised for cash proceeds of $25,623. As a result, $8,810 was reallocated to capital stock from contributed surplus.

During the current year, 25,000 stock options were exercised for cash proceeds of $11,250. As a result, $6,826 was reallocated to capital stock from contributed surplus.

On December 3, 2004 the Company issued 3,100,000 units at a price of $0.90 per unit for gross proceeds of $2,790,000 and on December 22, 2004 the Company issued 400,000 units at a price of $0.90 per unit for gross proceeds of $360,000. Each unit was comprised of one common share and a one-half non-transferable share purchase warrant. One whole warrant entitles the holder to acquire one common share at a price of $1.20 until December 3, 2006 as to 1,550,000 warrants and on December 22, 2006 as to 200,000 warrants. Finders' fees included the Company paying $214,200, and issuing 186,000 warrants exercisable into additional common shares at $0.95 per share until December 3, 2006 and issuing 18,000 warrants exercisable into additional common shares at $0.95 per share until December 22, 2006. The finders' warrants have been recorded at a fair value of $93,548, which is included in contributed surplus.

The fair value of the finders' warrants was calculated using the Black-Scholes option pricing model. The weighted average assumptions used were 2.85% for risk free interest rates, 2 years for the life of the warrants, 88.31% for annualized volatility and $Nil for the dividend rate.

6. CAPITAL STOCK AND CONTRIBUTED SURPLUS (cont'd…)

Escrow shares

Included in issued capital stock are 768,750 common shares of the Company that are subject to the time release escrow provisions of the TSX-V. In addition 50,480 common shares are subject to another escrow agreement and may not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities.

7. STOCK OPTIONS AND WARRANTS

Stock options

The Company has a stock option plan under which it is authorized to grant stock options to executive officers and directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The exercise price of each option equals the market price of the Company's stock as calculated on the date of the grant. The options can be granted for a maximum term of 5 years and certain options to employees and consultants vest over periods of time, determined by the board of directors.

Stock option transactions for the years ended December 31, 2005 and 2004 are summarized as follows:

	Number of Options	Weighted Average Exercise Price
As at December 31, 2003	1,142,500	$ 0.45
Granted	770,000	1.40
Exercised	(117,500)	0.45
As at December 31, 2004	1,795,000	0.86
Granted	650,000	0.75
Exercised	(25,000)	0.45
Expired	(20,000)	1.02
Balance, December 31, 2005	2,400,000	$ 0.83
Options currently exercisable	2,300,000	$ 0.83

At December 31, 2005, the Company had outstanding stock options, enabling holders to acquire common shares as follows:

Number of Shares	Exercise Price	Expiry Date
1,000,000	$ 0.45	June 16, 2008
750,000	$ 1.41	March 24, 2009
650,000	$ 0.75	June 1, 2010
2,400,000		

On June 1, 2005 the Company, pursuant to its Stock Option Plan, granted stock options to purchase an aggregate 650,000 common shares at a price of $0.75 per share for a period of 5 years.

7. STOCK OPTIONS AND WARRANTS (cont'd…)

Stock-based compensation

The total stock-based compensation calculated under the fair value method was $281,720 (2004 - $566,225) using the Black-Scholes option pricing model. The stock-based compensation will be recognized over their vesting period. The stock-based compensation expense for the year was $299,317 (2004 – $583,283) leaving an unamortized balance of $6,301 (2004 – $23,898). The weighted average fair value per option granted during the year was $0.43 (2004 - $0.74). The following assumptions were used for the Black-Scholes option-pricing model calculation of stock options granted during the year:

	2005	**2004**
Risk-free interest rate	2.45%	2.26%
Expected life of	3.5 years	3.5 years
Annualized volatility	84.64%	72.82%
Dividend rate	-	-

Warrants

Warrant transactions for the years ended December 31, 2005 and 2004 are summarized as follows:

	2005	**2004**
Balance, beginning of year	3,968,377	5,174,982
Issued	95,555	1,954,000
Exercised	(36,606)	(3,160,605)
Expired	(1,977,771)	-
Balance, end of year	2,049,555	3,968,377

At December 31, 2005, the Company had outstanding share purchase warrants, enabling holders to acquire shares as follows:

Number of Shares	**Exercise Price**	**Expiry Date**
1,550,000	$ 1.20	December 3, 2006
186,000	0.95	December 3, 2006
200,000	1.20	December 22, 2006
18,000	0.95	December 22, 2006
95,555	1.20	January 18, 2007
2,049,555		

8. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued $180,000 (2004 - $170,000) for management fees to companies controlled by two directors.

b) Paid or accrued $90,000 (2004 - $85,000) for project management fees to an officer of the Company which are included in deferred exploration costs.

c) Paid or accrued $Nil (2004 - $25,603) to a company controlled by an officer for general exploration expenses.

d) Recorded $256,515 (2004 - $488,519) for stock-based compensation expense on stock options granted to directors and officers.

e) Paid or accrued $19,186 (2004 - $36,381) for legal fees which were included in professional fees and $3,957 (2004 - $14,918) for share issuance costs to a law firm of which an officer of the Company is a partner.

Included in accounts payable and accrued liabilities at December 31, 2005 is $Nil (2004-$17,297) due to a law firm of which an officer of the Company is a partner.

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

		2005		2004
Cash paid during the year for interest	$	-	$	-
Cash paid during the year for income taxes	$	-	$	-

The significant non-cash transactions for the year ended December 31, 2005 consisted of:

a) The Company recording a value of $15,636 against contributed surplus due to the exercise of stock options and warrants.

b) The Company issued 72,001 units for $72,000 which were share subscriptions received at December 31, 2004.

c) Included in mineral property costs is $101,807 incurred through accounts payable.

d) Included in mineral property costs is $8,034 for amortization of automotive and equipment.

The significant non-cash transactions for the year ended December 31, 2004 consisted of:

a) The Company recording a value of $93,548 as share issuance costs for finders' warrants.

b) Included in mineral property costs is $10,457 for amortization of automotive and equipment.

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, short term investments, receivables, and accounts payable and accrued liabilities. 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. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

Credit risk

The Company does not believe it is subject to any significant credit risk although cash is held in excess of federally insured limits, with major financial institutions.

Currency risk

The Company is exposed to currency risk by incurring certain expenditures in currencies other than the Canadian dollar. The Company does not use derivative instruments to reduce its currency risk.

11. INCOME TAXES

a). A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

		2005		**2004**
Loss before income tax recovery	$	(894,402)	$	(1,737,657)
Expected income tax (recovery)	$	(311,878)	$	(618,953)
Non-deductible items		138,415		412,916
Deductible items		(80,556)		(82,007)
Unrecognized benefits of non-capital losses		254,019		288,044
Actual income tax recovery		-		-

		2005		**2004**
Future tax assets:				
Non-capital loss carry-forwards	$	941,800	$	758,300
Capital losses		99,100		103,000
Other		198,900		291,800
Mineral property costs		966,000		769,000
		2,205,800		1,922,100
		(2,205,800)		(1,922,100)
	$	-	$	-

11. INCOME TAXES (cont'd…)

As at December 31, 2005, the Company has non-capital losses of approximately $2,760,000 for income tax purposes. The non-capital losses may be utilized to reduce future years' taxable income and expire up to 2015 if unutilized. In addition, the Company has exploration and development expenditures of approximately $2,833,000 which may be available to reduce taxable income of future years. Future tax benefits, which may arise as a result of these losses, capital losses, other and resource deductions have been offset by a valuation allowance and have not been recognized in these financial statements.

12. SEGMENTED INFORMATION

The Company operates in one business segment, the exploration of mineral properties. Geographic informaiton is as follows:

		Canada		El Salvador		Mexico		Total
2005								
Capital Assets								
Equipment	$	25,720	$	20,500	$	-	$	46,220
Mineral properties		-		2,998,096		819,769		3,817,865
2004								
Capital Assets								
Equipment	$	16,434	$	26,284	$	-	$	42,718
Mineral properties		-		1,612,754		392,276		2,005,030

13. SUBSEQUENT EVENTS

The following events occurred subsequent to December 31, 2005:

a) The Company completed a private placement to issue 5,200,000 units at $0.80 per unit for total proceeds of $4,160,000. Each unit consisted of one common share and one share purchase warrant exercisable for two years at $1.00.

   Finders' fees of $235,360 and 233,200 agent warrants are to be issued as part of the private placement with the same terms as the warrants issued in the private placement.

b) The Company granted 100,000 stock options to a consultant of the Company exercisable at $0.70 per share until January 23, 2008.