

Moydow Mines International Inc.

Consolidated Financial Statements

December 31, 2005 and 2004

(expressed in U.S. dollars, unless otherwise stated)

March 3, 2006

Management's Responsibility for Financial Reporting

The annual report and consolidated financial statements have been prepared by management who, when necessary, has made informed judgments and estimates of the outcome of events and transactions, with due consideration given to materiality. Management acknowledges its responsibility for the fairness, integrity and objectivity of all information contained in the annual report, including the consolidated financial statements.

As a means of fulfilling its responsibility, management relies on the company's system of internal control. This system has been established to ensure, within reasonable limits, that the assets are safeguarded, transactions are properly recorded and are executed in accordance with management's authorization and that the accounting records provide a solid foundation from which to prepare the consolidated financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, consisting solely of non-management directors. This committee meets periodically, reviews the scope of the external audit, the adequacy of the system of internal control and the appropriateness of the financial reporting and then makes its recommendations to the Board of Directors. Based on those recommendations, the Board of Directors approves the consolidated financial statements.

Brian Kiernan
Chief Executive Officer

March 3, 2006

Auditors' Report

To the Shareholders of Moydow Mines International Inc.

We have audited the consolidated balance sheets of **Moydow Mines International Inc.** as at December 31, 2005 and 2004 and the consolidated statements of loss, 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.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Accountants

Toronto, Ontario

Moydow Mines International Inc.

Consolidated Balance Sheets

As at December 31, 2005 and 2004

(expressed in U.S. dollars, unless otherwise stated)

	2005 \$	2004 \$
Assets		
Current assets		
Cash and cash equivalents	18,344	808,321
Newmont common shares (quoted market value - \$2,403,000; 2004 - \$6,217,400)	2,214,000	6,217,400
Accounts receivable and prepaid expenses	67,715	177,786
Current income tax recoverable	19,821	-
	<u>2,319,880</u>	<u>7,203,507</u>
Mineral properties (note 4)	3,992,612	2,064,293
Other assets (note 5)	22,104	28,904
	<u>6,334,596</u>	<u>9,296,704</u>
Liabilities		
Current liabilities		
Current income taxes	-	1,274,481
Accounts payable and accrued liabilities	593,140	379,158
	<u>593,140</u>	<u>1,653,639</u>
Future income taxes (note 8)	160,166	740,546
	<u>753,306</u>	<u>2,394,185</u>
Shareholders' Equity		
Capital stock (note 6)	16,759,055	16,480,245
Contributed surplus	414,726	402,406
Deficit	(11,592,491)	(9,980,132)
	<u>5,581,290</u>	<u>6,902,519</u>
	<u>6,334,596</u>	<u>9,296,704</u>

Nature of operations and going concern (note 1)

Commitments (note 10)

Approved by the Board of Directors

Director

Brian Kiernan

Director

Sylvester P. Boland

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

Moydow Mines International Inc.

Consolidated Statements of Loss

For the years ended December 31, 2005 and 2004

(expressed in U.S. dollars, unless otherwise stated)

	2005 \$	2004 \$
Expenses		
General and administrative	1,150,189	1,281,817
Writedown of mineral properties (note 4)	1,247,971	432,901
Stock-based compensation (note 6)	12,320	365,206
Amortization of plant and equipment	6,800	936
Foreign exchange gain	(55,490)	(181,502)
	<u>2,361,790</u>	<u>1,899,358</u>
Other income and expenses		
Loss on Newmont common shares, net	(20,868)	(894,567)
Interest income	8,419	11,534
Dividend income	26,500	42,075
	<u>14,051</u>	<u>(840,958)</u>
Loss before income taxes	(2,347,739)	(2,740,316)
Recovery of income taxes (note 8)	(735,380)	(801,551)
Loss for the year	<u>(1,612,359)</u>	<u>(1,938,765)</u>
Basic and diluted loss per common share	<u>(0.05)</u>	<u>(0.07)</u>
Weighted average number of common shares outstanding	<u>29,393,998</u>	<u>28,798,190</u>
Diluted weighted average number of common shares outstanding	<u>29,393,998</u>	<u>29,627,779</u>

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

Moydow Mines International Inc.
Consolidated Statements of Deficit
For the years ended December 31, 2005 and 2004

(expressed in U.S. dollars, unless otherwise stated)

	2005	2004
	\$	\$
Deficit - Beginning of year	(9,980,132)	(8,041,367)
Loss for the year	<u>(1,612,359)</u>	<u>(1,938,765)</u>
Deficit - End of year	<u>(11,592,491)</u>	<u>(9,980,132)</u>

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

Moydow Mines International Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2005 and 2004

(expressed in U.S. dollars, unless otherwise stated)

	2005 \$	2004 \$
Cash provided by (used in)		
Operating activities		
Loss for the year	(1,612,359)	(1,938,765)
Adjustments for non-cash items		
Writedown of mineral properties	1,247,971	432,901
Amortization of plant and equipment	6,800	936
Loss on Newmont common shares, net	20,868	894,567
Future income taxes	(580,380)	(2,076,032)
Stock-based compensation	12,320	365,206
	<u>(904,780)</u>	<u>(2,321,187)</u>
Changes in non-cash working capital		
Loan receivable	-	200,000
Accounts receivable and prepaid expenses	110,071	(9,603)
Accounts payable and accrued liabilities and income taxes	(1,080,320)	894,125
	<u>(970,249)</u>	<u>1,084,522</u>
	<u>(1,875,029)</u>	<u>(1,236,665)</u>
Investing activities		
Proceeds from sale of Newmont common shares	3,982,532	30,186,033
Exploration of mineral properties	(3,176,290)	(1,686,912)
	<u>806,242</u>	<u>28,499,121</u>
Financing activities		
Proceeds from issue of capital stock	278,810	7,795
Distribution to shareholders (note 3)	-	(27,576,000)
	<u>278,810</u>	<u>(27,568,205)</u>
Decrease in cash and cash equivalents during the year	(789,977)	(305,749)
Cash and cash equivalents - Beginning of year	808,321	1,114,070
Cash and cash equivalents - End of year	18,344	808,321
Supplemental information		
Cash income taxes paid	905,116	5,570
Cash interest paid	-	-

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

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Notes to Consolidated Financial Statements

December 31, 2005 and 2004

(expressed in U.S. dollars, unless otherwise stated)

1 Nature of operations and going concern

Moydow Mines International Inc. (Moydow or the company) is an international exploration company with primary interests in precious and industrial minerals and diamonds. Moydow's common shares are listed on both the Toronto Stock Exchange and the Alternative Investment Market of the London Stock Exchange.

The company is exploring its mineral properties and, as at December 31, 2005, had not determined the existence of economically recoverable reserves (note 4). The recoverability of the amounts shown for mineral properties is dependent upon the existence of economically recoverable mineral reserves, the preservation of the company's interest in the underlying mineral claims, the ability to obtain necessary financing, to obtain government approval and to attain profitable production or, alternatively, upon the company's ability to profitably dispose of its interests.

Changes in future conditions could require material writedowns of the carrying amounts of future expenditures. As at December 31, 2005, the company had an excess of current assets over current liabilities of \$1,726,740 and has recorded losses and net cash outflows from operations for the past two years. The company is also required to pay \$1,000,000 in the near term to keep its mineral property rights in Angola. These circumstances cast significant doubt as to the ability of the company to continue as a going concern. Management is currently pursuing several financing alternatives to secure capital. It is not possible to determine, with any certainty, the success or adequacy of these initiatives.

The financial statements of the company have been prepared on the basis that the company will continue as a going concern, which presumes that it will be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that might be necessary if the company is unable to continue as a going concern. If management is unsuccessful in securing capital, the company's assets may not be realized or its liabilities discharged at their carrying amounts and these differences could be material.

2 Summary of significant accounting policies

Basis of presentation and consolidation

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the company, its subsidiaries and a proportionate share of the company's interests in joint ventures. All significant intercompany accounts and transactions have been eliminated.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management's estimates are recoverability of mineral property deferred costs, future income taxes, estimation

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of the fair value of stock options and the carrying value of investments. Financial results as determined by actual events could differ materially from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and have maturities of three months or less at acquisition.

Investments

Investments in companies where the company has the ability to exercise significant influence over the operating, financing and investing activities of the companies are accounted for using the equity method, whereby the cost of the investment is adjusted for the company's share of post-acquisition earnings or losses of these companies.

Current asset investments are carried at the lower of cost and market value. Long-term investments in shares of other companies are carried at cost less any provision for other than temporary impairment in value.

Plant and equipment

Plant and equipment are stated at cost less accumulated amortization. Amortization is provided using the straight-line method at rates sufficient to amortize costs over the estimated useful lives of the assets, which range between four and six years. Amortization of equipment used in exploration activities has been included in exploration expenditures.

Mineral properties

Acquisition costs of mineral properties, together with direct exploration and development expenses incurred thereon, are deferred and capitalized on a property-by-property basis. Upon reaching commercial production, these capitalized costs are transferred from exploration properties to producing properties on the consolidated balance sheets and are amortized into operations using the unit-of-production method over the estimated useful lives of the estimated related ore reserves.

In the event that the long-term expectation is that the net carrying amount of these capitalized exploration costs will not be recovered, the carrying amount is written down accordingly and the writedown amount charged to operations. Such would be indicated when:

- exploration activities have ceased;
- exploration results are not promising such that exploration will not be planned for the foreseeable future;
- lease ownership rights expire; or
- insufficient funding is expected to be available to complete the exploration program.

The amount shown for mineral properties represents costs incurred to date, net of recoveries from option or joint venture participants and writedowns, and does not necessarily reflect present or future values.

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Translation of foreign currency

The consolidated financial statements are presented in U.S. dollars, unless otherwise stated. Transactions denominated in foreign currencies are translated into U.S. dollars at the rate prevailing at the date of the transactions.

At the balance sheet dates, monetary assets and liabilities denominated in foreign currencies are translated at the year-end rate of exchange. Exchange gains and losses arising on translation or settlement of foreign currency denominated monetary items are included in the determination of loss for the year.

Earnings (loss) per common share

Basic earnings (loss) per common share are computed by dividing the earnings (loss) for the year by the weighted average number of common shares outstanding during the year, including contingently issuable common shares, which are included when the conditions necessary for issuance have been met, but excluding contingently returnable common shares until all conditions necessary for their release from escrow have been satisfied. Diluted earnings (loss) per common share are calculated in a manner similar to basic earnings (loss) per common share, except the number of weighted average common shares outstanding is increased to include potential common shares from the assumed exercise of stock options and warrants, if dilutive. The number of additional common shares included in the calculation is based on the treasury stock method for stock options and warrants and on the as-if-converted method for convertible securities.

Financial instruments

As at December 31, 2005 and 2004, the carrying values of the company's cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values.

Stock-based compensation

Stock options granted to employees or external parties are recognized at fair value as an expense in equal instalments over the vesting period and an offset to contributed surplus. The expense is determined using an option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the current price and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

Cash received from the exercise of options for common shares is credited to capital stock.

Income taxes

The provision for future income taxes is based on the asset and liability method. Future income taxes arise from the recognition of the income tax consequences of temporary differences by applying statutory income tax rates applicable to future years to differences between the consolidated financial statements' carrying amounts and the income tax amounts of assets and liabilities. The company records a valuation allowance against any portion of those future income tax assets that it believes will, more likely than not, fail to be realized. Future

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income tax balances relating to expenditures funded by the issue of flow-through shares are recognized as liabilities and share issue costs when the income tax benefits are renounced.

3 Distribution to shareholders

On December 12, 2003, the Board of Directors declared a distribution to the shareholders of record of the company as at December 23, 2003 in the amount of CA\$1.25 per common share, comprising a return of capital of CA\$1.15 per common share for income tax and legal purposes, and a special dividend of CA\$0.10 per common share. The distribution was paid on January 6, 2004. On December 30, 2003, the company sold 600,000 Newmont Mining Corporation (Newmont) common shares and received cash of \$27,576,000 on January 6, 2004.

4 Mineral properties

The company, either directly or through certain joint ventures, has obligations to expend various amounts on its mineral properties and projects in order to keep its mineral property rights in good standing. All agreements are in the normal course of business.

Mineral exploration properties in Africa and North America are described below and are recorded with their carrying values as follows:

	Angola \$	Sierra Leone \$	Ghana \$	North America \$	Total \$
Balance - December 31, 2003	-	-	185,340	541,242	726,582
Costs	390,015	267,403	454,259	658,935	1,770,612
Writedown	(18,175)	-	(32,977)	(381,749)	(432,901)
Balance - December 31, 2004	371,840	267,403	606,622	818,428	2,064,293
Costs	1,399,727	1,373,725	302,530	100,308	3,176,290
Writedown	-	-	(329,235)	(918,736)	(1,247,971)
Balance - December 31, 2005	1,771,567	1,641,128	579,917	-	3,992,612

a) Angola, Africa

Dala project, Angola

The company is party to two separate exploration projects with the same partners on the Dala property in Angola, relating to the exploration for alluvial and kimberlite diamonds.

Alluvial diamonds

On October 1, 2004, the company signed an agreement with Empresa Nacional De Diamantes De Angola (Endiama), the Angolan state diamond mining company and Cimader-Comercio Geral Limitada (Cimader), a local Angola company, to explore for alluvial diamonds on the Dala concession, located near

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the town of Saurimo, in north-east Angola. The concession comprises 3,000 square kilometres. To obtain a 33% interest, the company will have to incur expenditures of not less than \$5,000,000 on or before October 1, 2007. Cimader and Endiama have a free carried interest in the project.

The company entered into a separate agreement with Concord Minerals LLC (Concord), a private Nevada company, whereby Concord has the right to earn up to 50% of Moydow's interest in the concession by funding exploration expenditures under Moydow's agreement with Endiama and Cimader.

The company's cumulative expenditures to December 31, 2005 amounted to \$1,838,615 of which \$1,466,775 was incurred during 2005. Concord's cumulative expenditures to December 31, 2005 amounted to \$688,797.

Kimberlite

On December 16, 2005, the company signed another agreement with Endiama and Cimader to explore for kimberlite (primary) diamonds on the Dala concession. Under the terms of the agreement, the company can earn 40% interest in the concession with the remaining percentages held by Endiama and Cimader. To obtain its interest, the company will have to incur expenditures of not less than \$10,000,000 on or before January 14, 2009. Cimader and Endiama have a free carried interest in the project. The granting of the licence is subject to the receipt of Angolan regulatory approval.

The company also has an agreement with Concord, whereby Concord has the right to earn up to 50% of Moydow's interest in the kimberlite concession, by funding exploration expenditures under Moydow's agreement with Endiama and Cimader.

No amounts had been expended by Moydow or Concord to December 31, 2005.

b) Sierra Leone, West Africa

Port Loko property, Sierra Leone

On September 8, 2004, the company entered into an option agreement with Gondwana Investments Limited (Gondwana), a company incorporated in Luxembourg. The agreement allows Moydow to acquire up to a 60% interest in the Port Loko bauxite deposit in Sierra Leone, West Africa, provided that Moydow spends \$1,000,000 in exploration work and produces and delivers a feasibility study on or before June 30, 2006. Under the terms of the agreement, Moydow also issued 150,000 common shares and 200,000 warrants. The warrants, which expire in 2006, have a strike price of CA\$0.38. The agreement covers only bauxite and no other minerals on the property. Cumulative expenditures by the company to December 31, 2005 amounted to \$1,641,128, of which \$1,373,725 was incurred in 2005.

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c) Ghana, West Africa

Ntotoroso property, Ghana

On December 8, 2003, the company sold its wholly owned subsidiary, Moydow Limited (Isle of Man), which, following an internal restructuring, owned the company's 50% joint venture interest in the Ntotoroso property but no other mineral properties, to Newmont.

In connection with the sale, the company entered into a royalty agreement, whereby the company acquired the right to a net smelter return royalty of 2% on all recovered ounces of gold and silver produced from the Ntotoroso property after the first 1.2 million gold equivalent ounces in consideration for \$250,000. No value has been ascribed to the royalty rights acquired by the company.

Kanyankaw property, Ghana

On October 3, 2005, the company was granted a two-year extension to its prospecting licence with respect to the Kanyankaw property by the Minister for Lands, Forestry and Mines in Ghana. The carrying value of the Kanyankaw property was written off in 2005 in the amount of \$329,235, of which \$29,820 was incurred during 2005, as exploration results are not promising such that exploration will not be planned for the foreseeable future.

Hwidem property, Ghana

On October 3, 2005, the company was granted a two-year extension to its prospecting licence with respect to the Hwidem property by the Minister for Lands, Forestry and Mines in Ghana. The licence area covers 24.7 square kilometres and it adjoins the Kenyase-Ntotoroso area currently under lease to Rank Mining Company Limited, a subsidiary of Newmont. The company incurred exploration expenditures on this property of \$59,467 in 2005. The minimum exploration expenditures required to be spent by the end of the extension in order to maintain the licence are \$523,000, of which \$341,527 had been spent as at December 31, 2005. If gold mineralization does not exist in sufficient quantities in the area to warrant completion of the work program, the company is not liable for any shortfall of the minimum exploration expenditures.

Okumpreko property, Ghana

On September 17, 2004, the company signed an agreement with PW Limited, an international engineering and mining contractor. Under the terms of the agreement, the company can earn a majority interest in the Nyaduom and Kushea mining leases, which are collectively known as the Okumpreko gold project. The leases, which extend to 2020, have a combined area of 93 square kilometres. Under the terms of the agreement, the company earns a 40% interest in the project in return for incurring direct exploration expenditures of \$250,000 within one year of signing the agreement. Following this, the company can increase its interest to 51% by incurring further exploration expenditures of \$250,000 within two years of signing the agreement. Management is currently negotiating an extension to the terms of the agreement.

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Cumulative expenditures to December 31, 2005 amounted to \$238,390, of which \$213,243 was incurred during 2005.

d) North America

Newfoundland and Labrador

During 2003, the company signed an agreement with Cornerstone Capital Resources Inc. (Cornerstone) in relation to a group of claims located in south-central Newfoundland and Labrador. As exploration results are not promising, the company has written off its investment in the amount of \$874,608 in 2005.

Altius Baie d'Espoir property

On March 10, 2004, the company signed an agreement with Altius Resources Inc. (Altius) for an option to earn up to 80% interest in the Altius Baie d'Espoir property located in south-central Newfoundland and Labrador. As exploration results are not promising, in 2005 the company has written off its investment in the amount of \$36,033.

Other properties - North America

During 2005, the company incurred and wrote off costs of \$8,095 (2004 - \$54,082) relating to general exploration.

Botwood Basin property

During 2004, the company decided not to continue with the renewal application of the Botwood Basin licence, located in central Newfoundland and Labrador, as exploration results were not promising, and it has written off its investment in the amount of \$308,319.

5 Other assets

	2005 \$	2004 \$
Plant and equipment - at cost	157,623	157,623
Less: Accumulated amortization	152,933	146,133
Net book value	4,690	11,490
Investments - (quoted market value - \$83,709; 2004 - \$74,800)	17,414	17,414
	<u>22,104</u>	<u>28,904</u>

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(expressed in U.S. dollars, unless otherwise stated)

6 Capital stock

Authorized

Unlimited number of common shares

Issued

	Number of shares	\$
Balance - December 31, 2003	28,784,382	16,425,950
Issue of shares - July 17, 2004	30,000	7,795
Issuable shares	<u>150,000</u>	<u>46,500</u>
Balance - December 31, 2004	28,964,382	16,480,245
Issue of shares - July 19, 2005	60,000	10,348
Issue of shares for cash - September 30, 2005	<u>1,596,193</u>	<u>268,462</u>
Balance - December 31, 2005	<u><u>30,620,575</u></u>	<u><u>16,759,055</u></u>

In 2005, the company issued 60,000 shares in connection with the acquisition of its interest in the Altius Baie d'Espoir property.

In 2004, the company agreed to issue 150,000 shares in connection with the acquisition of its interest in the Port Loko property. These shares were issued in 2005.

Stock options

Stock option plan

The company has a stock option plan (the plan), which has been approved by the shareholders, that allows the company to grant up to 4,000,000 stock options to officers, directors, employees and consultants. Under the plan, options are non-assignable and may be granted for a term not exceeding ten years. The number of common shares that may be reserved for issuance to any one person pursuant to options must not exceed 5% of the outstanding common shares. The exercise price of an option may not be lower than the closing price of the common shares on the Toronto Stock Exchange on the business day immediately proceeding the date the options are granted.

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Movements in stock options of the company are set out in the table below:

	Number of stock options	Weighted average exercise price CA\$
Balance - December 31, 2003	1,255,000	1.79
Granted	2,000,000	0.33
Expired	<u>(20,000)</u>	1.15
Balance - December 31, 2004	3,235,000	0.89
Granted	100,000	0.23
Expired	<u>(1,235,000)</u>	1.79
Balance - December 31, 2005	<u>2,100,000</u>	0.33

The stock options are exercisable as follows:

Number of stock options exercisable and outstanding	Exercise price CA\$	Expiry date
2,000,000	0.33	August 13, 2009
100,000	0.23	June 26, 2010
<u>2,100,000</u>		

Stock-based compensation

The estimated fair value of the 100,000 stock options issued on June 16, 2005 was CA\$15,250 (CA\$0.15 per option).

The fair value of each stock option granted in 2004 and 2005 was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Risk-free interest rate	3.75%
Expected life	5 years
Estimated volatility	80.00%
Dividend yield	nil%

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Warrants

In 2004, the company agreed to issue 200,000 warrants for the purchase of 200,000 common shares at a strike price of CA\$0.38, with a value of \$37,200, expiring in 2006. These warrants were issued in connection with the Port Loko bauxite deposit (note 4(b)).

7 Related party transactions

Related party transactions relate primarily to the payment of fees under contracts for services with companies in which a Moydow director is a shareholder and director. The company was charged a total of \$251,597 during 2005 (2004 - \$492,880) with respect to drilling and administration services. Included in accounts payable and accrued liabilities as at December 31, 2005 is \$35,696 (2004 - \$26,819) payable to these related parties for such services.

The company's primary legal counsel is a firm in which a director of the company is a partner. The company was charged \$68,101 during 2005 (2004 - \$49,521) for legal services provided by this firm. Included in accounts payable and accrued liabilities as at December 31, 2005 is \$57,053 (2004 - \$nil) with respect to such services.

These transactions are made in the normal course of business.

8 Income taxes

The effective rate of income taxes recorded in the consolidated statements of loss differs from the normal combined rate of federal and provincial income taxes, as follows:

	2005 %	2004 %
Combined basic federal and Ontario income tax rate	36.12	36.12
Increase (decrease) in rate resulting from		
Currency translation adjustments	(1.14)	(4.59)
Foreign tax rate differential	(1.85)	-
Tax-free portion of gains	(1.72)	(3.43)
Prior year's income tax losses recognized	6.49	-
Prior year's income tax asset recognized	(0.73)	-
Stock-based compensation and other non-deductible items	(0.42)	1.15
Increase in valuation allowance	(5.43)	-
	(4.80)	(6.87)
Effective income tax rate	31.32	29.25

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(expressed in U.S. dollars, unless otherwise stated)

	2005 \$	2004 \$
Current income tax (recovery) expense	(155,000)	1,274,481
Future income tax recovery	(580,380)	(2,076,032)
	<u>(735,380)</u>	<u>(801,551)</u>

Future income taxes are applicable to the following temporary differences:

	2005 \$	2004 \$
Plant and equipment, subject to amortization	(3,844)	(8,229)
Currency translation adjustments	1,850	243,055
Investments	219,104	542,156
Other	(56,944)	(36,436)
	<u>160,166</u>	<u>740,546</u>

9 Segmented disclosures

The company has one reportable operating segment, being the exploration of mineral properties in the geographic areas disclosed in note 4.

10 Commitments

On October 24, 2005, the company appointed Chlumsky Armbrust & Meyer (CAM) to prepare a Bankable Feasibility Study on the Port Loko bauxite deposit in Sierra Leone, West Africa. CAM estimated the cost for the Bankable Feasibility Study to be \$145,000, of which \$16,243 was incurred during 2005.

On January 14, 2006, pursuant to the agreement with Endiama (note 4(a)), Moydow paid \$1,000,000 to the Angolan state diamond mining company. In order for the deposit to be refunded to Moydow, Moydow must incur expenditures of \$1,000,000 within six months of making the deposit.

11 Subsequent events

On February 28, 2006, the company reached an agreement with Diamond Fields International Ltd. (Diamond Fields), pursuant to which, Moydow's common shareholders will exchange their Moydow securities for securities of Diamond Fields (the acquisition). Diamond Fields is engaged in mineral exploration and development worldwide.

As a condition to the acquisition, Moydow is required to complete a private equity placement (the placing) to raise net proceeds of at least \$1.8 million. Upon completion of the placing and the satisfaction of all conditions and regulatory requirements, Moydow's shareholders will exchange all of their Moydow common shares, including shares to be issued, as part of the placing for a total of 75,412,208 Diamond Fields' shares, with warrants and options of Moydow being exchanged for warrants and stock options of Diamond Fields in

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(expressed in U.S. dollars, unless otherwise stated)

proportion to the share exchange. Diamond Fields will acquire all of the issued shares of Moydow and the shares to be issued pursuant to the placing. Diamond Fields currently has outstanding 113,118,312 common shares. Upon completion of the proposed acquisition, Diamond Fields will have 188,530,520 common shares in issue, of which Moydow's shareholders (including the shareholders pursuant to the placing) will own 40%.

The acquisition is subject to, among other things, full due diligence examination, receipt of all necessary regulatory, court and stock exchange approvals, Moydow's shareholders' approval, a valuation and/or fairness opinion by each company and lock-up agreements executed by the chairman and chief executive officer of Moydow under which they have agreed to vote in favour of the merger and entry of the parties into a definite agreement. In the event that the merger is not completed under certain circumstances, the party who terminates the agreement will be required to pay to the other a break fee of \$250,000.

12 Comparative figures

Certain comparative figures have been reclassified to be consistent with the current year's consolidated financial statement presentation.