

Moydow Mines International Inc.

Consolidated Financial Statements

December 31, 2006 and 2005

(expressed in US Dollars, unless otherwise stated)

March 30, 2007

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.

“Signed”

Brian Kiernan
Chief Executive Officer

March 30, 2007

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, 2006 and 2005 and the consolidated statements of loss 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

“Signed”

Chartered Accountants

Toronto, Ontario

Moydow Mines International Inc.

Consolidated Balance Sheets

As at December 31, 2006 and 2005

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

	2006 \$	2005 \$
Assets		
Current assets		
Cash and cash equivalents	143,046	18,344
Newmont common shares (2005 quoted market value - \$2,403,000)	-	2,214,000
Accounts receivable and prepaid expenses	99,245	67,715
Current income tax recoverable	101,641	19,821
	<u>343,932</u>	<u>2,319,880</u>
Mineral properties (note 4)	7,993,987	3,992,612
Other assets (note 5)	20,108	22,104
	<u>8,358,027</u>	<u>6,334,596</u>
Liabilities		
Current liabilities		
Loan (note 10)	1,433,601	-
Accounts payable and accrued liabilities	1,148,007	593,140
	<u>2,581,608</u>	<u>593,140</u>
Future income taxes (note 8)	-	160,166
	<u>2,581,608</u>	<u>753,306</u>
Shareholders' Equity		
Capital stock (note 6)	18,014,363	16,759,055
Contributed surplus	414,726	414,726
Deficit	(12,652,670)	(11,592,491)
	<u>5,776,419</u>	<u>5,581,290</u>
	<u>8,358,027</u>	<u>6,334,596</u>

Nature of operations and going concern (note 1)

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

Moydow Mines International Inc.

Consolidated Statements of Loss and Deficit For the years ended December 31, 2006 and 2005

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

	2006 \$	2005 \$
Expenses		
Due diligence (note 3)	401,902	-
General and administrative	917,338	1,150,189
Writedown of mineral properties (note 4)	404,222	1,247,971
Stock-based compensation (note 6)	-	12,320
Amortization of property, plant and equipment	1,996	6,800
Foreign exchange gain	(30,021)	(55,490)
	<u>1,695,437</u>	<u>2,361,790</u>
Other income and expenses		
Gain/(loss) on Newmont common shares, net	306,882	(20,868)
Interest income	10,774	8,419
Dividend income	850	26,500
	<u>318,506</u>	<u>14,051</u>
Loss before income taxes	(1,376,931)	(2,347,739)
Income tax recovery (note 8)	(316,752)	(735,380)
Loss for the year	<u>(1,060,179)</u>	<u>(1,612,359)</u>
Basic and diluted loss per common share	<u>(0.03)</u>	<u>(0.05)</u>
Weighted average number of common shares outstanding (basic and diluted)	<u>33,074,415</u>	<u>29,393,998</u>
	2006 \$	2005 \$
Deficit - Beginning of year	(11,592,491)	(9,980,132)
Loss for the year	<u>(1,060,179)</u>	<u>(1,612,359)</u>
Deficit - End of year	<u>(12,652,670)</u>	<u>(11,592,491)</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, 2006 and 2005

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

	2006 \$	2005 \$
Cash provided by (used in)		
Operating activities		
Loss for the year	(1,060,179)	(1,612,359)
Adjustments for non-cash items		
Writedown of mineral properties	404,222	1,247,971
Amortization of property, plant and equipment	1,996	6,800
Gain/ (loss) on Newmont common shares, net	(306,882)	20,868
Future income taxes	(160,166)	(580,380)
Stock-based compensation	-	12,320
	<u>(1,121,009)</u>	<u>(904,780)</u>
Changes in non-cash working capital		
Accounts receivable and prepaid expenses	(31,530)	110,071
Accounts payable and accrued liabilities and income taxes	473,047	(1,080,320)
	<u>441,517</u>	<u>(970,249)</u>
	<u>(679,492)</u>	<u>(1,875,029)</u>
Investing activities		
Proceeds from sale of Newmont common shares	2,520,882	3,982,532
Exploration of mineral properties	(4,405,597)	(3,176,290)
	<u>(1,884,715)</u>	<u>806,242</u>
Financing activities		
Proceeds from issue of capital stock	1,255,308	278,810
Loan	1,433,601	-
	<u>2,688,909</u>	<u>278,810</u>
Increase in cash and cash equivalents during the year	124,702	(789,977)
Cash and cash equivalents - Beginning of year	18,344	808,321
Cash and cash equivalents - End of year	<u>143,046</u>	<u>18,344</u>
Supplemental information		
Cash income taxes paid	-	905,116
Cash interest paid	-	-

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

Moydow Mines International Inc.

Notes to Consolidated Financial Statements December 31, 2006 and 2005

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

1 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, 2006, 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.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. As at December 31, 2006, the company had an excess of current liabilities over current assets of \$2,237,676 and has recorded losses and net cash outflows from operations for the past two years. The company is also required to make expenditures (as outlined in note 4 to the financial statements) in the near term to keep its mineral property rights in Angola. The company will have to secure additional financing to meet its required commitments. These circumstances lend substantial doubt as to the ability of the company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

In recognition of these circumstances, the company is exploring various initiatives to secure capital so that Moydow can continue as a going concern. It is not possible to determine, with any certainty, the success, adequacy or sufficiency of these initiatives.

The company's ability to continue as a going concern is dependent upon its ability to fund its working capital and exploration requirements and eventually to generate positive cash flows, either from operations or sale of a property. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

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Notes to Consolidated Financial Statements

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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 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.

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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.

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

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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, 2006 and 2005, 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

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tax assets that it believes will, more likely than not, fail to be realized. Future 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 Due Diligence

On March 1, 2006, the company announced that it had reached an agreement with Diamond Fields International Ltd. (“Diamond Fields”) effective February 28, 2006; pursuant to which, Moydow common shareholders would have exchanged their Moydow securities for securities of Diamond Fields (“the acquisition”). The acquisition was subject to, among other things, receipt of all necessary regulatory, court and stock exchange approvals, Moydow’s shareholder approval, a valuation and/or fairness opinion by each company and lock-up agreements executed by the chairman and chief executive officer of the company under which they have agreed to vote in favour of the merger and entry of the parties into a definite agreement. As all the necessary stipulations required under the terms of agreement were not reached by May 31, 2006, the agreement was automatically terminated. The company incurred transaction and due diligence expense of \$401,902 in connection with this transaction.

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, 2004	371,840	267,403	606,622	818,428	2,064,293
Capitalized 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
Capitalized costs	3,147,686	945,367	312,544	-	4,405,597
Writedown	-	-	(404,222)	-	(404,222)
Balance - December 31, 2006	4,919,253	2,586,495	488,239	-	7,993,987

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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 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 exploration phase of the project.

The company entered into a separate agreement with Concord Minerals LLC (Concord), a private Nevada company, whereby Concord was granted 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. However, Concord has not exercised this right in full and it presently holds a 15% interest in the Moydow-Concord agreement.

The company's cumulative expenditures on the alluvial licence to December 31, 2006 amounted to \$3,255,610 of which \$1,484,043 was incurred during 2006 (\$1,466,775 was incurred during 2005). In addition, Concord cumulative expenditures to December 31, 2006 amounted to \$688,797 (\$688,797 -December 31, 2005).

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 exploration phase of the project. The granting of the licence was ratified by the Angolan Council of Ministers on October 18th, 2006 and was

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subject to the company making a deposit of \$1m with the Angolan government. The deposit was made in 2006 and may be refunded provided that Moydow meet certain conditions. The deposit has been included as a component of the cost to acquire an interest in the Dala project.

The company also has an agreement with Concord, whereby Concord was granted 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. As in the case of the alluvials, Concord has not exercised its right in full and its interest presently stands at 15% in the Moydow-Concord agreement.

The company's cumulative expenditures on the kimberlite licence to December 31, 2006 amounted to \$1,663,643 of which \$1,663,643 was incurred during 2006. Concord's cumulative expenditures to December 31, 2006 amounted to \$nil.

b) Sierra Leone, West Africa

Port Loko property, Sierra Leone

The company has a 50% interest in the Port Loko bauxite exploration project in Sierra Leone, West Africa. The other 50% interest in the project is held by Gondwana Investments Limited (Gondwana), a company incorporated in Luxembourg.

The company has applied to the Sierra Leone government for a renewal of its licence in respect of its activity at Port Loko and expects to receive the licence in mid 2007. In the event that the licence is not renewed, the company will be required to write-off its investment in this project.

Cumulative expenditures by the company to December 31, 2006 amounted to \$2,586,495 of which \$945,367 was incurred in 2006.

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

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 Mining Corporation ("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, 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 licence expires on October 2, 2007. The company incurred exploration expenditures on this property of \$146,712 in 2006. 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 \$488,239 had been spent as at December 31, 2006. 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.

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

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. On January 23, 2007, the Minerals Commission cancelled the mining lease for non-performance. The company wrote off its investments in the amount of \$404,222, of which \$165,832 was incurred during 2006.

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 were not promising, the company wrote 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 were not promising, the company wrote off its investment in the amount of \$36,033 in 2005.

Other properties - North America

During 2005, the company incurred and wrote off costs of \$8,095 relating to general exploration.

5 Other assets

	2006	2005
	\$	\$
Plant and equipment - at cost	157,623	157,623
Less: Accumulated amortization	154,929	152,933
	<hr/>	<hr/>
Net book value	2,694	4,690

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Investments - (quoted market value: 2006-\$95,133, 2005 - \$83,709)	17,414	17,414
	<u>20,108</u>	<u>22,104</u>

6 Capital stock

Authorized
Unlimited number of common shares

Issued

	Number of shares	\$
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	30,620,575	16,759,055
Issue of shares – September 6, 2006	<u>7,655,143</u>	<u>1,255,308</u>
	<u>38,275,718</u>	<u>18,014,363</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 2006, the company issued 7,655,143 common shares at a price of Cdn\$0.18 per share pursuant to a private placement. Of this total, 3,062,057 have been issued to parties at 'non-arm's length' to the company and 4,593,080 have issued to parties at 'arm's length' to the company.

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

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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.

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

	Number of stock options	Weighted average exercise price Cdn\$
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	2,100,000	0.33
Expired	<u>(500,000)</u>	0.31
Balance - December 31, 2006	<u>1,600,000</u>	0.33

The stock options are exercisable as follows:

Number of stock options exercisable and outstanding	Exercise price Cdn\$	Expiry date
1,600,000	0.33	August 13, 2009

Stock-based compensation

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

The fair value of each stock option granted in 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%
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Expected life	5 years
Estimated volatility	80.00%
Dividend yield	Nil%

Warrants

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

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 \$390,848 during 2006 (2005 - \$251,597) with respect to drilling and administration services. Included in accounts payable and accrued liabilities as at December 31, 2006 is \$614,712 (2005 - \$35,696) payable to these related parties.

The company's primary legal counsel is a firm in which directors of the company are partners. The company was charged \$248,974 during 2006 (2005 - \$68,101) for legal services provided by this firm.

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:

	2006 %	2005 %
Combined basic federal and Ontario income tax rate	36.12	36.12
Increase (decrease) in rate resulting from		
Currency translation adjustments	0.97	(1.14)
Foreign tax rate differential	(2.44)	(1.85)
Tax-free portion of gains	3.95	(1.72)

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Prior year's income tax losses recognized	6.91	6.49
Prior year's income tax asset recognized	2.86	(0.73)
Stock-based compensation and other non-deductible items	(3.70)	(0.42)
Increase in valuation allowance	(21.75)	(5.43)
	<u>13.22</u>	<u>(4.80)</u>
Effective income tax rate	<u>22.90</u>	<u>31.32</u>

	2006	2005
	\$	\$
Current income tax (recovery) expense	(156,636)	(155,000)
Future income tax (asset)/liability	(160,116)	(580,380)
	(316,752)	(735,380)

Future income taxes are applicable to the following temporary differences:

	2006	2005
	\$	\$
Plant and equipment, subject to amortization	3,007	3,844
Currency translation adjustments	-	(1,850)
Investments	-	(219,104)
Organizational costs and financing fees	118,110	-
Other	62,400	56,944
Future income tax asset (liabilities)	183,517	(160,166)
Valuation allowance	<u>(183,517)</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.

Moydow Mines International Inc.

Notes to Consolidated Financial Statements

December 31, 2006 and 2005

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

10 Loan

During 2006, the company entered into an unsecured loan agreement with certain parties. The company was advanced \$1,433,601 (including \$127,685 for related parties) which is repayable on demand. The loan is non-interest bearing. On March 29, 2007 the company reached agreement with its lenders to convert the outstanding debt into common shares of the company at Cdn\$0.20 per share subject to among other things receipt of all necessary regulatory and stock exchange approval.

11 Comparative figures

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