

PATRICK INDUSTRIES INC
Form 10-Q
November 05, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

**(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 27, 2015

OR

**() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 000-03922

PATRICK INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

INDIANA
(State or other jurisdiction of
incorporation or organization)

35-1057796
(I.R.S. Employer
Identification No.)

107 WEST FRANKLIN STREET, P.O. Box 638, ELKHART, IN
(Address of principal executive offices)

46515
(ZIP Code)

(574) 294-7511
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 23, 2015, there were 15,553,338 shares of the registrant's common stock outstanding.

PATRICK INDUSTRIES, INC.

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

	<u>Page No.</u>
ITEM 1. FINANCIAL STATEMENTS	
Condensed Consolidated Statements of Financial Position (Unaudited) September 27, 2015 and December 31, 2014	3
Condensed Consolidated Statements of Income (Unaudited) Third Quarter and Nine Months Ended September 27, 2015 and September 28, 2014	4
Condensed Consolidated Statements of Cash Flows (Unaudited) Nine Months Ended September 27, 2015 and September 28, 2014	5
Notes to Condensed Consolidated Financial Statements (Unaudited)	6
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	17
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	29
ITEM 4. CONTROLS AND PROCEDURES	30
<u>PART II. OTHER INFORMATION</u>	
ITEM 1A. RISK FACTORS	30
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	30
ITEM 6. EXHIBITS	31
SIGNATURES	32

PART 1: FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****PATRICK INDUSTRIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Unaudited)**

(thousands)	As of	
	Sept. 27, 2015	Dec. 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$1,410	\$123
Trade receivables, net	63,301	32,637
Inventories	96,183	71,020
Deferred tax assets	6,174	4,563
Prepaid expenses and other	3,579	6,453
Total current assets	170,647	114,796
Property, plant and equipment, net	66,661	57,353
Goodwill	78,331	31,630
Other intangible assets, net	100,381	49,544
Deferred financing costs, net	2,566	1,024
Other non-current assets	562	1,214
TOTAL ASSETS	\$419,148	\$255,561
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Current maturities of long-term debt	\$10,714	\$-
Accounts payable	34,686	29,754
Accrued liabilities	21,957	15,388
Total current liabilities	67,357	45,142
Long-term debt, less current maturities	214,107	101,054
Deferred compensation and other	2,155	2,239
Deferred tax liabilities	3,290	4,358
TOTAL LIABILITIES	286,909	152,793
SHAREHOLDERS' EQUITY		
Common stock	57,933	54,769
Additional paid-in-capital	8,444	7,459
Accumulated other comprehensive income	31	31
Retained earnings	65,831	40,509

TOTAL SHAREHOLDERS' EQUITY	132,239	102,768
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$419,148	\$255,561

See accompanying Notes to Condensed Consolidated Financial Statements.

3

PATRICK INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(thousands except per share data)	Third Quarter Ended		Nine Months Ended	
	Sept. 27, 2015	Sept. 28, 2014 (1)	Sept. 27, 2015 (1)	Sept. 28, 2014 (1)
NET SALES	\$214,805	\$188,138	\$671,674	\$546,143
Cost of goods sold	179,764	158,110	560,846	457,149
GROSS PROFIT	35,041	30,028	110,828	88,994
Operating Expenses:				
Warehouse and delivery	6,669	6,842	20,154	19,613
Selling, general and administrative	10,805	9,339	33,543	26,604
Amortization of intangible assets	2,354	1,408	5,995	3,036
(Gain) loss on sale of fixed assets	11	(51)	-	(27)
Total operating expenses	19,839	17,538	59,692	49,226
OPERATING INCOME	15,202	12,490	51,136	39,768
Interest expense, net	1,153	694	2,855	1,750
Income before income taxes	14,049	11,796	48,281	38,018
Income taxes	5,089	4,542	18,098	14,637
NET INCOME	\$8,960	\$7,254	\$30,183	\$23,381
BASIC NET INCOME PER COMMON SHARE	\$0.58	\$0.45	\$1.97	\$1.46
DILUTED NET INCOME PER COMMON SHARE	\$0.58	\$0.45	\$1.95	\$1.45
Weighted average shares outstanding - Basic	15,342	15,986	15,327	16,033
- Diluted	15,532	16,081	15,507	16,115

(1) Net income per common share and weighted average shares outstanding, on both a basic and diluted basis, reflect the impact of the three-for-two common stock split paid on May 29, 2015.

See accompanying Notes to Condensed Consolidated Financial Statements.

PATRICK INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(thousands)	Nine Months Ended	
	Sept. 27, 2015	Sept. 28, 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$30,183	\$23,381
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,796	4,282
Amortization of intangible assets	5,995	3,036
Stock-based compensation expense	3,426	2,460
Deferred income taxes	(2,679)	20
Other non-cash items	593	507
Change in operating assets and liabilities, net of business acquisitions:		
Trade receivables	(17,648)	(15,175)
Inventories	(3,695)	(8,305)
Prepaid expenses and other	3,044	1,382
Accounts payable and accrued liabilities	580	11,852
Payments on deferred compensation obligations	(255)	(240)
Net cash provided by operating activities	25,340	23,200
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(4,731)	(4,184)
Proceeds from sale of property and equipment	100	97
Business acquisitions	(139,168)	(62,620)
Other investing activities	651	(43)
Net cash used in investing activities	(143,148)	(66,750)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on revolver and term loan, net	126,446	52,261
Payments on term loan	(2,679)	-
Payment of deferred financing costs	(1,887)	(93)
Stock repurchases under buyback program	(5,650)	(6,928)
Realization of excess tax benefit on stock-based compensation	1,080	1,071
Proceeds from exercise of stock options, including tax benefit	1,861	26
Other financing activities	(76)	(109)
Net cash provided by financing activities	119,095	46,228
Increase in cash and cash equivalents	1,287	2,678
Cash and cash equivalents at beginning of year	123	34
Cash and cash equivalents at end of period	\$1,410	\$2,712

See accompanying Notes to Condensed Consolidated Financial Statements.

PATRICK INDUSTRIES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. BASIS OF PRESENTATION

In the opinion of Patrick Industries, Inc. (“Patrick” or the “Company”), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to present fairly the Company’s financial position as of September 27, 2015 and December 31, 2014, and its results of operations and cash flows for the three and nine months ended September 27, 2015 and September 28, 2014.

Patrick’s unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules or regulations. For a description of significant accounting policies used by the Company in the preparation of its consolidated financial statements, please refer to Note 2 of the Notes to Consolidated Financial Statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. The December 31, 2014 condensed consolidated statement of financial position data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. Operating results for the third quarter and nine months ended September 27, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015. Certain prior year amounts have been reclassified to conform to the current year presentation.

In preparation of Patrick’s condensed consolidated financial statements as of and for the third quarter and nine months ended September 27, 2015, management evaluated all material subsequent events or transactions that occurred after the balance sheet date through the date of issuance of the Form 10-Q for potential recognition or disclosure in the consolidated financial statements. See Note 12 for events that occurred subsequent to the balance sheet date.

The number of shares and per share amounts for the third quarter and nine months ended September 28, 2014 have been retroactively adjusted to reflect the three-for-two stock split of the Company's common stock, which was effected in the form of a common stock dividend paid on May 29, 2015.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued new accounting guidance on revenue from contracts with customers, which will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principal of the guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract.

The guidance permits two methods of transition upon adoption: full retrospective and modified retrospective. Under the full retrospective method, prior periods would be restated under the new revenue standard, providing a comparable view across all periods presented. Under the modified retrospective method, prior periods would not be restated. Rather, revenue and other disclosures for periods prior to the effective date would be provided in the notes to the financial statements as previously reported under the current revenue standard.

In August 2015, the FASB issued final revised guidance that defers the effective date of the revenue recognition standard to be for annual and interim periods beginning after December 15, 2017. The Company is currently evaluating both the effect of adopting this new accounting guidance and determining the appropriate method of transition it will use to apply the new standard. It has not yet determined the impact, if any, that the implementation of this guidance will have on its condensed consolidated financial statements.

Stock Compensation

In June 2014 the FASB issued revised guidance on accounting for share-based payments that will require that a performance target that affects vesting and could be achieved after the requisite service period be treated as a performance condition. The revised guidance is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted. The Company is currently evaluating the provisions of this guidance and has not yet determined the impact, if any, that the implementation of this guidance will have on its condensed consolidated financial statements.

Debt Issuance Costs

In April 2015, the FASB issued guidance that would require that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The guidance is effective for financial statements issued for annual and interim periods beginning after December 15, 2015 and early adoption is permitted.

The guidance should be applied on a retrospective basis in which the statement of financial position of each period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. These disclosures include the nature of and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted, and the effect of the change on the financial statement line items (i.e., debt issuance cost asset and the debt liability). Upon adoption of the new guidance, assets related to deferred financing/debt issuance costs will be reclassified and presented net of debt outstanding. The Company plans to adopt the guidance in the first quarter of 2016.

Inventory

In July 2015, the FASB issued new accounting guidance for measuring the value of inventory. The core principal of the guidance is that an entity should measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion,

disposal, and transportation. This guidance does not apply to inventory that is being measured using the Last-In, First-Out (LIFO) or the retail inventory method.

The guidance is effective for financial statements issued for annual and interim periods beginning after December 15, 2016 on a prospective basis. Early adoption is permitted. The adoption of this guidance is not expected to have a material impact on the Company's condensed consolidated financial statements.

Business Combinations

In September 2015, the FASB issued new accounting guidance on business combinations simplifying the accounting for measurement-period adjustments. This new guidance requires an acquirer to recognize adjustments for provisional amounts that are identified during the measurement period of an acquisition in the reporting period in which the adjustment amounts are determined. The guidance is effective for financial statements issued for annual and interim periods beginning after December 15, 2015. The Company is currently evaluating the provisions of this guidance and has not yet determined the impact, if any, that the implementation of this guidance will have on its condensed consolidated financial statements.

pt solid #000000" valign=bottom width=312 rowspan=2>

Years Ended November 30

2006

2005

(re-stated)

2004

Peru

Acquisition

\$

1,200,005

\$

-

\$

426,606

Exploration

-

8,562

58,241

Argentina

Acquisition

451,000

263,760

Exploration

4,086,316

884,403

Canada

Acquisition

403,000

178,000

Exploration

735,158

568,712

Nevada, USA, Properties

Acquisition

-

-

-

Exploration

-

578

19,415

Less amounts written off

-

(9,140)

(504,262)

Total mineral properties

\$

6,875,479

\$

1,894,875

\$

-

Fiscal Year Ended November 30, 2005

During the fiscal year ended November 30, 2005, the Company incurred a loss of \$3,176,055 compared to \$1,630,322 in the prior year. The loss in 2005 increased by \$1,545,733 and was primarily comprised of the following expense changes: stock-based compensation decreased (\$335,362 vs. \$549,360) due to the different nature and timing of stock option grants, while exploration costs of \$1,798,184 increased significantly and are related to the gold and uranium properties acquired by the Company in 2005. The 2004 expenditures were primarily on the Amata property in Peru which was disposed of in 2005. Salaries in 2005 are comprised exclusively of severance costs relating to the Company's former President who resigned in early 2005. Listing and transfer agent fees decreased to a more normal level (\$35,340) compared with the unusually high amounts incurred in 2004 (\$81,156) as a consequence of completing several private placements. Professional fees and travel have both increased steadily year over year commensurate with the Company's overall increase in exploration and business activity.

Total consulting fees of \$213,240 (2004 - \$234,116) include \$105,600 (2004 - \$152,500) paid to related parties (see "Transactions with Related Parties" below). Travel expenses were incurred primarily by directors in respect of property due diligence, to complete private placement financings, and for general corporate purposes.

The Company incurred exploration costs of \$1,798,184 in 2005 substantially on its newly acquired properties, compared to \$504,262 and \$27,783 in 2004 and 2003 respectively on the Amata Project in Peru, and the Nevada, USA

claims as follows:

	Year ended November 30, 2005	Year ended November 30, 2004	Year ended November 30, 2003
Mackenzie Project, BC, Canada	\$	\$	\$
Acquisition	178,000	-	-
Exploration	542,254	-	-
Argentina Uranium Project			
Acquisition	263,760	-	-
Exploration	805,030		
Amata Project, Peru			
Acquisition	-	426,606	-
Exploration	8,562	58,241	-
Nevada, USA, Properties			
Acquisition	-	-	27,783
Exploration	578	19,415	-
	\$	\$	\$
Total	1,798,184	504,262	27,783

The Company recognizes an expense for stock options granted, and a share issuance cost in respect of agents' warrants issued in connection with private placements, as determined by the Black-Scholes pricing model. In 2004, options were granted but no agents' warrants were issued. As a result of the options granted, \$335,362 (2004 - \$549,360) was recorded as a credit to contributed surplus. As a result of the exercise of stock options during the year, \$42,910 (2004 - \$16,800) was debited to contributed surplus and credited to the value of the options exercised.

Fiscal Year Ended November 30, 2004

During the fiscal year ended November 30, 2004 the Company incurred a loss of \$1,630,322 compared to a loss of \$263,199 in the prior year. The loss in 2004 increased by \$1,367,123 and was primarily comprised of the following: Stock-based compensation (\$549,360), exploration costs (increase of \$476,479) and consulting fees (increase of \$155,316). These items account for \$1,181,155 (86%) of the increase. During 2003, the Company was relatively inactive with regard to its mineral property holdings, and did not record stock-based compensation on the granting of stock options. In fiscal 2004, the Company moved to its current offices, completed four private placements and entered into new property agreements. As a consequence, general administrative expense categories also increased. Listing and transfer agent fees increased fourfold to \$81,156 from \$20,730 primarily due to costs associated with the

private placements. Professional fees and travel both almost doubled to \$86,837 and \$44,237 respectively, from \$52,900 and \$24,702.

Total consulting fees of \$238,116 include \$156,500 from related parties (see "Transactions with Related Parties" below). Other consulting fees and salaries were \$81,616 (2003 - \$22,800). Remuneration to related parties in fiscal 2004 was comprised of \$125,000 to the former President, \$22,500 to the President, and \$4,000 to the CFO. Included in the \$125,000 to the former President is a \$60,000 severance fee for stepping down upon the appointment of a new President.

Travel expenses were incurred primarily by directors in respect of completing private placement financings, for general corporate purposes, for attendance at two trade shows, and for property investigations.

The Company incurred acquisition and exploration costs of \$504,262, comprised of \$484,847 on the Amata Project in Peru, and \$19,415 on the Nevada, USA claims as follows:

	Amata Project, Peru	Betty O'Neal Claims, Nevada	BET 1-23 Claims, Nevada	Total
Acquisition costs	\$	\$	\$	\$
	381,970	-	-	381,970
Taxes and fees	44,636	-	-	44,636
Claim and filing fees	-	11,719	4,033	15,752
Geological consulting	23,278	-	-	23,278
Insurance	-	3,663	-	3,663
Surveying	21,756	-	-	21,756
Travel	13,207	-	-	13,207
Total	\$	\$	\$	\$
	484,847	15,382	4,033	504,262

The Amata project acquisition costs are comprised of a cash payment of US\$100,000 and the issuance of 200,000 common shares at a fair value of \$1.22 per share. The other costs were incurred as a result of examining and evaluating the property.

The Company recognizes an expense for stock options granted, and a share issuance cost in respect of agents' warrants issued in connection with private placements, as determined by the Black-Scholes pricing model. In 2004, options were granted but no agents' warrants were issued. As a result of the options granted, \$549,360 was recorded as a credit to contributed surplus. As a result of the exercise of stock options during the year, \$16,800 was debited to contributed surplus and credited to the value of the options exercised.

Net loss for the year ended November 30, 2004 under US GAAP was \$1,630,322 (2003 - \$263,199; 2002 - \$388,185).

In fiscal 2004, total assets of the Company increased to \$3,035,983 from \$117,052 as at November 30, 2003. During the 2004 fiscal year, the Company received \$3,549,400 from private placements, \$161,400 from the exercise of warrants and \$10,000 from exercise of stock options subsequent to year end.

In fiscal 2004, the Company expended a total of \$2,875 on claim maintenance on the Bet properties in Nevada as compared to \$27,783 on exploration programs in 2003.

Options to Purchase Securities from Registrant or Subsidiaries

The following table summarizes the grants, and exercises and cancellations of incentive stock options for the fiscal years ended November 30, 2006, 2005 and 2004:

	2006	2005	2004
Outstanding, beginning of year	1,260,000	920,000	95,000
Granted:			
Exercisable at \$0.25	-	-	120,000
Exercisable at \$0.70	-	585,000	900,000
Exercisable at \$1.05	-	175,000	-
Exercisable at \$1.00	-	50,000	-
Exercisable at \$1.12	-	75,000	-
Exercisable at \$1.41	75,000	-	-
Exercisable at \$1.45	100,000	-	-
Exercisable at \$2.00	153,000	-	-

Exercisable at \$1.80	550,000	-	-
Exercisable at \$1.65	310,000	-	-
Exercisable at \$1.72	50,000	-	-
Exercised:			
Exercised at \$0.25	-	(20,000)	(195,000)
Exercised at \$0.70	(655,000)	(75,000)	-
Exercised at \$1.05	(75,000)	-	-
Cancelled	-	(25,000)	-
Cancelled	-	(425,000)	-
Outstanding, end of year	1,768,000	1,260,000	920,000

5.B**Liquidity and Capital Resources**

The Company's primary source of funds since incorporation has been from the sale of Common Shares through private placements and the exercise of incentive stock options and share purchase warrants. The Company has no revenue from mining to date and does not anticipate mining revenues in the foreseeable future. The Company believes that it have adequate working capital to proceed with the Company's presently planned exploration programs.

As at November 30, 2006, the Company had working capital of \$1,733,607 (audited), and as at May 31, 2007, the Company had working capital of \$6,319,124 (unaudited).

The Company does not have any loan agreements or other current financing plans to raise additional capital.

However, the Board of Directors may seek to increase the funds available for exploration and property acquisition activities through one or more private placements if, in their opinion, additional acquisitions or exploration activities are warranted.

The Company does not know of any trends, demands, commitments, events or uncertainties that will result in, or that are reasonably likely to result in, the Company's liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Company's liquidity are substantially determined by the success or failure of the Company's exploration programs or the future acquisition of projects.

Fiscal year ended November 30, 2006

In July 2006, the Company completed a non-brokered private placement consisting of 170,000 units at \$1.75 for gross proceeds of \$297,500. Each unit consisted of one Common Share and one-half of a transferable warrant, with each whole warrant being exercisable to acquire one additional Common Share at a price of \$2.25 until January 13, 2008.

Also in July 2006, the Company completed a brokered private placement consisting of 1,230,000 non-flow through units at \$1.75 and 300,000 flow-through units at \$1.95 for gross proceeds of \$2,737,500. Each unit issued in the placement consisted of one Common Share and one-half of a transferable warrant. Each whole warrant is exercisable to acquire one additional Common Share at a price of \$2.25 until January 12, 2008.

During the year, the Company raised \$2,537,600 (2005 - \$929,500) from the exercise of warrants and \$537,250 (2005 - \$57,500) from the exercise of stock options.

Fiscal year ended November 30, 2005

In June 2005, the Company completed a private placement consisting of 1,000,000 units at a price of \$0.56 per unit for total proceeds of \$560,000. Each unit consisted of one Common Share and one half of a warrant. Each whole warrant entitled the holder to purchase one Common Share at a price of \$0.80 until December 23, 2006.

In July 2005, the Company completed a private placement consisting of 150,000 units at a price of \$0.61 per unit for total proceeds of \$91,500. Each unit consisted of one Common Share and one-half of a warrant. Each whole warrant entitled the holder to purchase one Common Share at a price of \$0.80 until January 5, 2007.

Fiscal year ended November 30, 2004

In fiscal 2004, the Company raised a total of \$3,549,400 through the issuance of a total of 7,666,250 of Common Shares by way of private placements as detailed below.

In February 2004, the Company completed a private placement consisting of 850,000 units at a price of \$0.24 per unit, for total proceeds of \$204,000. Each unit consisted of one common share and one-half a warrant. One full warrant entitled the holder to purchase an additional Common Share at a price of \$0.35 until August 26, 2005.

In March 2004, the Company completed a private placement consisting of 2,500,000 units at a price of \$0.27 per unit, for total proceeds of \$675,000. Each unit consisted of one common share and one-half of a warrant. One full warrant entitled the holder to purchase an additional Common Share at a price of \$0.35 until March 15, 2006.

In May 2004, the Company completed a private placement consisting of 3,010,000 units at a price of \$0.54 per unit, for total proceeds of \$1,625,400. Each unit consisted of one Common Share and one-half of a warrant. One full warrant entitled the holder to purchase an additional Common Share at a price of \$0.80 until May 14, 2006.

In September, 2004, the Company completed a private placement consisting of 1,306,250 units at a price of \$0.80 per unit, for total proceeds of \$1,045,000. Each unit consisted of one Common Share and one warrant. Each warrant entitled the holder to purchase an additional Common Share at a price of \$1.00 until March 7, 2006.

During the year ended November 30, 2004, the Company used \$1,184,084 of its cash resources for operating activities and \$5,732 in investing activities. These activities were funded by initial cash balance on hand at the beginning of the year and funds raised during the year.

5.C

Research and Development, Patents and Licenses, etc.

Not applicable.

5.D

Trend Information

Not applicable.

5.E

Off-Balance Sheet Arrangements

Not applicable

5.F

Tabular Disclosure of Contractual Obligations

Not applicable.

ITEM 6.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.A

Directors and Senior Management

The following table sets out the directors and executive officers of the Company and all positions and offices held with the Company as at May 31, 2007:

Name	Position	Date of First Election or Appointment
Hendrik Van Alphen	President, Chief Executive Officer and Director	September 27, 2004
Michael Bartlett⁽¹⁾	Director	January 31, 2000
Maurice Strong⁽¹⁾	Director	December 5, 2006
Jeffrey A. Pontius⁽¹⁾	Director	December 5, 2006
Michael W. Kinley	Chief Financial Officer	December 21, 2005
Lawrence W. Talbot	Vice-President and General Counsel	July 1, 2006
Marla K. Ritchie	Corporate Secretary	August 14, 2006

(1)

Member of Audit Committee

There are no family relationships among any of the above named directors or officers. There are no arrangements or understandings with major shareholders, customers, suppliers or others pursuant to which any person referred to above was selected as a director or member of senior management.

Hendrik Van Alphen (President, Chief Executive Officer and Director) - Mr. Van Alphen has been in the mining business for 25 years. He started, initially, as a successful exploration/drilling contractor, and then became the President of Pacific Rim Mining Corp., where he laid the foundation for Pacific Rim to become a successful South American based resource company. He served as Vice-President of Corriente Resources Inc. from 1994 to 1999, following which he became the President of Cardero Resource Corp., reactivating it and spearheading its entrance into South America, particularly Argentina and Peru. Mr. Van Alphen is presently a director and officer of Cardero Resource Corp., International Tower Hill Mines Ltd. and Athlone Energy Corp., all public natural resource companies.

Michael Bartlett (Director) - Mr. Bartlett has, since 1989, been the President and owner of Leisure Capital & Management Inc., a company which specializes in the pre-development start-ups and innovative strategic, conceptual, economic and financial solutions. He is also the President and Chief Executive Officer of Creative Entertainment & Technologies, Inc., a public company trading on the TSXV.

Maurice Strong P.D., O.C., LL.D. (Director) - Mr. Strong has been working for over 30 years at senior levels in business, government and international organizations and now spends most of his time in China. His current appointments include: Chairman, Cosmos International Group; Vice-Chairman, Chicago Climate Exchange;

Chairman, International Advisory Board, CH2M HILL Companies Ltd.; Honorary Professor, Peking University (Beijing); and Visiting Professor, University of Ottawa (Canada). Some of Mr. Strong's past appointments include: Under Secretary General and Special Advisor to the Secretary General of the United Nations; Senior Advisor to the President, World Bank; Chairman and Chief Executive Officer, Ontario Hydro; Member, International Advisory Board, Toyota Motor Corporation. Mr. Strong is a Member of the Queen's Privy Council for Canada.

Jeffrey Pontius (Director) - Mr. Pontius has over 28 years of geological experience and possesses a distinguished track record of successful discovery that includes three precious metal deposits. Significantly, during 1989-1996, as Exploration Manager of Pikes Peak Mining Company (a subsidiary of NERCO Mineral Co. and Independence Mining Company), he managed the large district scale exploration program resulting in the discovery of the Cresson Deposit at Cripple Creek, Colorado, containing over 5 million ounces of gold. While working as Exploration Manager, Mr. Pontius developed an integrated exploration program which focused on both surface bulk mine able and underground high grade target types. He spent the past seven years at AngloGold Ashanti (USA) Exploration Inc., starting as Senior US Exploration Manager, and became North American Exploration Manager and also a Director of Anglo American (USA) Exploration Inc. He was also a member of the regional business development team and provided technical and strategic support for the company's acquisition program. During the past four years as US and North American Exploration Manager, Mr. Pontius led the exploration team that spent US\$10 million developing an extensive database and acquiring all of the Alaskan projects the Company recently acquired from AngloGold. He left AngloGold Ashanti to become the President and Chief Executive Officer of International Tower Hill Mines Ltd. and continue the exploration programs he started at AngloGold. Mr. Pontius holds a Masters Degree from the University of Idaho (Economic Geology), a BSc from Huxley College of Environmental Studies (Environmental Science) and a BSc from Western Washington University (Geology). Mr. Pontius is presently the President and Chief Executive Officer of International Tower Hill Mines Ltd., a public natural resource company with a focus on the acquisition of precious and base metal properties in Alaska and Nevada.

Michael W. Kinley (Chief Financial Officer) Mr. Kinley possesses extensive public company experience and, the financial qualifications to play an important role as the Company continues to rapidly expand. He received his Chartered Accountant designation in 1973 in Ontario while with KPMG, where he became a partner in 1981. Since 1993, Mr. Kinley has been the president of Winslow Associates Management & Communications Inc., a private consulting firm which provides accounting and regulatory support services to junior public companies. He is a director and the Chief Financial Officer of Indico Technologies Ltd. and StonePoint Global Brands Ltd., and is the Chief Financial Officer of Cardero Resource Corp. and International Tower Hill Mines Ltd. He is an officer and/or director of a number of other public companies, including Noise Media Inc., WorldStar Energy Corp. and Can-Asia Minerals Inc.

Lawrence W. Talbot (Vice President and General Counsel) Mr. Talbot is a mining lawyer with over 20 years experience in representing a wide range of clients in the mining industry, from individual prospectors and junior and mid-size explorers and producers through to major mining companies, in both the hard-rock and industrial mineral fields. He has extensive experience acting for public natural resource companies and providing advice on all aspects of their businesses, including mineral property acquisitions, divestitures and joint ventures, corporate finance, securities and regulatory matters, corporate governance and shareholder issues, and all aspects of corporate acquisitions, takeovers, divestitures and reorganizations. He is a director and officer of a number of public natural resource companies including Alma Resources Ltd., Cardero Resource Corp., Excellon Resources Inc., Gold Port Resources Ltd., Samba Gold Inc. and International Tower Hill Mines Ltd. Prior to July 1, 2006, he was a partner in one of Canada's largest law firms, and now acts as general counsel to a select group of public companies, including

the Company.

Marla K. Ritchie (Corporate Secretary) Ms. Ritchie brings over 20 years experience in public markets working as an Administrator and Corporate Secretary specializing in resource based exploration companies. Since 2001, she has worked as the Corporate Secretary for Cardero Resource Corp. Between 1988 and 2003, she worked for Ascot Resources Ltd., Brett Resources Inc., Golden Band Resources Inc., Hyder Gold Inc., Leicester Diamond Mines Ltd., Loki Gold Corporation, Oliver Gold Corporation and Solomon Resources Limited.

Conflicts of Interest

There are no existing or potential conflicts of interest among the Company's directors or officers as a result of their outside business interests with the exception that certain of such directors and officers serve as directors and/or officers of other companies, and, therefore, it is possible that a conflict may arise between their duties as a director or officer of the Company and their duties as a director or officer of such other companies.

The Company's directors and officers are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company has and will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of the Company's directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCBCA, and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

All of the Company's directors and officers are also directors, officers or shareholders of other companies that are engaged in the business of acquiring, developing and exploiting natural resource properties including properties in countries where the Company is conducting its operations. Such associations may give rise to conflicts of interest from time to time. Such a conflict poses the risk that the Company may enter into a transaction on terms which place it in a worse position than if no conflict existed. The Company's directors and officers are required by law to act honestly and in good faith with a view to the Company's best interests and to disclose any interest which they may have in any project or opportunity of the Company. However, each director and officer has a similar obligation to other companies for which such director or officer serves as an officer or director. The Company does not have any specific internal policy governing conflicts of interest.

The following table identifies, as of May 31, 2007, the name of each officer and director and any public company (a) which employs such officer or director, (b) for which such officer or director currently serves as an officer or director, or (c) which is affiliated with such officer or director (other than the Company):

Name of Director/Officer	Name of Company	Description of Business	Position
	Cardero Resource Corp.	Natural resource	CEO, Pres. & Dir.
Hendrik van Alphen	International Tower Hill Mines Ltd.	Natural resource	Director & Chairman
	Athlone Energy Corp.	Natural resource	Director
Maurice Strong	None		
Michael Bartlett	International Tower Hill Mines Ltd.	Natural Resource	Director
	Skygold Ventures Ltd.	Natural resource	Director
Jeff Pontius	International Tower Hill Mines Ltd.	Natural Resource	President & CEO
	Indico Technologies Ltd.	Natural resource	CFO & Director
	StonePoint Global Brands Ltd.	Premium bottled water	CFO & Director
	Cardero Resource Corp.	Natural resource	CFO
	Wealth Minerals Ltd.	Natural resource	CFO
Michael Kinley	Noise Media Inc.	Natural resource	Pres., CFO & Dir.
	WorldStar Energy Corp.	Natural resource	CEO & Director
	Can-Asia Minerals Inc.	Natural resource	CEO & Director
	International Tower Hill Mines Ltd.	Natural resource	CFO
	Alma Resources Ltd.	Natural resource	Director
	Cardero Resource Corp.	Natural resource	Dir., V-P & Gen. Cnsl
	Excellon Resources Inc.	Natural resource	Sec. & Gen. Counsel
Lawrence Talbot	Gold Port Resources Ltd.	Natural resource	Secretary
	Samba Gold Inc.	Natural resource	Secretary
	International Tower Hill Mines Ltd.	Natural resource	Sec., V-P & Gen. Cnsl.
	Cardero Resource Corp.	Natural resource	Secretary
Marla Ritchie	International Tower Hill Mines Ltd.	Natural resource	Secretary

6.B

Compensation

The following tables set forth all annual and long term compensation for services in all capacities to the Company and its subsidiaries for the fiscal year ended November 30, 2006 in respect of the Company's directors and members of its administrative, supervisory or management bodies.

Summary Compensation Table

Name and Principal Position	Fiscal Year Ended	Annual Compensation			Long Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Comp (\$)	Awards Common Shares Under Options granted (#)	Payouts Restricted Shares or Restricted LTIP Share Payout Units (\$)	(\$)	All other Compensation (\$)
Henk Van Alphen, Director, President & CEO ⁽¹⁾	Nov. 30/06	\$68,400 ⁽²⁾	Nil	Nil	200,000	N/A	N/A	N/A
Jerry Pogue, Director & Acting CEO ⁽³⁾	Nov. 30/06	\$30,598	Nil	Nil	100,000	N/A	N/A	N/A
Gary R. Freeman, Director ⁽⁴⁾	Nov. 30/06	\$25,000	Nil	Nil	Nil	N/A	N/A	N/A
Michael Bartlett, Director	Nov. 30/06	Nil	Nil	Nil	25,000	N/A	N/A	N/A
Michael Kinley, CFO	Nov. 30/06	\$36,000 ⁽⁵⁾	Nil	Nil	100,000	N/A	N/A	N/A
Lawrence Talbot, VP & General Counsel ⁽⁶⁾	Nov. 30/06	\$22,338	Nil	Nil	100,000	N/A	N/A	N/A
Marla Ritchie, Corporate Secretary	Nov. 30/06	Nil	Nil	Nil	25,000	N/A	N/A	N/A

(1)

Mr. Van Alphen was appointed President and CEO of the Company in July 2006.

(2)

Fees paid to Mr. Van Alphen for management consulting services.

(3)

Mr. Pogue was the acting Chief Executive Officer from July 2005 to July 2006. Mr. Pogue retired as a director on April 24, 2007.

(4)

In September 2004 Mr. Freeman stepped aside as President and CEO of the Company and, pursuant to a Board resolution, received a lump sum payment of \$60,000 in severance. In September 2004 Mr. Freeman entered into an employment contract to provide investor relations, finance and administration services to the Company for a fee of \$5,000 per month which, in October 2004, was revised to \$7,500 per month. The terms of Mr. Freeman's agreement were further revised in October 2005 to provide the Company with finance services for a monthly payment of \$2,500.00 per month. Mr. Freeman resigned as a Director of the Company on November 3, 2006.

(5)

Fees paid to Winslow Associates Management & Communications Inc. (a corporation controlled by Mr. Kinley) for financial consulting services.

(6)

Mr. Talbot joined the Company as Vice-President and General Counsel on July 1, 2006. As an employee, he receives a yearly salary of CAD 50,000. In addition, Lawrence W. Talbot Law Corporation, a law corporation of which Mr. Talbot is the president and a shareholder, receives a monthly retainer of CAD 4,166 for the provision of legal services to the Company (amended to CAD 5,625/month, effective May 1, 2007).

The following table provides information with respect to the incentive stock options to purchase Common Shares granted to the foregoing persons during the fiscal year ended November 30, 2006:

Name of Optionees	No. of Common Shares Subject to Option (#)	Date of Grant	Exercise Price	Expiry Date
Mike Kinley	50,000	March 7, 2006	\$1.45	March 7, 2008
Henk Van Alphen	200,000	August 14/06	\$1.80	August 14/08
Jerry Pogue	50,000	August 14/06	\$1.80	August 14/06
Lawrence Talbot	100,000	August 14/06	\$1.80	August 14/08

Michael Bartlett	25,000 August 14/06	\$1.80	August 14/08
Michael Kinley	50,000 August 14/06	\$1.80	August 14/08
Marla Ritchie	25,000 August 14/06	\$1.80	August 14/08
Jerry Pogue	50,000 November 15/06	\$1.72	November 15/08
Total	550,000		

No other executive officer received direct or indirect compensation from any source for services provided to the Company during the fiscal year ended November 30, 2006. Subsequent to December 1, 2006, additional stock options have been granted to directors and officers see Item 8B for options granted and Item 6E for the current options held by directors and officers.

Long Term Incentive Awards

The Company does not have any long term incentive plan awards defined as "any plan providing compensation intended to motivate performance over a period longer than one financial year and does not include option or SAR plans or plans for compensation through restricted shares or units."

Pension Plan

The Company does not provide retirement benefits for directors or executive officers.

6C.

Board Practices

The Board is elected at the annual general meetings of the shareholders. Each director elected will hold office until the next annual meeting or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the BCBCA. See Section 6.A - Directors and Senior Management - for dates directors were first elected to the Board.

The Company does not presently have any service contracts with any of the Company's directors which provides for benefits upon termination of employment.

At the present time, the only committee of the Board is the Audit Committee. The Company does not have a formal compensation committee. However, the Board meets on an annual basis to review management compensation.

Audit Committee

Michael Bartlett - Chairman

Jeffrey A. Pontius

Maurice F. Strong

At the first meeting following each annual general meeting, the directors must elect an audit committee consisting of no fewer than three directors, of whom a majority must not be members of the management, or officers or employees, of the Company or of any affiliate or associate of the Company or a control person of the Company or any of its associates or affiliates, to hold office until the next annual general meeting.

Before a financial statement that is to be submitted to an annual general meeting is considered by the directors, it must be submitted to the audit committee for review by the auditor, and the report of the audit committee on the financial statements must be submitted to the directors thereafter.

The overall purpose of the Audit Committee is to:

- Ensure that the management of the Company has designed and implemented an effective system of internal financial controls for reviewing and reporting on the Company's financial statements;
- Oversee, review and report on the integrity of the Company's financial disclosure and reporting;
- Review the Company's compliance and regulatory and statutory requirements as they relate to financial statements, taxation matters and disclosure of material facts; and
- By directly responsible for:

-

the selection of a firm of external auditors to be proposed for election as the external auditors of the Company;

-

the oversight of the work of the Company's external auditors, and

-

subject to the grant by the shareholders of the authority to do so, if required, fixing the compensation of the external auditors of the Company.

A copy of the Company's Audit Committee Charter is included as Exhibit 15.1.

6.D

Employees

Until July 1, 2006, the Company did not have any employees. Effective July 1, 2006, the Company has one employee, being Lawrence W. Talbot, Vice-President & General Counsel.

Effective July 1, 2006, the Company entered into an agreement with Mr. Talbot pursuant to which he is employed by the Company as its Vice-President and General Counsel. In accordance with the terms of the agreement, the Company paid Mr. Talbot \$22,338 during the fiscal year ended November 30, 2006. Pursuant to such employment agreement, Mr. Talbot is entitled to certain compensation in the event of termination of his employment (voluntary or otherwise) as a result of a change in control in the Company or a change in his responsibilities following a change in control of the Company, as follows:

In the event of the occurrence of any of the following events:

- a change in control of the Company (being the acquisition of voting shares constituting 20% of the then outstanding voting shares by any person or group of persons acting in concert)
- the sale of all of the Company's assets where there is no intention to acquire new mineral projects or there is an intention to pursue a business other than the exploration and development of mineral projects
- a merger of the Company in which existing shareholders receive less than 50% of the share capital of the merged entity
- a change in a majority of the incumbent directors of the Company or the appointment of new directors constituting a majority of the then board of directors

Mr. Talbot may, at any time during the period commencing 30 days after such event and ending one year after such event, resign from employment with the Company. In such event, he is then entitled to receive an amount equal to his then annual base salary plus the amount of the last bonus paid to him (if any) plus the amount of vacation pay otherwise payable for the next ensuing 12 month period.

In addition to the foregoing, if a situation occurs which is tantamount to constructive dismissal, whether or not following a change in control, Mr. Talbot may voluntarily resign from employment with the Company within 90 days of such occurrence and, in such circumstances, would be entitled to receive the same consideration as noted above.

6.E

Share Ownership

The following table sets out the number of shares held by the Company's director and senior officers as of May 31, 2007 and percentage of those shares outstanding of that class.

Name	Number of Common Shares Owned	Percentage of Outstanding Common Shares
Henk Van Alphen	1,044,500 ⁽¹⁾	4.08%
Maurice F. Strong	300,000 ⁽²⁾	1.17%
Michael Bartlett	95,000 ⁽³⁾	0.37%
Jeff Pontius	145,000 ⁽⁴⁾	0.56%
Michael Kinley	87,956 ⁽⁵⁾	0.34%
Lawrence Talbot	125,000 ⁽⁶⁾	0.49%
Marla Ritchie	50,000 ⁽⁷⁾	0.19%
ALL DIRECTORS AND SENIOR OFFICERS AS A GROUP (7 persons)	1,847,456	7.00%

(1)

Of the Common Shares owned by Mr. Van Alphen, 300,000 Common Shares are represented by incentive stock options.

(2)

Of the Common Shares owned by Mr. Strong, 300,000 Common Shares are represented by incentive stock options.

(3)

Of the Common Shares owned by Mr. Bartlett, 95,000 Common Shares are represented by incentive stock options.

(4)

Of the Common Shares owned by Mr. Pontius, 145,000 Common Shares are represented by incentive stock options.

(5)

Of the Common Shares owned by Mr. Kinley, 75,000 Common Shares are represented by incentive stock options.

(6)

Of the Common Shares owned by Mr. Talbot, 125,000 Common Shares are represented by incentive stock options.

(7)

Of the Common Shares owned by Ms. Ritchie, 50,000 Common Shares are represented by incentive stock options.

2006 Incentive Stock Option Plan

The following is a summary of the principal terms of the 2004 Company's Stock Option Plan, as adopted by the directors in 2004 (the "Plan"). A copy of the Plan is included as Exhibit 4.10.

The Plan provides that stock options may be granted to directors, officers, employees and consultants of the Company or any of its affiliates ("Eligible Persons"). A consultant (a "Consultant") is defined as an individual (or a company wholly owned by individuals) who:

- is engaged to provide services to the Company or an affiliate, other than services provided in relation to a distribution of securities
- provides the services under a written contract between the Company or its affiliate
- spends or will spend a significant amount of time and attention on the affairs and business of the Company or an affiliate

The Plan provides for the issuance of stock options to acquire up to that number of the Company's common shares (the "Plan Ceiling") as is equal to 10% of the Company's issued Common Shares as at the date of grant, subject to standard anti-dilution adjustments. This is a "rolling" Plan Ceiling as the number of shares reserved for issuance pursuant to the grant of stock options will increase as the Company's issued and outstanding share capital increases. The Plan Ceiling includes outstanding stock options granted prior to the implementation of the Plan. If a stock option expires or otherwise terminates for any reason, the Common Shares subject to that expired or terminated stock option are again available for the purposes of the Plan.

The Board may terminate the Plan at any time, but such termination will not alter the terms or conditions of any options granted prior to the date of such termination. Optionees may exercise any stock option outstanding when the Plan is terminated for a period of thirty (30) days after the date of the termination of the Plan, provided that such options have vested on the date of termination.

The Plan provides that other terms and conditions, including vesting schedules, if any, may be determined by the Board in its discretion, such terms and conditions to be included in the option agreement. The Plan provides that it is solely within the discretion of the Board to determine who should receive stock options and in what amounts. The Board may issue a majority of the options to insiders of the Company. However, in no case will the issuance of Common Shares upon the exercise of stock options granted under the Plan result in:

- the number of options awarded in a 12 month period to any one Consultant exceeding 2% of the issued Common Shares (calculated at the time of grant)
- the number of options awarded in a 12 month period to any one individual exceeding 5% of the outstanding Common Shares (calculated at the time of grant)
- the aggregate number of options awarded in a 12 month period to persons undertaking investor relations activities (as a group) exceeding 2% of the issued Common Shares (calculated at the time of grant)
- the aggregate number of Common Shares reserved for issuance to any one individual upon the exercise of options awarded under the Plan or any previously established and outstanding stock option plans or grants, exceeding 5% of the issued Common Shares (calculated at the time of grant) in a 12 month period.

Options granted under the Plan will be for a term not to exceed five years from the date of grant. Unless the Board otherwise decides at the time of grant of any option, if an option holder ceases to be an Eligible Person, any stock options held by such person will immediately expire. The Board typically provides that, if an Eligible Person ceases

to be such, any options held by such person will expire on the earlier of the expiry date stated in the option agreement ("Fixed Expiry Date") and the 90th day following the date such person ceases to be an Eligible person (unless the Eligible Person is engaged in performing investor relations activities, in which case the option will expire on the earlier of the Fixed Expiry Date and 30 days after such person ceases to be an Eligible Person.

The price at which an option holder may purchase a Common Share upon the exercise of a stock option will be set by the Board at the time of the grant but, in any event, may not be less than the discounted market price of the Company's Common Shares as of the date of the grant of the stock option (the "Award Date"). The market price of the Common Shares for a particular Award Date is set at the closing trading price of the Common Shares on the last trading day immediately preceding the Award Date. Discounted market price means the market price less up to the maximum discount permitted by the TSXV.

All stock options are non-assignable, except that an option is exercisable by the personal representative of the option holder in the event of the option holder's death or incapacity.

Outstanding Stock Options

The following table provides information with respect to the incentive stock options to purchase Common Shares held by the persons identified in Item 6B (as at May 31, 2007):

Name of Optionees	No. of Common Shares Subject to Option (#)	Date of Grant	Exercise Price	Expiry Date
Henk Van Alphen	100,000	August 14/06	\$1.80	August 14/08
Lawrence Talbot	100,000	August 14/06	\$1.80	August 14/08
Marla Ritchie	25,000	August 14/06	\$1.80	August 14/08
Michael Kinley	50,000	August 14/06	\$1.80	August 14/08
Maurice Strong	300,000	December 05/06	\$2.00	December 05/08
Jeff Pontius	50,000	December 05/06	\$2.00	December 05/08
Jeff Pontius	95,000	February 28/07	\$3.10	February 28/09
Michael Bartlett	95,000	February 28/07	\$3.10	February 28/09
Michael Kinley	25,000	February 28/07	\$3.10	February 28/09
Henk Van Alphen	200,000	April 11/07	\$4.74	April 11/09
Marla Ritchie	25,000	April 11/07	\$4.74	April 11/09
Lawrence Talbot	25,000	April 11/07	\$4.74	April 11/09
Total	1,090,000			

ITEM 7.

MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

7.A

Major Shareholders

Major Shareholders

To the best of the knowledge of the Company, there are no shareholders beneficially holding more than 5% of the Common Shares.

Geographic Distribution of Common Shares

As of May 31, 2007, there were 25,298,814 Common Shares issued and outstanding. The Company's shareholder list as provided by Computershare Investor Services, Inc., the Company's registrar and transfer agent, indicates that the Company had 47 registered shareholders owning Common Shares, of which 11 (23.4%) of these registered shareholders, holding approximately 3,860,805 (15.27%) Common Shares, are residents of the United States, 31 (65.97%) of these registered shareholders, holding approximately 21,388,009 (84.53%) Common Shares, are residents of Canada, and 5 (10.63%) of these registered shareholders, holding approximately 50,000 (0.20%) Common Shares, are residents of jurisdictions other than the United States or Canada.

Control by Foreign Government or Other Persons

To the best of the knowledge of the Company, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

Change of Control

As of the date of this Annual Report, there are no arrangements known to the Company which may, at a subsequent date, result in a change of control.

7.B

Related Party Transactions

Since December 1, 2005 (the commencement of the Company's last completed financial year) there have not been any transactions or loans between the Company and any of:

1.

enterprises that directly or indirectly, through one or more intermediaries, control or are controlled by, or are under common control with, the Company;

2.

associates of the Company;

3.

individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them a significant influence over the Company, or close members of any such individual's family;

4.

key management personnel, including directors and senior officers;

5.

enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any of the persons described in 3 or 4 above or over which such person is able to exert a significant influence,

other than as follows:

- During the fiscal year ended November 30, 2006, the Company paid consulting fees of \$324,621 (2005 - \$163,856) (2004 - \$584,260) to directors, which includes stock based compensation of \$225,623 arising from the grant of incentive stock options, consulting fees of \$144,463 (2005 - \$28,000) (2004 - Nil) to officers, including stock based compensation of \$99,546 arising from the grant of incentive stock options, and legal fees of \$22,292 (2005 - Nil) (2004 - Nil) to a law corporation of which an officer is the president and a shareholder.
- During the six months ended May 31, 2007, the Company paid consulting fees of \$843,506 (2006 - \$66,346) to directors, which includes stock based compensation of \$774,576 arising from the grant of incentive stock options (2006 - \$Nil), consulting fees of \$62,648 (2006 - \$18,000) to officers, which includes stock-based compensation of \$38,648 arising from the grant of incentive stock options (2006 - \$Nil), and legal fees of \$25,000 (2005 - Nil) (2004 - Nil) to a law corporation of which an officer is the president and a shareholder.
- During the fiscal year ended November 30, 2006, the Company paid rent and administration fees of \$66,937 (2005 - \$55,867) (2004 - \$3,996) to Cardero Resource Corp. ("Cardero"), a public company related by a common director and officers, and \$3,000 (2005 - Nil) (2004 - Nil) to a director.
- During the six months ended May 31, 2007, the Company paid rent and administration fees of \$23,850 (2006 - \$35,070) to Cardero.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties. It is the

opinion of management that the terms of these transactions are favourable to the Company and in the Company's best interests. Management also believes that it could not have obtained, through arms-length negotiations, a more favourable arrangement from an unrelated third party.

7.C

Interests of Experts and Counsel

Not applicable.

ITEM 8.

FINANCIAL INFORMATION

8.A

Consolidated Statements and Other Financial Information

See Item 17 for the Company's audited consolidated financial statements for the fiscal years ended November 30, 2006, 2005 and 2004.

The Company is not aware of any current or pending material legal or arbitration proceeding to which it is or is likely to be a party or of which any of the Company's properties are or are likely to be the subject.

The Company is not aware of any material proceeding in which any director, senior manager or affiliate is either a party adverse to us or our subsidiaries or has a material interest adverse to us.

The Company has not declared or paid any cash dividends on its Common Shares and it does not currently expect to pay cash dividends in the foreseeable future.

8.B

Significant Changes

There have been no significant changes in the affairs of the Company since the date of the financial statements for the fiscal year ended November 30, 2006 other than as discussed in this Annual Report and except as follows:

- On March 9, 2007, the Company completed a private placement of 3,500,000 units at \$2.00 per unit for gross proceeds of \$7,000,000. The Company also issued 207,000 commission units and paid \$76,000 in cash and

\$30,000 in expenses to the underwriters in connection with the private placement. Each unit consisted of one Common Share and one-half of a warrant. On whole warrant is exercisable to purchase an additional Common Share at a price of \$2.50 until March 9, 2009. In connection with this private placement, the Company granted 280,000 compensation warrants to the underwriters, each compensation warrant being exercisable to acquire one Common Share at a price of \$2.00 per share until March 9, 2009.

- Since November 30, 2006, the Company has issued an aggregate of 649,748 Common Shares upon the exercise of outstanding incentive stock options, warrants and agent's options for net proceeds of \$828,235.
- Since November 30, 2006, the Company has granted the following incentive stock options (see Item 6B for details of options granted to directors and officers during the fiscal year ended November 30, 2006, and Item 6E for details of the options currently held by directors and officers):

-

400,000 incentive stock options at an exercise price of \$2.00 per share for a period of two years expiring on December 5, 2008

-

500,000 incentive stock options at an exercise price of \$3.10 per share for a period of two years expiring on February 28, 2009

-

525,000 incentive stock options at an exercise price of \$4.74 per share for a period of two years expiring on April 11, 2009

ITEM 9.

THE OFFER AND LISTING DETAILS

9A.

Offer and Listing Details

The following table discloses the annual high and low sales prices in Canadian dollars for the Company's common shares for the five (5) most recent financial years as traded on the TSXV:

Year Ended	High	Low
2002	\$0.46	\$0.10
2003	\$0.37	\$0.10
2004	\$1.50	\$0.09
2005	\$1.95	\$0.50
2006	\$2.63	\$1.17

Edgar Filing: PATRICK INDUSTRIES INC - Form 10-Q

The following table discloses the high and low sales prices in Canadian dollars for the Common Shares for each quarterly period within the two most recent fiscal years and the subsequent interim period as traded on the TSXV:

Quarter Ended	High	Low
February 28, 2007	\$3.30	\$1.90
November 30, 2006	\$2.46	\$1.20
August 30, 2006	\$2.20	\$1.59
May 31, 2006	\$2.00	\$1.63
February 28, 2006	\$2.14	\$1.50
November 30, 2005	\$1.95	\$1.15
August 30, 2005	\$1.60	\$0.88
May 31, 2005	\$0.95	\$0.50
February 28, 2005	\$0.81	\$0.51

The following table discloses the monthly high and low sales prices in Canadian dollars for the Common Shares for the most recent six months as traded on the TSXV:

Month	High	Low
April 2007	\$5.89	\$4.00
March 2007	\$4.40	\$3.20
February 2007	\$3.42	\$1.90
January 2007	\$2.77	\$2.10
December 2006	\$2.63	\$1.90
November 2006	\$2.46	\$1.50

The following table discloses the annual high and low sales prices in US dollars for the Common Shares for the five (5) most recent financial years as traded on the OTCBB:

Year Ended	High	Low
2002	\$0.32	\$0.109
2003	\$0.245	\$0.07
2004	\$1.00	\$0.07
2005	\$1.70	\$0.42
2006	\$2.25	\$1.03

The following table discloses the high and low sales prices in US dollars for the Common Shares for each quarterly

period within the two most recent fiscal years and the subsequent interim period as traded on the OTCBB:

Quarter Ended	High	Low
February 28, 2007	\$2.93	\$1.63
November 30, 2006	\$2.15	\$1.03
August 30, 2006	\$2.30	\$1.42
May 31, 2006	\$1.76	\$1.43
February 28, 2006	\$1.94	\$1.30
November 30, 2005	\$1.70	\$0.98
August 30, 2005	\$1.25	\$0.70
May 31, 2005	\$0.77	\$0.45
February 28, 2005	\$0.60	\$0.44

The following table discloses the high and low sales prices in US dollars for the Common Shares for the most recent six months as traded on the OTCBB:

Month	High	Low
April 2007	\$4.90	\$3.42
March 2007	\$3.81	\$2.50
February 2007	\$2.93	\$1.63
January 2007	2.32	\$1.81
December 2006	\$2.25	\$1.62
November 2006	\$2.15	\$1.32

The following table discloses the high and low sales prices in Euros for the Common shares for the most recent six months as traded on the Frankfurt Stock Exchange:

Month	High	Low
April 2007	€3.54	€2.55
March 2007	€2.82	€2.15
February 2007	€2.20	€1.37
January 2007	€1.72	€1.42
December 2006	€1.47	€1.26
November 2006	€1.55	€1.13

Plan of Distribution

Not applicable.

9.C

Markets

The Company was incorporated on October 7, 1994. The Common shares currently trade on the TSXV under the trading symbol "WML". The Common Shares commenced trading on the Frankfurt Stock Exchange under the symbol "EJZ" on August 31, 2004. The Common Shares commenced trading on the OTCBB in 2001, however during the period from August 2004 to October 2004 the Company's shares were traded through the Pink Sheets and not the OTCBB. The Common Shares currently trade under the symbol "WMLLF" on the OTCBB.

The closing price of the Company's shares on May 31, 2007 was:

- \$5.05 on the TSXV
- USD 4.70 on the OTCBB
- EUR 3.47 on the Frankfurt Stock Exchange

9.D

Selling Shareholder

Not applicable.

9.E

Dilution

Not applicable.

9.F

Expenses of the Issuer

Not applicable.

ITEM 10.

ADDITIONAL INFORMATION

10.A

Share Capital

Not applicable.

10.B

Articles, Memorandum and By-Laws of the Company

The Company was originally incorporated under the *Business Corporations Act* (Alberta) (the "Alberta Act") but was continued under the BCBCA on January 9, 2006 under Certificate of Continuation No. C0745243 (a copy of which is included as Exhibit 1.11) issued by the Registrar of Companies (B.C.), and is now subject to and governed by the provisions of the BCBCA. A copy of the Continuation Application is included as Exhibit 1.9, and a copy of the Notice of Articles issued by the Registrar of Companies (B.C.) is included as Exhibit 1.10. A copy of the Certificate of Discontinuance issued by Alberta is included as Exhibit 1.12. In conjunction with the continuation, the Company adopted a new form of Articles (the "New Articles") to replace those originally adopted under the Alberta Act. The New Articles are included herein as Exhibit 1.8.

There are no objects or purposes of the Company found in the New Articles, nor are there any restrictions on the Company carrying on any business or exercising any powers (subject to compliance with any applicable requirements of the BCBCA). Rather, pursuant to the BCBCA, the Company has all the capacity and the rights, powers and privileges of an individual of full capacity.

The New Articles, in conjunction with and subject to the provisions of the BCBCA, contain provisions with respect to the rights and restrictions of the classes of shares in the capital of the Company, the rights of shareholders, the procedures for the alteration of the rights and privileges of shareholders, the powers and duties of directors, the power of the directors to borrow, the ability of the directors to bind the Company, the calling and holding meetings of shareholders, and the rights of shareholders in the event of liquidation of the Company's assets.

The authorized capital of the Company, following the continuance, consists of an unlimited number of Common Shares, and an unlimited number of preferred shares ("Preferred Shares") (collectively, the "Shares"). The special rights and restrictions attaching to each class of Shares are as follows:

The Common Shares, as a class, have attached thereto the following rights, privileges, restrictions and conditions:

Voting: Except for meetings at which only holders of another specified class or series of Shares are entitled to vote separately as a class or series, each holder of a Common Share is entitled to receive notice of and to attend all meetings of the shareholders of the Company and to one vote in respect of each Common Share held at all such meetings.

Dividends: Subject to the rights of the holders of the Preferred Shares and any other class of shares ranking senior to the Common Shares, the holders of the Common Shares are entitled to receive and participate rateably in any dividends if, as and when declared by the directors.

Liquidation, Dissolution or Winding-Up: Subject to the rights of the holders of the Preferred Shares and any other class of shares ranking senior to the Common Shares, in the event of the liquidation, dissolution or winding-up of the Company or other distribution of the assets of the Company among its shareholders for the purposes of winding up its affairs, the holders of the Common Shares shall participate rateably in the distribution of the assets of the Company.

The Preferred Shares, as a class, have attached thereto the following rights, privileges, restrictions and conditions:

Issuance in Series: The Preferred Shares may be issued from time to time in one or more series and, subject to the New Articles and any requirements of the BCBCA, the directors are authorized to fix, from time to time before issuance, the number of shares in and the designation, rights, privileges, restrictions and conditions attaching to the shares of each series of Preferred Shares.

Ranking of Preferred Shares: The Preferred Shares of each series shall, with respect to the payment of dividends and the distribution of assets in the event of the liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, rank on a parity with the Preferred Shares of every other series and be entitled to preference over the Common Shares and the shares of any other class ranking junior to the Preferred Shares.

Consequence of Unpaid Cumulative Dividends: If any cumulative dividends or amounts payable on the return of capital in respect of a series of Preferred Shares are not paid in full, all series of Preferred Shares shall participate rateably in respect of accumulated dividends and return of capital.

Voting: Unless the directors otherwise determine in the resolution designating a series of Preferred Shares, the holders of a series of Preferred Shares shall not, as such, be entitled to receive notice of or vote at any meetings of shareholders, except as otherwise specifically provided in the BCBCA.

Approval by Holders of Preferred Shares: The approval by the holders of the Preferred Shares with respect to any matter may, subject to the provisions of the BCBCA, be given in writing by the holders of all of the Preferred Shares for the time being outstanding or by resolution duly passed and carried by not less than two-thirds of the votes cast on a poll at a meeting of the holders of the Preferred Shares duly called and held for the purpose of considering the subject matter of such resolution and at which meeting holders of not less than a majority of all Preferred Shares then outstanding are present in person or represented by proxy; provided, however, that if at any such meeting, when originally held, the holders of at least a majority of all Preferred Shares then outstanding are not present in person or represented by proxy within 30 minutes after the time fixed for the meeting, then the meeting shall be adjourned to such date, being not less than 15 days later, and to such time and place, as may be fixed by the chairman of such meeting and at such adjourned meeting the holders of Preferred Shares present in person or represented by proxy, whether or not they hold a majority of all Preferred Shares then outstanding, may transact the business for which the meeting was originally called, and a resolution duly passed and carried by not less than two-thirds of the votes cast on a poll at such adjourned meeting shall constitute the approval of the holders of the Preferred Shares hereinbefore mentioned. Notice of any such original meeting of the holders of the Preferred Shares shall be given not less than 21 days nor more than 50 days prior to the date fixed for such meeting and shall specify in general terms the purpose for which the meeting is called. No notice of any such adjourned meeting need be given unless such meeting is adjourned by one or more adjournments for an aggregate of 30 days or more from the date of such original meeting, in which latter case notice of the adjourned meeting shall be given in the manner prescribed for the original meeting as aforesaid. The formalities to be observed with respect to the giving of notice of any meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the New Articles with respect to meetings of shareholders.

No Shares have been or may be issued subject to call or assessment. There are no pre-emptive or conversion rights attached to the Common Shares, and there are no provisions for purchase or cancellation, surrender, or any sinking fund or purchase fund. Any such provisions with respect to a particular series of Preferred Shares would be created by the directors at the time such series was created (no series of Preferred Shares has been created and no Preferred Shares have been issued).

Provisions as to the modification, amendment or variation of the rights of shareholders, or the rights and restrictions attaching to the Shares, are contained in the New Articles and the BCBCA. Generally, substantive changes to the rights of holders of Shares, including to the authorized capital of the Company, require the approval by the holders of the affected Shares by an Ordinary Resolution. However, a right or special right attached to issued Shares must not be prejudiced or interfered with unless the holders of series or class of Shares to which the right or special right is attached consent by a Separate Special Resolution of those shareholders. The Company may, by a resolution of its directors alone, subdivide or consolidate all or any of its unissued or issued Shares.

There are no restrictions on the transferability of the Shares contained in the New Articles. Requirements as to the applicable documentation to be submitted in connection with any transfer are set out in the New Articles. There are no provisions in the New Articles discriminating against any existing or prospective holder of Shares as a result of any such holder(s) owning a substantial amount of Shares. There are no provisions in the New Articles that would have the effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to an extraordinary corporate transaction involving the Company such as a merger, reorganization, tender offer, sale or transfer of all or substantially all of its assets or liquidation.

With respect to certain matters concerning directors, the New Articles provide as follows:

(a)

A director who holds a "disclosable interest" (as defined in the BCBCA see below) in a contract or transaction into which the Company has entered or proposes to enter is not entitled to vote on any directors' resolution to approve that contract or transaction, unless all of the directors have a disclosable interest, in which case any or all of the directors may vote on such resolution.

(b)

There is no requirement for an "independent quorum" of directors to be present in order for the directors to be able to vote compensation to themselves or any members of their body.

(c)

The Company, if authorized by the directors, may:

-

borrow money in the manner and amount, on the security, from the sources and on the terms and conditions that the directors consider appropriate,

-

issue bonds, debentures and other debt obligations on such terms as the directors consider appropriate,

-

guarantee the repayment of money by any other person or the performance of any obligation of any other person, and

-

mortgage, charge, grant a security interest in or give any other security on, the whole or any part of the present and future assets and undertaking of the Company.

There are no restrictions in the New Articles on the powers of the directors as set out above (save with respect to the ability of any directors with a disclosable interest to vote to approve any such transactions). Such provisions may be varied by an Ordinary Resolution of the shareholders.

(d)

There is no provision in the New Articles for the retirement or non-retirement of directors pursuant to any age limit requirement.

(e)

There is no requirement for a director to hold any Shares in order to be qualified to be elected or to act as a director.

The BCBCA provides that a director holds a "disclosable interest" in a contract or transaction if:

-

the contract or transaction is material to the Company,

-

the Company has entered, or proposes to enter, into the contract or the transaction, and

-

either of the following applies to the director:

-

the director has a material interest in the contract or transaction, or

-

the director is a directors or, or has a material interest in, a person who has a material interest in the contract or transaction

However, a director does not hold a disclosable interest in a contract or transaction merely because:

-

the contract or transaction is an arrangement by way of security granted by the Company for money loaned to, or obligations undertaken by, the director, or a person in whom the director has a material interest, for the benefit of the Company or an affiliate of the Company

-

the contract or transaction relates to an indemnity of the director by the Company or insurance for the benefit of the director

-

the contract or transaction relates to the remuneration of the director in that person's capacity as director, officer, employee or agent of the Company or of an affiliate of the Company

-

the contract or transaction relates to a loan to the Company, and the director, or a person in whom the director has a material interest, is or is to be a guarantor of some or all of the loan

-

the contract or transaction has been or will be made with or for the benefit of a corporation that is affiliated with the Company and the director is also a director of that corporation or an affiliate of that corporation

The directors may call meetings of shareholders at any time. There are no provisions in the New Articles permitting a meeting of shareholders to be called by shareholders or by a court of competent jurisdiction, but the BCBCA contains

provisions permitting the holders of not less than 5% of the issued shares entitled to vote at general meetings to requisition a meeting of the shareholders and authorizing one or more shareholders holding at least 2.5% of the shares entitled to be voted at general meetings to call a meeting if the directors do not do so. Notice of the time, date and location of a general meeting, together with a description of the general nature of any special business to be conducted at the meeting, is required to be sent to all shareholders entitled to attend the meeting at least 21 days before the meeting. The directors may set a record date for the purpose of determining the shareholders entitled to receive notice of the meeting, but such record date must not be less than 21 days before the date of the meeting. Similarly, the directors may fix a record date for the purpose of determining the shareholders entitled to vote at such meeting, which date may not be more than two months before the meeting. A quorum for a general meeting is a person or persons who are, or who represent(s) by proxy, shareholders holding, in the aggregate, not less than 5% of the shares entitled to be voted at the meeting. Registered shareholders, and duly appointed shareholders for registered shareholders, together with the directors, the president, the secretary, the assistant secretary, any lawyer for the Company, the auditor of the Company and any other persons invited by the directors are entitled to attend any general meeting of the shareholders.

There are no provisions in the New Articles requiring the disclosure of shareholder ownership above any threshold.

10.C

Material Contracts

The Company has not entered into any material contracts since May, 2005 (being two years before the publication of this Annual Report) that were not in the normal course of business.

10.D

Exchange Controls

There are no governmental laws, decrees, regulations or other legislation, including foreign exchange controls, in Canada which may affect the export or import of capital or that may affect the remittance of dividends, interest or other payments to non-resident holders of the Company's securities. Any such remittances to United States residents, however, are subject to a withholding tax pursuant to the Canada - U.S. Income Tax Convention (1980) (the "Treaty"), as amended.

There is no limitation imposed by Canadian law or by the New Articles or other charter documents on the right of a non-resident to hold or vote Common Shares or preference shares with voting rights (the "Voting Shares"), other than as provided in the Investment Canada Act (the "ICA"). The ICA requires a non-Canadian making an investment which would result in the acquisition of control of a Canadian business (i.e. the gross value of the assets of which exceed a certain monetary threshold) or an investment to establish a new Canadian business, to identify, notify, or file an application for review with the Investment Review Division of Industry Canada ("IRD").

The notification procedure involves a brief statement of information about the investment on a prescribed form which is required to be filed with the IRD by the investor at any time up to 30 days following implementation of the investment. It is intended that investments requiring only notification will proceed without government intervention unless the investment is in a specific type of business activity related to Canada's cultural heritage and national

identity.

If an investment is reviewable under the ICA, an application for review in the form prescribed is normally required to be filed with the IRD prior to the investment taking place and the investment may not be implemented until the review has been completed and the Minister of Industry ("Minister") (the Minister responsible for Investment Canada) is satisfied that the investment is likely to be of net benefit to Canada. The Minister has up to 75 days to make this determination. If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian must not implement the investment or, if the investment has been implemented, may be required to divest himself of control of the business that is the subject of the investment.

10.E

Taxation

ALL PROSPECTIVE INVESTORS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF PURCHASING COMMON SHARES

Material Canadian Federal Income Tax Considerations

The following summary is based upon the current provisions of the Income Tax Act (Canada) (the "Tax Act"), the current provisions of the regulations promulgated thereunder (the "Regulations") and the current provision of the Treaty, as at the date hereof and counsel's understanding of the current administrative practices of the Canada Revenue Agency (the "CRA"). This summary takes into account all specific proposals to amend the Tax Act and the Regulations that have been publicly announced by, or on behalf of, the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals"), but does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, or changes in administrative practices of the CRA. No assurances can be given that the Tax Proposals will be enacted as proposed, if at all. This summary does not take into account the tax legislation of any province or territory of Canada or any non-Canadian jurisdiction. Provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation.

The Tax Act contains certain provisions relating to securities held by certain financial institutions (the "mark-to-market rules"). This summary does not take into account the mark-to-market rules and investors that are financial institutions for the purposes of those rules should consult their own tax advisors. This summary is not applicable to investors an interest in which would be a "tax shelter investment", as defined in the Tax Act, and any such investor should consult their own tax advisers.

The following summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, investors should consult their own tax advisors with respect to their particular circumstances, including the application and effect of the income and other taxes of any country,

province, territory, state or local tax authority.

The following summary is generally applicable to an investor who, at all relevant times, for purposes of the Tax Act and any applicable income tax treaty or convention, is neither resident nor deemed to be resident in Canada, is not affiliated with the Company for the purposes of the Tax Act, deals at arm's length with the Company for the purposes of the Tax Act, holds Common Shares as capital property and does not use or hold, and is not deemed to use or hold Common Shares in connection with carrying on business in Canada (a "non-resident shareholder"). Special rules, which are not discussed in this summary, may apply to a non-resident shareholder that is an insurer that carries on an insurance business in Canada and elsewhere.

Dividends on Common Shares

Generally, dividends (including stock dividends) paid or credited (including amounts on account of or in lieu of dividends) by Canadian corporations to non-resident shareholders are subject to a withholding tax of 25%. However, the Treaty provides for a 15 percent withholding tax on dividends paid to all individuals and corporate residents of the United States qualifying for Treaty benefits. Dividends paid to any United States resident company that qualifies for Treaty benefits and that beneficially owns at least 10% of the voting stock of the payor company are subject to withholding tax at 5%.

Dividends (including stock dividends) paid or credited to a holder that is a United States tax-exempt organization, as described in Article XXI of the Treaty, and is entitled to the benefits of Article XXI(2) of the Treaty will not have to pay any Canadian withholding tax in respect of the amount of the dividend.

Disposition of the Company's Common Shares

A non-resident shareholder will not be subject to tax under the Tax Act on any capital gain realized on a disposition of a Common Share unless the Common Shares constitute "taxable Canadian property" to the non-resident shareholder.

Generally, Common Shares will not constitute "taxable Canadian property" to a non-resident shareholder at a particular time provided that (a) the Common Shares are listed on a prescribed stock exchange (which includes the Tier I and Tier II of the TSXV) at that time, and (b) the non-resident shareholder, persons with whom the non-resident shareholder does not deal at arm's length, or the non-resident shareholder together with persons with whom the non-resident shareholder does not deal at arm's length, have not owned 25% or more of the issued shares of any of classes (or of any series within a class) of the Company at any time during the 60-month period that ends at that time.

Common Shares may also be taxable Canadian property in certain other circumstances, including where the non-resident shareholder elected to have them treated as taxable Canadian property upon ceasing to be resident in Canada. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, Common Shares could be deemed taxable Canadian property. Non-resident shareholders should consult their own tax advisers to determine whether the Common Shares will constitute taxable Canadian property in their particular circumstances.

Even if the Common Shares are taxable Canadian property to a non-resident shareholder, a taxable capital gain or an allowable capital loss resulting from the disposition of the shares will not be included in computing the non-resident shareholder's income for the purposes of the Tax Act if the Common Shares constitute "treaty-protected property".

Common Shares owned by a non-resident shareholder will generally be treaty-protected property if the gain from the disposition of such property would, because of an applicable income tax treaty or convention to which Canada is a signatory, be exempt from tax under the Tax Act. Non-resident shareholders should consult their own tax advisors to determine whether the Common Shares constitute treaty-protected property in their particular circumstances.

Under the Tax Act, the disposition of a Common Share by a holder may occur in a number of circumstances including on a sale or gift of the Common Share or upon the death of the holder. There are no Canadian federal estate or gift taxes on the purchase or ownership of the Common Shares.

All non-resident shareholders who dispose of "taxable Canadian property" are required to file a Canadian tax return reporting their gain or loss on the disposition and, subject to an applicable tax treaty exemption, pay the Canadian federal tax due on the disposition.

All non-resident shareholders who dispose of "taxable Canadian property" are also required to obtain an advance clearance certificate in respect of their disposition under section 116 of the Tax Act (the "Section 116 Certificate").

The purchaser of the Common Shares is obligated to withhold 25% of the gross proceeds on the acquisition of the Common Shares from a non-resident shareholders except to the extent of the certificate limit on the Section 116 Certificate. A Section 116 Certificate is required even where the gain is exempt from Canadian income tax under a provision of an income tax treaty with Canada, such as the Treaty. If the non-resident shareholder does not provide a Section 116 Certificate to the purchaser, then the purchaser will be required to withhold and remit to the CRA 25% of the proceeds on account of the non-resident shareholder's tax obligation, on or before the end of the month following the date of the sale. The non-resident shareholder may then file a Canadian tax return to obtain a refund of excess withholding tax, if any.

Repurchase of Common Shares

If the Company repurchases Common Shares from a holder thereof (other than a purchase of Common Shares on the open market in a manner in which Common Shares would be purchased by any member of the public in the open market), the amount paid by us that exceeds the "paid-up capital" of the Common Shares purchased will be deemed by the Tax Act to be a dividend paid by the Company to the holder of Common Shares. The paid-up capital of the Common Shares may be less than the holder's cost of its Common Shares. The tax treatment of any dividend received by a non-resident shareholder of Common Shares has been described above under "Dividends on Common Shares."

A holder of Common Shares will also be considered to have disposed of its Common Shares purchased by the Company for proceeds of disposition equal to the amount received or receivable by the holder on the purchase, less the amount of any dividend as described above. As a result, the holder of Common Shares will generally realize a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any costs of disposition and less the amount of any deemed dividends, exceed (or are exceeded by) the adjusted cost base of the Common Shares. The tax treatment of any capital gain or capital loss by a non-resident shareholder has been described above under "Disposition of Common Shares".

U.S. Federal Income Tax Considerations

The following is a summary of the material anticipated U.S. federal income tax consequences of an investment by a U.S. Holder, as defined below, under U.S. tax laws. The discussion of U.S. federal income tax considerations is not exhaustive of all possible U.S. federal income tax considerations and does not take into account state, local or foreign tax considerations. It is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder of Common Shares. Prospective purchasers of Common Shares are advised to consult with their advisors about the income tax consequences to them of an acquisition of Common Shares. The discussion of U.S. federal income tax considerations is based on the Internal Revenue Code of 1986, as amended ("*Code*"), Treasury Department Regulations (whether final, temporary, or proposed), administrative pronouncements of the Internal Revenue Service, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "*Canada-U.S. Tax Convention*") and court decisions which are currently applicable and, in each case, as in effect and available, as of the date of this Annual Report. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive basis. Further, any variation or difference from the facts or representations recited here, for any reason, might affect the following discussion, perhaps in an adverse manner, and make this summary inapplicable.

U.S. Holders

For purposes of this summary, a "*U.S. Holder*" is a beneficial owner of Common Shares that, for U.S. federal income tax purposes, is (a) an individual who is a citizen or resident of the U.S., (b) a corporation, or any other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state in the U.S., including the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

Non-U.S. Holders

For purposes of this summary, a "*non-U.S. Holder*" is a beneficial owner of Common Shares other than a U.S. Holder. This summary does not address the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares to non-U.S. Holders. Accordingly, a non-U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the U.S. federal income, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any tax treaties) of the acquisition, ownership, and disposition of Common Shares.

U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares to U.S. Holders that are subject to special provisions under the Code, including the following U.S. Holders: (a) U.S. Holders that are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) U.S. Holders that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies; (c) U.S. Holders that are dealers in securities or currencies or U.S. Holders that are traders in securities that elect to apply a mark-to-market accounting method; (d) U.S. Holders that have a "functional currency" other than the U.S. dollar; (e) U.S. Holders that are liable for the alternative minimum tax under the Code; (f) U.S. Holders that own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (g) U.S. Holders that acquired Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (h) U.S. Holders that hold Common Shares other than as a capital asset within the meaning of Section 1221 of the Code; or (i) U.S. Holders that own (directly, indirectly, or constructively) 10% or more, by voting power or value, of the outstanding shares of the Company. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own financial advisor, legal counsel or accountant regarding the U.S. federal income, U.S. state and local, and foreign tax consequences of the acquisition, ownership, and disposition of Common Shares.

If an entity that is classified as a partnership (or "pass-through" entity) for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences to such partnership (or "pass-through" entity) and the partners of such partnership (or owners of such "pass-through" entity) generally will depend on the activities of the partnership (or "pass-through" entity) and the status of such partners (or owners). Partners of entities that are classified as partnerships (or owners of "pass-through" entities) for U.S. federal income tax purposes should consult their own financial advisor, legal counsel or accountant regarding the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares.

U.S. Federal Income Tax Consequences of the Acquisition, Ownership and Disposition of Common Shares

Except as discussed below in the section on passive foreign investment companies, the mere acquisition and holding of Common Shares is not a taxable event for U.S. federal income tax purposes. The taxable events impacting U.S. Holders generally will be the payment of dividends on Common Shares, the sale or exchange of Common Shares and the repurchase of Common Shares by the Company.

General Taxation of Distributions

The amount of any distribution with respect to Common Shares received (whether actually or constructively) by a U.S. Holder will be includible in such holder's gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated "earnings and profits" of the Company. To the extent that a distribution exceeds the current and accumulated "earnings and profits" of the Company, such distribution will be treated first, as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Common Shares and, thereafter, as gain from the sale or exchange of such Common Shares. (See more detailed discussion at "Disposition of Common Shares" below).

Reduced Tax Rates for Certain Dividends

For taxable years beginning before January 1, 2011, a dividend paid by the Company generally will be taxed at the preferential tax rates applicable to long-term capital gains if (a) the Company is a "qualified foreign corporation" (as defined below), (b) the U.S. Holder receiving such dividend is an individual, estate, or trust, and (c) such dividend is paid on Common Shares that have been held by such U.S. Holder for at least 61 days during the 121-day period beginning 60 days before the "ex-dividend date".

The Company generally will be a "qualified foreign corporation" under Section 1(h)(11) of the Code (a "QFC") if (a) the Company is eligible for the benefits of the Canada-U.S. Tax Convention, or (b) the Common Shares are readily tradable on an established securities market in the U.S. However, even if the Company satisfies one or more of such requirements, the Company will not be treated as a QFC if the Company is a "passive foreign investment company" (as defined below) for the taxable year during which the Company pays a dividend or for the preceding taxable year.

As discussed below, the Company believes that it was a "passive foreign investment company" for the taxable year ended November 30, 2006 and expects that it may be a "passive foreign investment company" for the taxable year ending November 30, 2007 (See more detailed discussion at "Additional Rules that May Apply to U.S. Holders -Passive Foreign Investment Company" below). Accordingly, the Company does not expect to be a QFC for the taxable year ending November 30, 2007. Dividends paid on the Common Shares generally will not be eligible for the "dividends received deduction".

If the Company is not a QFC, a dividend paid by the Company to a U.S. Holder, including a U.S. Holder that is an individual, estate, or trust, generally will be taxed at ordinary income tax rates (and not at the preferential tax rates applicable to long-term capital gains). The dividend rules are complex, and each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the dividend rules.

Distributions Paid in Foreign Currency

The amount of a distribution paid to a U.S. Holder in foreign currency generally will be equal to the U.S. dollar value of such distribution based on the exchange rate applicable on the date of receipt. A U.S. Holder that does not convert foreign currency received as a distribution into U.S. dollars on the date of receipt generally will have a tax basis in such foreign currency equal to the U.S. dollar value of such foreign currency on the date of receipt. Such a U.S. Holder generally will recognize ordinary income or loss on the subsequent sale or other taxable disposition of such foreign currency (including an exchange for U.S. dollars).

Foreign Tax Credit

U.S. Holders can reduce U.S. federal income tax on dividends by claiming a foreign tax credit for Canadian income tax and certain other foreign taxes incurred on such dividends. The amount of foreign tax credit allowed is generally the lower of the foreign taxes incurred or the amount of U.S. federal income tax imposed on the dividend. Unused foreign tax credits can be carried back one year and carried forward five years to reduce U.S. federal income tax on similar foreign source income. U.S. taxpayers can forego foreign tax credits on foreign taxes and instead elect to take a deduction for foreign taxes in computing taxable income. The election to take a credit or deduction for foreign taxes paid or incurred is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source". In addition, this limitation is calculated separately with respect to specific categories of income (including "passive income," "high withholding tax interest," "financial services income," "general income," and certain other categories of income). Dividends paid by the Company generally will constitute "foreign source" income and generally will be categorized as "passive income" or, in the case of certain U.S. Holders, "financial services income". However, for taxable years beginning after December 31, 2006, the foreign tax credit limitation categories are reduced to "passive income" and "general income" (and the other categories of income, including "financial services income", are eliminated). The foreign tax credit rules are complex, and each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the foreign tax credit rules.

Sale or Exchange of Common Shares to Third Parties

On the sale or exchange of Common Shares to third parties, a U.S. Holder will recognize gain or loss equal to the difference, if any, between the proceeds received and such holder's tax basis in the Common Shares sold. Any such gain or loss generally will be capital gain or loss, which will be long-term capital gain or loss if the Common Shares are held for more than one year.

Preferential tax rates apply to long-term capital gains of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gains of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

Repurchase of Common Shares

If the Company repurchases the entire shareholdings of a U.S. Holder in a single transaction, the transaction will be taxed in the same manner as described above for sales and exchanges to third parties. Complex attribution rules apply in determining whether a transaction involves the entire shareholdings of a holder. If the Company repurchase less than the entire holdings of a holder of Common Shares, complicated rules determine whether or not the transaction will be taxed as a sale or exchange or as a distribution taxable as a dividend from us (to the extent of accumulated and current earnings and profits). In the event of a Common Share repurchase, U.S. Holders should consult their own tax advisors to determine the U.S. federal income tax consequences to them of tendering their Common Shares.

Information Reporting: Backup Withholding Tax

Payments made within the U.S., or by a U.S. payor or U.S. middleman, of dividends on, or proceeds arising from the sale or other taxable disposition of, Common Shares generally will be subject to information reporting and backup withholding tax, at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax.

However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS. Each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the information reporting and backup withholding tax rules.

Additional Rules that May Apply to U.S. Holders

If the Company is a "controlled foreign corporation" or a "passive foreign investment company" (each as defined below), the preceding sections of this summary may not describe the U.S. federal income tax consequences to U.S. Holders of the acquisition, ownership, and disposition of Common Shares.

Controlled Foreign Corporation

The Company generally will be a "controlled foreign corporation" under Section 957 of the Code (a "CFC") if more than 50% of the total voting power or the total value of the outstanding Common Shares is owned, directly or indirectly, by citizens or residents of the U.S., domestic partnerships, domestic corporations, domestic estates, or domestic trusts (each as defined in Section 7701(a)(30) of the Code), each of which own, directly or indirectly, 10% or more of the total voting power of the outstanding Common Shares (a "10% Shareholder").

If the Company is a CFC, a 10% Shareholder generally will be subject to current U.S. federal income tax with respect to (a) such 10% Shareholder's pro rata share of the "subpart F income" (as defined in Section 952 of the Code) of the Company and (b) such 10% Shareholder's pro rata share of the earnings of the Company invested in "United States property" (as defined in Section 956 of the Code). In addition, under Section 1248 of the Code, any gain recognized on the sale or other taxable disposition of Common Shares by a U.S. Holder that was a 10% Shareholder at any time during the five-year period ending with such sale or other taxable disposition generally will be treated as a dividend to the extent of the "earnings and profits" of the Company that are attributable to such Common Shares. If the Company is both a CFC and a "passive foreign investment company" (as defined below), the Company generally will be treated as a CFC (and not as a "passive foreign investment company") with respect to any 10% Shareholder.

The Company does not believe that it has previously been, or currently is, a CFC. However, there can be no assurance that the Company will not be a CFC for the current or any subsequent taxable year.

Passive Foreign Investment Company Considerations

It is likely that the Company will be classified as a passive foreign investment company ("*PFIC*") from time to time for U.S. federal income tax purposes. A non-U.S. corporation is classified as a PFIC whenever it satisfies either the asset test or the income test described below.

A non-U.S. corporation is a PFIC if 50% or more of the average value (or on the adjusted tax basis of such assets, if the Company is not publicly traded and either is a "controlled foreign corporation" or makes an election) of its assets consists of assets that produce, or are held for the production of, passive income or if 75% or more of its gross income is passive income. "Passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. However, for transactions entered into after December 31, 2004, gains arising from the sale of commodities generally are excluded from passive income if substantially all of a foreign corporation's commodities are (a) stock in trade of such foreign corporation or other property of a kind which would properly be included in inventory of such foreign corporation, or property held by such foreign corporation primarily for sale to customers in the ordinary course of business, (b) property used in the trade or business of such foreign corporation that would be subject to the allowance for depreciation under Section 167 of the Code, or (c) supplies of a type regularly used or consumed by such foreign corporation in the ordinary course of its trade or business.

For purposes of the PFIC tests described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another foreign corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other foreign corporation and (b) received directly a proportionate share of the income of such other foreign corporation. In addition, for purposes of the PFIC income test and asset test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by the Company from a "related person" (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

In addition, if the Company is PFIC and own shares of another foreign corporation that also is a PFIC, under certain indirect ownership rules, a disposition by the Company of the shares of such other foreign corporation or a distribution received by the Company from such other foreign corporation generally will be treated as an indirect disposition by a U.S. Holder or an indirect distribution received by a U.S. Holder, subject to the rules discussed above. To the extent that gain recognized on the actual disposition by a U.S. Holder of Common Shares or income recognized by a U.S. Holder on an actual distribution received on Common Shares was previously subject to U.S. federal income tax under these indirect ownership rules, such amount generally should not be subject to U.S. federal income tax.

Because the PFIC income test is a gross income test, losses from operations or administrative expenses do not reduce passive income for purposes of the PFIC income test. The Company has had, in past years, interest income and gain from the sale of marketable securities and no other operating income, and may have such situations in the future. Thus, the Company believes that it was a PFIC for the taxable year ending November 30, 2006 based on this gross income test and would be classified as a PFIC from time to time in the future for U.S. federal income tax purposes. The determination of whether the Company was, or will be, a PFIC for a taxable year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether the Company will be a PFIC for the taxable year ending November 30, 2007 and each subsequent taxable year depends on the assets and income of the Company over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Annual Report. Accordingly, there can be no assurance that the IRS will not challenge the determination made by the Company concerning its PFIC status or that the Company was not, or will not be, a PFIC for any taxable year.

U.S. Taxpayers holding shares classified as PFIC stock are subject to one of three special tax regimes with respect to the PFIC stock. Such shareholders can elect to be taxed under either the under the Qualified Electing Fund ("*QEF*") Regime or the Market-to- Market Regime. Failure to qualify for and elect either of these two regimes results in being taxed under the Excess Distribution Regime.

Under the Excess Distribution Regime, Common Shares are considered PFIC stock in the first year that the Company becomes a PFIC with respect to that particular holder and all subsequent years. Actual distributions from the Company are classified as regular distributions or excess distributions. An actual distribution is an excess distribution to the extent the total of actual distributions during a taxable year exceeds 125% of the average of actual distributions received in the three preceding years (or during a U.S. Holder's holding period for the Common Shares, if shorter). Any gain recognized on the sale or the disposition of Common Shares, and any excess distributions for any year are allocated rateably over all the days during which the holder held the Common Shares. Amounts allocated to prior

years during which the Company was a PFIC are subject to a special tax calculation consisting of the highest rate of tax for the year to which allocated and an interest charge as if such tax were an underpayment of taxes for the year allocated. This special tax, known as the Deferred Tax Amount, is added to the holder's regular tax liability. A non-corporate U.S. Holder must treat any such interest paid as "personal interest" which is not deductible. All other portions of the gains and excess distributions are added to the regular distributions and taxed as dividend income according to the general rules above. Foreign taxes incurred with respect to an excess distribution are allocated in the same manner as the excess distributions. Foreign taxes allocable to excess distributions used to determine the Deferred Tax Amount can be credited against the Deferred Tax Amount otherwise payable, but any foreign taxes in excess of the Deferred Tax Amount are permanently lost rather than generating foreign tax credits that can be carried forward to future years. Foreign taxes allocable to the remainder of the excess distributions are subject to the general rules for foreign tax credits discussed above.

If the Company is a PFIC for any taxable year during which a non-electing U.S. Holder holds Common Shares, the Company will continue to be treated as a PFIC with respect to such U.S. Holder, regardless of whether the Company ceases to be a PFIC in one or more subsequent years. A non-electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain which will be taxed according to the rules above, as if such Common Shares were sold on the last day of the last taxable year for which the Company was a PFIC.

A U.S. Taxpayer can avoid the Excess Distribution Regime by electing to be taxed under the QEF Regime in the first year in which the Company qualifies as a PFIC while the Common Shares are held by such holder. The Company must have agreed to make available to holders the information necessary to determine the inclusions under the QEF rules and to assure compliance in order for the holder to be able to make a QEF election. Under a QEF election, the holder must include in its taxable income its pro rata share of the Company's earnings and profits divided into ordinary income and net capital gain, whether or not such amounts are actually distributed. Actual distributions from the Company paid out of earnings and profits previously included as income under the QEF election are treated as a tax-free return of capital. Under the QEF election, a holder's basis in the Common Shares is increased by any amount included in the holder's income under the QEF rules and decreased by any distributed amount treated as a tax free return of capital. Gains on sales or other dispositions of PFIC stock under the QEF regime are generally taxable as capital gain income under the general rules discussed above.

A holder electing to be taxed under the QEF Regime may make a further election to defer paying taxes due under the QEF Regime until actual distributions are made from the PFIC to the holder. Interest will be charged on such deferred tax liability until the liability is actually paid at the normal rate for underpayments of tax.

The procedure for making a QEF election, and the U.S. federal income tax consequences of making a QEF election, will depend on whether such QEF election is timely. A QEF election will be treated as "timely" if such QEF Election is made for the first year in the U.S. Holder's holding period for the Common Shares in which the Company was a PFIC. A U.S. Holder may make a timely QEF election by filing the appropriate QEF election documents at the time such U.S. Holder files a U.S. federal income tax return for such first year. However, if the Company was a PFIC in a prior year, then in addition to filing the QEF Election documents, a U.S. Holder must elect to recognize (a) gain (which will be taxed under the rules described above) as if the Common Shares were sold on the qualification date or (b) if the Company was also a CFC, such U.S. Holder's pro rata share of the post-1986 "earnings and profits" of the Company as of the qualification date. The "qualification date" is the first day of the first taxable year in which the

Company was a QEF with respect to such U.S. Holder. The election to recognize such gain or "earnings and profits" can only be made if such U.S. Holder's holding period for the Common Shares includes the qualification date. By electing to recognize such gain or "earnings and profits," such U.S. Holder will be deemed to have made a timely QEF election. In addition, under very limited circumstances, a U.S. Holder may make a retroactive QEF election if such U.S. Holder failed to file the QEF election documents in a timely manner.

A QEF election will apply to the taxable year for which such QEF election is made and to all subsequent taxable years, unless such QEF election is invalidated or terminated or the IRS consents to revocation of such QEF election.

If a U.S. Holder makes a QEF election and, in a subsequent taxable year, the Company ceases to be a PFIC, the QEF election will remain in effect (although it will not be applicable) during those taxable years in which the Company is not a PFIC. Accordingly, if the Company becomes a PFIC in another subsequent taxable year, the QEF election will be effective and the U.S. Holder will be subject to the QEF rules described above during any such subsequent taxable year in which the Company qualifies as a PFIC. In addition, the QEF election will remain in effect (although it will not be applicable) with respect to a U.S. Holder even after such U.S. Holder disposes of all of such U.S. Holder's direct and indirect interest in the Common Shares. Accordingly, if such U.S. Holder reacquires an interest in the Company, such U.S. Holder will be subject to the QEF rules described above for each taxable year in which the Company is a PFIC.

Each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the availability of, and procedure for making, a QEF election. U.S. Holders should be aware that there can be no assurance that the Company will satisfy record keeping requirements that apply to a QEF, or that the Company will supply U.S. Holders with information that such U.S. Holders require to report under the QEF rules, in event that the Company is a PFIC and a U.S. Holder wishes to make a QEF election.

U.S. Taxpayers holding shares can also avoid the Excess Distribution Regime by electing to be taxed under the Market-to Market-Regime as long as the shares are "marketable stock" as defined in the Code. However, if a U.S. Holder makes a Mark-to-Market Election after the beginning of such holder's holding period for the Common Shares and such holder has not made a timely QEF Election, the rules above will apply to certain dispositions of, and distributions on, the Common Shares. The Common Shares generally will be "marketable stock" if the Common Shares are regularly traded on a qualified exchange or other market. For this purpose, a "qualified exchange or other market" includes (a) a national securities exchange that is registered with the Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, surveillance, and other requirements designed to prevent fraudulent and manipulative acts and practices, remove impediments to and perfect the mechanism of a free, open, fair, and orderly market, and protect investors (and the laws of the country in which the foreign exchange is located and the rules of the foreign exchange ensure that such requirements are actually enforced) and (ii) the rules of such foreign exchange effectively promote active trading of listed stocks. If the Common Shares are traded on such a qualified exchange or other market, the Common Shares generally will be "regularly traded" for any calendar year during which the Common Shares are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter.

Under the Market-to-Market Regime, a holder includes in taxable income an amount equal to the excess, if any, of a) the fair market value of the Common Shares as of the close of such taxable year over b) such holder's tax basis in the Common Shares. A U.S. Holder that makes a Mark-to-Market election will be allowed a deduction in an amount equal to the lesser of (a) the excess, if any, of (i) such U.S. Holder's adjusted tax basis in the Common Shares over (ii) the fair market value of such Common Shares as of the close of the taxable year or (b) the excess, if any, of (i) the amount included in ordinary income because of such Mark-to-Market election for prior taxable years over (b) the amount allowed as a deduction because of such election for prior taxable years.

A U.S. Holder that makes a Mark-to-Market election generally also will adjust such U.S. Holder's tax basis in the Common Shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market election. In addition, upon a sale or other taxable disposition of Common Shares, a U.S. Holder that makes a Mark-to-Market election will recognize ordinary income or loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market election for prior taxable years over (b) the amount allowed as a deduction because of such Mark-to-Market election for prior taxable years).

A Mark-to-Market election applies to the taxable year in which such Mark-to-Market Election is made and to each subsequent taxable year, unless the Common Shares cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the availability of, and procedure for making, a Mark-to-Market election.

Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of Common Shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which Common Shares are transferred.

Use of PFIC shares as security for a loan constitutes a disposition of the shares for tax purposes. Holders are advised to consult their own personal tax advisors before entering into such transactions.

The PFIC rules are complex, and each U.S. Holder should consult its own financial advisor, legal counsel, or accountant regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership, and disposition of Common Shares.

10.F

Dividends and Paying Agents

Not applicable.

10.G

Statements by Experts

Not applicable.

10.H

Documents on Display

All documents exhibited hereto or incorporated by reference are available for viewing at the corporate offices of the Company at Suite 1901 1177 West Hastings St., Vancouver, B.C., Canada, upon reasonable notice given to the Company.

Publicly available corporate records may be viewed at the Company's registered and records office located at Suite 2300, 1055 Dunsmuir Street, Vancouver, B.C., V7X 1J1.

The Company has registered its class of Common Shares under the U.S. Securities Exchange Act of 1934, as amended, and files periodic reports with the Securities and Exchange Commission in Washington, D.C. (Registration No. 0-29986). Any statement in this Annual Report about any of our contracts or other documents is not necessarily complete: if the contract or document is filed or submitted as an exhibit, the contract or document is deemed to modify the description contained in this Annual Report. The exhibits must be reviewed by themselves for a complete description of the contract or documents.

The Company's reports and other information, including exhibits and schedules, as filed with the Securities and Exchange Commission in accordance with the Securities Exchange Act of 1934, as amended, may be inspected at the public reference facilities maintained by the Securities and Exchange Commission at Judiciary Plaza, 450 Fifth Street, Room 1024, N.W., Washington, D.C. 20549. Copies of such material may also be obtained from the Public Reference Section of the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Information may be obtained regarding the Washington D.C. Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Company's public documents appearing on the Securities and Exchange Commission's EDGAR system may be accessed over the Internet at <http://www.sec.gov>.

10.I

Subsidiary Information

Not applicable.

ITEM 11.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This Item, related to market risk disclosure, requires that the Company describe and quantify its potential losses from market risk sensitive instruments attributable to reasonably possible market changes. Market risk sensitive instruments include all financial or commodity instruments and other financial instruments (such as investments and debt) that are sensitive to future changes in interest rates, currency exchange rates, commodity prices or other market factors.

The Company believes that its exposure to market risk, as that term is used in this Item 11, is immaterial, as the Company does not invest in, or otherwise hold, for trading or other purposes, any material financial instruments subject to market risk.

ITEM 12.

DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not Applicable.

PART II

ITEM 13.

DEFAULTS, DIVIDEND ARREARS AND DELINQUENCIES

Not Applicable.

ITEM 14.

MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

There have no material modifications to the rights of security holders since the adoption of the New Articles in 2006.

ITEM 15.

CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Annual Report, the Company's disclosure controls and procedures were adequately designed and are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms.

In addition, the Company's Chief Executive Officer and Chief Financial Officer have determined that the disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that are filed under the Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's annual report on internal control over financial reporting

The Company is currently considered a non-accelerated filer pursuant to Rule 12b-2 of the Exchange Act. Therefore, the Company is not currently required to make statements regarding the effectiveness of internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act. However, the Company and its management, including its Chief Executive Officer and Chief Financial Officer, recognize that the Company, as a small business issuer, will likely be required to comply with disclosure report requirements of Section 404 beginning with the fiscal year ending November 30, 2008.

There were no changes in the Company's internal control over financial reporting or in other factors that could significantly affect the Company's internal control over financial reporting during 2006.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no

assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ITEM 16

[RESERVED]

16.A

Audit Committee Financial Expert

The Board has determined that Maurice F. Strong is an audit committee financial expert. Mr. Strong is considered to be "independent" in accordance with the provisions of Section 121 of the American Stock Exchange Company Manual.

Mr. Strong has had experience as a principal accounting officer, and then as Chief Financial Officer of a large public oil and gas company. He has also served as the Chief Executive Officer of a large public company, and of a large provincial utility company. In these positions, he had direct responsibility for supervising financial and accounting functions, including supervision of Chief Financial Officers and principle accounting officers. He has also been a Chief Executive Officer and Director of a number of companies, where his responsibilities included overseeing or assessing the performance of companies with respect to the preparation and evaluation of financial statements,

16.B

Code of Ethics

The Company has prepared codes of ethics for its CEO, CFO, Directors and Officers. The Codes of Ethics are contained in the Company's Form 20-F/A filed with the Securities and Exchange Commission on September 27, 2004 and are incorporated by reference herein. The Company is presently in the process of reviewing these codes of ethics with a view to adopting one comprehensive "Code of Business Conduct & Ethics" to govern all of its directors, officers and employees. It is likely that such comprehensive code will be adopted within the next 3 months.

16.C

Principal Accountant Fees and Services

The nature of the services provided by STS Partners, the Company's independent auditors, under each of the categories indicated in the table is described below.

Principal Accountant Service	For the fiscal year ended November 30, 2006	For the fiscal year ended November 30, 2005
Audit Fees	\$62,750	\$45,000
Audit Related Services	\$Nil	\$Nil

Tax Fees	\$Nil	\$Nil
All Other Fees	\$Nil	\$Nil

Audit Fees

Audit fees were for professional services rendered by STS Partners for the audit of the Company's annual consolidated financial statements and services provided in connection with statutory and regulatory filing or engagements.

Audit Related Fees

Audit related fees are fees for assurance and related services reasonably related to the performance of the audit or review of the annual consolidated statements that are not reported under "Audit Fees" above. The Company did not pay any audit related fees for either the fiscal year ending November 30, 2006 or the fiscal year ending November 30, 2005.

Tax Fees

Tax fees are fees for tax compliance, tax advice and tax planning professional services, such as tax compliance (including the review of tax returns) and tax planning and advisory services relating to common forms of domestic and international taxation (i.e. income tax, capital tax, goods and services tax, payroll tax and value added tax). The Company did not pay any tax fees for either the fiscal year ending November 30, 2006 or the fiscal year ending November 30, 2005.

All Other Fees

The "all other fees" category in the table above is fees incurred for services other than the audit fees, audit-related fees and tax fees described above. The Company did not pay any such fees for either the fiscal year ending November 30, 2006 or the fiscal year ending November 30, 2005.

Pre-Approval Policies and Procedures

The Company adopted a formal Audit Committee Charter on November 24, 2005. The Audit Committee Charter requires the Company's Audit Committee to review and approve the fee, scope and timing of the annual and any other audit performed by the Company's external auditors. As required by the Audit Committee, the Company's external auditors present their estimate for the annual audit and any audit related services to the Committee for approval prior to undertaking the annual audit of the consolidated financial statements. The fees disclosed above under "Audit Fees" were so approved.

The Audit Committee Charter also requires the Audit Committee to pre-approve all non-audit services to be provided to the Company (or any of its subsidiaries) by its external auditors. As there were no services requested or rendered which would require the payment by the Company of "Audit Related Fees", "Tax Fees" or "All other Fees" in either the fiscal year ended November 30, 2006 or the fiscal year ended November 30, 2005, no such engagements or fees were pre-approved by the Audit Committee.

16.D

Exemptions from the Listing Standards for Audit Committees

Not applicable.

16.E.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Not applicable.

ITEM 17.

FINANCIAL STATEMENTS

The following items are included herein:

Description of Statement

(a)

Auditor's Report

(b)

Consolidated Balance Sheets as of November 30, 2006 and 2005

(c)

Consolidated Statements of Operations and Cumulative Loss for each of the three years ended November 30, 2006, 2005 and 2004

(d)

Consolidated Statements of Cash Flows for each of the three years ended November 30, 2006, 2005 and 2004

(e)

Consolidated Statements of Shareholders' Equity for each of the two years ended November 30, 2006 and 2005

(f)

Notes to the Consolidated Financial Statements

WEALTH MINERALS LTD.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

NOVEMBER 30, 2006 and 2005

AUDITORS' REPORT

To the Shareholders of

Wealth Minerals Ltd.

(An Exploration Stage Company)

We have audited the consolidated balance sheets of Wealth Minerals Ltd. as at November 30, 2006 and 2005 and the consolidated statements of operations and cash flows for each of the years ended November 30, 2006, 2005 and 2004 and the statement of shareholders' equity for the two years ended November 30, 2006 and 2005. These financial statements, expressed in Canadian dollars, 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 and the standards of the Public Company Accounting Oversight Board (United States). 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 November 30, 2006 and 2005, and the results of its operations and its cash flows for each of the years ended November 30, 2006, 2005 and 2004 in accordance with Canadian generally accepted accounting principles.

As more fully described in Note 3, subsequent to the issuance of the Company's November 30, 2005 consolidated financial statements and our report thereon dated February 24, 2006, effective December 1, 2005 the Company has restated its consolidated financial statements for the years then ended. In our original report we expressed an unqualified report on the consolidated financial position of the Company as at November 30, 2005 and the consolidated results of operations and the cash flows and the changes in shareholders' equity for each of the three years ended November 30, 2005 and our opinion on the revised financial statements, as expressed therein, remains unqualified.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected results of operations and shareholders' equity for each of the years in the three-year period ended November 30, 2006, to the extent summarized in Note 19 of the consolidated financial statements.

STS PARTNERS LLP CHARTERED ACCOUNTANTS

Vancouver, BC

March 16, 2007

Sixth Floor, 543 Granville Street, Vancouver, British Columbia, Canada V6C TX8

Telephone: 604-688-7800 Fax: 604-688-7880 Email: sts@stsc.com

WEALTH MINERALS LTD.

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEETS

(Expressed in Canadian Dollars)

AS AT NOVEMBER 30

	2006	2005
		(Restated)
		(Note 3)
ASSETS		
Current		
Cash	\$	\$
	355,390	494,280
Term deposits	1,411,301	1,512,129
Restricted cash	69,923	40,425
GST receivable	67,295	32,085
Prepaid expenses	21,719	58,498
Refundable acquisition fee (note 6)	100,000	100,000
	2,025,628	2,237,417
Equipment (note 5)	19,173	14,817
Mineral Properties (note 7)	8,770,354	1,894,875
Investment (note 8)	1	1
	\$	\$
	10,815,156	4,147,110
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$	\$
	251,771	201,211
Due to related parties (notes 4 and 12)	40,250	40,084
	292,021	241,295
Future income tax liability (note 13)	155,447	-

Shareholders' equity

Capital stock (note 9)	18,836,685	10,911,313
Contributed surplus (notes 10 and 11)	1,289,292	825,012
Share subscriptions received	4,000	-
Deficit	(9,762,289)	(7,830,510)
	10,367,688	3,905,815
	\$	\$
	10,815,156	4,147,110

NATURE AND CONTINUANCE OF OPERATIONS (note 1)

CONTINGENCIES AND COMMITMENTS (note 15)

SUBSEQUENT EVENTS (note 18)

On behalf of the Board:

"Henk Van Alphen"

Director

"Jeffrey Pontius"

Director

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

WEALTH MINERALS LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in Canadian Dollars)

YEARS ENDED NOVEMBER 30

	2006	2005	2004
		(Restated)	
		(Note 3)	
Administrative Expenses			
Amortization	\$	\$	\$
	5,157	4,051	2,438
Consulting fees (note 12)	663,262	370,314	669,876
Listing and transfer agent fees	59,426	35,340	81,156
Office and administration	101,232	54,419	25,061
Professional fees (note 12)	263,870	125,413	86,837
Property investigation	72,184	64,180	-
Rent (note 12)	32,367	51,673	21,845
Salaries and benefits	91,884	146,023	123,119
Shareholders' communications	278,223	229,745	30,938
Travel	409,998	131,166	44,237
Loss Before Other Items	(1,977,603)	(1,212,324)	(1,085,507)
Other Items			
B.C. Capital taxes	-	-	(31,909)
Gain on write-down of due to affiliated company	-	-	2,594
Gain (loss) on foreign exchange	(15,892)	(18,734)	577
Gain on disposal of equipment	-	131	-
Interest income	61,716	46,627	15,749
Write-down of investments	-	-	(27,564)
Impairment of mineral properties	-	(96,880)	(504,262)
	45,824	(68,856)	(544,815)
Net loss for the year	(1,931,779)	(1,281,180)	(1,630,322)
Deficit, beginning of year	(7,830,510)	(6,549,330)	(4,919,008)

Deficit, end of year	\$	\$	\$
	(9,762,289)	(7,830,510)	(6,549,330)
Basic and diluted loss per share	\$	\$	\$
	(0.11)	(0.11)	(0.24)
Basic and diluted weighted average common shares outstanding	17,145,600	11,648,823	6,732,969

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

WEALTH MINERALS LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

YEARS ENDED NOVEMBER 30

	2006	2005	2004
		(Restated)	
		(Note 3)	
Cash Provided by (Used for)			
Operating Activities			
Net loss for the year	\$	\$	\$
	(1,931,779)	(1,281,180)	(1,630,322)
Items not involving cash			
Amortization	5,157	4,051	2,438
Gain on disposal of equipment	-	(131)	-
Impairment of mineral properties	-	87,740	244,000
Stock-based compensation	596,506	229,531	549,360

Edgar Filing: PATRICK INDUSTRIES INC - Form 10-Q

Write-down of investments	-	-	27,564
Changes in non-cash working capital items:			
Restricted cash	(29,498)	(14,615)	(25,810)
GST receivable	(35,210)	(15,107)	(13,984)
Prepaid expenses	36,779	122,748	(175,171)
Refundable acquisition fee	-	(187,740)	-
Increase in due to related parties	166	14,559	30,875
Accounts payable and accrued liabilities	50,561	135,511	27,750
Advances to affiliated company	-	-	(2,594)
Cash Used in Operating Activities	(1,307,318)	(904,633)	(965,894)
Investing Activities			
Purchase of equipment	(9,513)	(8,854)	(5,732)
Proceeds on disposal equipment	-	3,580	-
Investment in and expenditures on mineral properties	(4,866,215)	(1,551,044)	-
Cash Used in Investing Activities	(4,875,728)	(1,556,318)	(5,732)
Financing Activities			
Issuance of capital stock, net of issuance costs		1,638,500	3,735,587
	5,939,328		
Share subscriptions received (receivable)	4,000	30,375	(30,375)
Cash Provided by Financing Activities	5,943,328	1,668,875	3,705,212
Increase (Decrease) in Cash and Term Deposits	(239,718)	(792,076)	2,733,586
Cash and Term Deposits, Beginning of Year	2,006,409	2,798,485	64,899
Cash and Term Deposits, End of Year	\$	\$	\$
	1,766,691	2,006,409	2,798,485
Represented by:			
	2006	2005	2004
	\$	\$	\$
Cash	355,390	494,280	481,826

Term deposits	1,411,301	1,512,129	2,316,659
	\$	\$	\$
	1,766,691	2,006,409	2,798,485

WEALTH MINERALS LTD.

(An Exploration Stage Company)

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY

(Expressed in Canadian Dollars)

Number of Shares

**Price
Value of
Common
Shares
Issued and
Fully Paid**

Subscriptions

Receivable

(Received)

Contributed

Surplus

Deficit

Accumulated

During the

Exploration

Stage

Total

Balance at

November 30, 2004

10,551,142

\$

8,991,903

\$		(30,375)
\$		532,560
\$		(6,549,330)
\$		2,944,758
Issuance of shares for cash:		
Exercise of warrants		780,000
		0.35
		273,000
		273,000
Exercise of warrants		225,000
		0.42
		94,500
		94,500
Exercise of options		95,000
		0.60
		77

	57,500
	57,500
Exercise of warrants	
	577,500
	0.80
	462,000
	462,000
Exercise of warrants	
	100,000
	1.00
	100,000
	100,000
Private placement	
	1,000,000
	0.56
	560,000
	560,000
Private placement	
	150,000
	0.61
	91,500
	-
	-
	-
	91,500
Shares issued for property	

	200,000
	0.98/
	238,000
	-
	-
	-
	238,000
	1.40
Subscriptions received	-
	-
	30,375
	-
	-
	30,375
Stock-based compensation	-
	42,910
	-
	292,452
	-
	335,362
Net loss for the year (restated Note 3)	-
	-
	79

	-
	-
	(1,281,180)
	(1,281,180)
Balance at	
November 30, 2005	
	13,678,642
	10,911,313
	-
	825,012
	(7,830,510)
	3,905,815
Issuance of shares for cash:	
Exercise of warrants	745,000
	0.35
	260,750
	-
	-
	-
	260,750
	80

Exercise of warrants

1,338,250

0.80

1,070,600

-

-

-

1,070,600

Exercise of warrants

1,206,250

1.00

1,206,250

-

-

-

1,206,250

Exercise of options

655,000

0.70

458,500

458,500

Exercise of options

75,000

1.05

78,750

78,750

81

Private placement

1,230,000

1.75

2,152,500

-

-

-

2,152,500

Private placement

170,000

1.75

297,500

-

-

-

297,500

Private placement

300,000

1.95

585,000

-

-

-

585,000

Shares issued for commission

43,000

82

	1.75
	75,250
	75,250
Shares issued for property	
	200,000
	1.89
	378,000
	-
	-
	-
	378,000
Shares issued for property	
	600,000
	1.69
	1,014,000
	-
	-
	-
	1,014,000
Shares issued for property	
	100,000
	1.85
	185,000
	-
	-
	-
	83

	185,000
Shares issued for property	
	200,000
	1.33
	266,000
	-
	-
	-
	266,000
Shares issuance costs	
	-
	(321,417)
	-
	-
	-
	(321,417)
Subscriptions received	
	-
	-
	4,000
	-
	-
	4,000
Stock-based compensation	
	-
	374,136
	84

	-
	464,280
	-
	838,416
Future effect of flow-through shares	
	(155,447)
	-
	-
	-
	(155,447)
Net loss for the year	
	-
	-
	-
	-
	(1,931,779)
	(1,931,779)
Balance at November 30, 2006	
	20,541,142
\$	
	18,836,685
\$	
	4,000
\$	

	1,289,292
\$	
	(9,762,289)
\$	
	10,367,688

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

1.

NATURE AND CONTINUANCE OF OPERATIONS

The Company's principal business activity is the exploration and development of mineral properties, primarily in Argentina, Peru and Canada. The Company considers itself to be an exploration stage company.

On January 14, 2004 the Company changed its name to Wealth Minerals Ltd. from Triband Enterprise Corp. and consolidated its capital stock, warrants and options on the basis of four old shares for one new share. All share, warrant, option and per unit data included in these consolidated financial statements have been adjusted to retroactively reflect this consolidation.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that any of the Company's current or future exploration programs will result in profitable mining operations. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete their development and exploitation, and future profitable operations or sale of the mineral properties.

Although the Company has taken steps to verify the title to mineral properties in which it has or has a right to acquire an interest in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee title (whether of the Company or of any underlying vendor(s) from whom the Company may be acquiring its interest). Title to mineral properties may be subject to unregistered prior agreements or transfers, and may also be affected by undetected defects or the rights of indigenous peoples.

2.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results could differ from those estimates. Accounts specifically requiring the use of management's best estimates and assumptions in determining carrying values are receivables, prepaid expenses, property, plant and equipment, investment, accounts payable and accrued liabilities, due to related parties and future income taxes.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Triband Resource US Inc. (incorporated in Nevada, U.S.A.). All significant inter-company balances and transactions have been eliminated.

Cash and cash equivalents

Cash and cash equivalents include cash in bank accounts and highly liquid investments with original maturities of three months or less. As at November 30, 2006 and 2005, the Company did not have any cash equivalents.

Restricted cash

Under the terms of MasterCard's corporate credit policy, the Company is required to pledge a defined amount of term deposit to the financial institution as collateral. This deposit is interest bearing and refundable upon cancellation of the credit cards. Interest is paid to the Company

Financial instruments

The Company's financial instruments consist of cash, term deposits, restricted cash, GST receivable, refundable acquisition fee, accounts payable and accrued liabilities and due to related parties. 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 values of these financial instruments approximate their carrying values, unless otherwise noted.

Acquisition costs

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed, the property is sold or the Company's mineral rights are allowed to lapse.

All capitalized costs are reviewed on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount (as estimated by quantifiable evidence of an economic geological resource or reserve or by reference to option or joint venture expenditure commitments) or when, in the Company's assessment, it will be unable to sell the property for an amount greater than the deferred costs, the property is written down for the impairment value.

From time to time the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As such options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded at the time of the agreement. Option payments are recorded as property costs or recoveries when the payments are made or received.

Capitalized costs are depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the applicable mineral rights are allowed to lapse.

Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets 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 assets is increased by the same amount as the liability. The adoption of this accounting policy has not affected the Company's consolidated financial statements.

Environmental protection and reclamation costs

The operations of the Company have been, and may be in the future, affected from time to time in varying degrees by changes in environmental regulations, including those for future removal and site restorations costs. Both the likelihood of new regulations and their overall effect upon the Company may vary from region to region and are not predictable.

The Company's policy is to meet or, if possible, surpass standards set by relevant legislation, by application of technically proven and economically feasible measures. Environmental expenditures that relate to ongoing environmental and reclamation programs will be charged against Statements of Operations as incurred or capitalized and amortized depending upon their future economic benefits. The Company does not currently

anticipate any material capital expenditures for environmental control facilities because all property holdings are at early stages of exploration. Therefore, estimated future removal and site restoration costs are presently considered minimal.

Equipment

Equipment are recorded at cost and are being amortized over their estimated useful lives at the following rates:

Computer equipment	30% declining balance basis
Office furniture and equipment	20% declining balance basis

Investment

The Company's long-term investment is accounted for on a cost basis. The investment is written-down to its estimated net realizable value when there is evidence of a decline in value below carried cost that is other than temporary.

Foreign exchange

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Monetary assets and liabilities are adjusted at each balance sheet

date to reflect exchange rates prevailing at that date, and non-monetary assets and liabilities are translated at the historical rate of exchange. Gains and losses arising from restatement of foreign currency monetary assets and liabilities at each year end are included in Statements of Operations.

Basic and diluted loss per share

The Company uses the "treasury stock method" in computing loss per share. Under this method, basic loss per share is calculated by dividing the net loss by the weighted average number of common shares outstanding during the year.

Diluted net loss per share is calculated by dividing the net loss by the sum of the weighted average number of common shares outstanding and the dilutive common equivalent shares outstanding during the year. Common equivalent shares consist of the shares issuable upon exercise of stock options and warrants calculated using the treasury stock method. Common equivalent shares are not included in the calculation of the weighted average number of shares outstanding for diluted net loss per common share when the effect would be anti-dilutive.

Stock-based compensation

The Company has a stock option plan as described in Note 10. The Company uses the accounting recommendations of CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". At the beginning of the 2004 fiscal year, the Company began recording compensation cost on the granting of stock options to employees and directors that are not direct awards of stock or stock appreciation rights. The Company uses the Black-Scholes option pricing model to estimate the fair value of each stock option at the date of grant. Any consideration received on the exercise of stock options is credited to capital stock. The adoption of the new standard results in expense recognition for options granted after November 30, 2003.

Income taxes

Future income taxes are recorded using the asset and liability method. Under this method, 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 basis. Future tax assets and

liabilities are measured using enacted or substantially 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 enactment or substantive 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.

Flow-through Common Shares

Under the terms of Canadian flow-through share legislation, the tax attributes of qualifying mineral exploration expenditures are renounced to the flow-through share subscribers. To recognize the foregone tax impact, capital stock is reduced and future income tax liability is recognized at the time the related expenditures are renounced. Losses for income tax purposes are reduced by the amount of the flow-through renunciation.

Segmented Information

The Company follows CICA Handbook Section 1701, "Segment Disclosures" about operating segments in financial statements, as well as additional disclosures about products and services, geographic areas and major customers.

Revenue Recognition

Interest income is recorded on an as-earned basis.

Credit Risk

Cash, term deposits and restricted cash have been placed with a major Canadian chartered bank, and to date the Company has not experienced losses on any of its balances.

3.

CHANGE IN ACCOUNTING POLICY

Effective December 1, 2005, the Company changed its accounting policy to capitalizing all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures net of recoveries. This change in policy has been retroactively applied. The effect of the change in accounting policy on the consolidated financial statements of the prior year is to capitalize \$1,894,875 of exploration costs that would otherwise have been expensed.

4.

DUE TO RELATED PARTIES

Amounts due to related parties include directors, officers, companies they control, and companies with common directors and/or officers. The amounts are unsecured, without interest or fixed terms of repayment (see Note 12).

5.

EQUIPMENT

	2006			2005		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
	\$	\$	\$	\$	\$	\$
Computer equipment	26,025	14,382	11,643	20,129	10,656	9,473
Office furniture and equipment	17,891	10,361	7,530	14,274	8,930	5,344
	\$	\$	\$	\$	\$	\$
	43,916	24,743	19,173	34,403	19,586	14,817

6.

REFUNDABLE ACQUISITION FEE**Mexico/Columbia Project Acquisition Letter of Intent**

Under a letter of intent dated December 6, 2004 (as amended January 31, 2005) ("LOI") between the Company, Geosermin S.A. ("Geosermin"), a Mexican corporation, and Minera San Jorge S.A. de C.V. ("MSJ"), a Mexican corporation, MSJ, Geosermin and/or affiliated companies provided data to the Company with respect to two mineral projects, one in Columbia and one in Mexico. Under the LOI, the Company advanced MSJ USD 150,000 as an advance payment in connection with the acquisition of either the Columbian or Mexican project. The LOI provides that the advance is to be repaid by MSJ if the Company declines to proceed with the acquisition of both the Columbian and Mexican projects. The advance is evidenced by a promissory note from MSJ and is secured by the pledge of 250,000 shares of Tumi Resources Ltd. ("Tumi"), a TSX Venture Exchange ("TSXV") listed company, registered in the name of MSJ.

Following due diligence, the Company determined not to proceed with the acquisition of either the Columbian or the Mexican projects. On April 1, 2005, the Company demanded the return of the USD 150,000 refundable acquisition payment but, to date, such repayment has not occurred. As at November 30, 2006, shares of Tumi closed at \$0.50 on the TSXV, representing a gross value for the pledged securities of \$125,000. The Company has written down the deposit to a value of \$100,000.

7.

MINERAL PROPERTIES

The Company incurred the following expenditures on its mineral properties:

	Argentina		Canada		Peru			Total
	(Uranium)		(Gold)		(Uranium)			
	Other	Diamante-Los	Mackenzie	Radiante	Radiante	Hilton	Voluptuosa	
	Properties	Patos		1	II			
Balance, \$	\$	\$	\$	\$	\$	\$	\$	\$
November 30, 2004	-	-	-	-	-	-	-	-
Acquisition costs	263,760		178,000					441,760
Exploration costs								
Field	380,998		20,038					401,036
Personnel	373,271		270,913					644,184
Land administration			22,759					22,759
Surveying & mapping	35,987		226,500					262,487
Transportation	94,147		28,502					122,649
	884,403		568,712					1,453,115
Total expenditures for the year	1,148,163		746,712					1,894,875
Balance, November 30, 2005	1,148,163		746,712					1,894,875
Acquisition costs	266,000	185,000	403,000	338,000	338,000	338,000	186,005	2,054,005
Exploration costs								
Field	342,546	274,538	20,848					637,932
Personnel	1,033,288	242,849	308,072					1,584,209
Land administration	975,770	-	29,122					1,004,892

Surveying & mapping	584,154	32,250	322,441					938,845
Transportation	297,760	303,161	54,675					655,596
	3,233,518	852,798	735,158	-	-	-	-	4,821,474
Total expenditures for the year	3,499,518	1,037,798	1,138,158	338,000	338,000	338,000	186,005	6,875,479
Balance, \$ November 30, 2006	4,647,681	1,037,798	1,884,870	338,000	338,000	338,000	186,005	8,770,354

a) Mackenzie Project, British Columbia, Canada

Pursuant to an agreement dated May 2, 2005 between the Company and 5 individuals (the "Vendors"), the Company has the option to acquire a 100% interest in the Mackenzie Project, which is comprised of 118 mineral claims located in east-central British Columbia approximately 150 kilometres north of Prince George. In order to acquire a 100% interest, the Company is required to:

1)

Pay the Vendors \$80,000 (paid) and issue 100,000 common shares (issued) within 10 days of TSXV acceptance of the acquisition (received June 10, 2005);

2)

Pay the Vendors an additional \$25,000 (paid) and issue an additional 200,000 common shares on or before June 10, 2006 (issued);

3)

Pay the Vendors an additional \$25,000 and issue an additional 250,000 common shares on or before June 10, 2007; and

4)

Pay the Vendors an additional \$25,000 and issue an additional 250,000 common shares on or before June 10, 2008.

The Vendors retain a 2% Net Smelter Return ("NSR") on any production. The Company may purchase 50% of the NSR, being 1%, for payment of \$1,000,000 at any time until June 10, 2026.

b)

Madero Uranium Project, Argentina

Pursuant to an agreement dated July 11, 2005 ("LOI") between the Company and the individual shareholders of Madero Minerals S.A. ("Madero"), a private Argentinean corporation, the Company has the option (subject to regulatory acceptance - received October 21, 2005) to acquire all of the outstanding securities of Madero from its shareholders. In order to exercise the option, the Company is required to pay the shareholders USD 100,000 (paid) and issue the shareholders an aggregate of 600,000 common shares, as follows: 100,000 shares 10 days after

regulatory acceptance (issued), 200,000 shares on or before November 8, 2006 (issued), and 300,000 shares on or before November 8, 2007.

At the time of the execution of the LOI, Madero held, or had applied for, 17 prospective uranium properties in Argentina. Based upon initial work completed by the Company, 15 of the properties have been dropped, and further work has focused on the two remaining projects, Alemania and Amblayo. In addition, subsequent to the execution of the LOI, Madero has continued to actively seek out and apply for/acquire additional prospective uranium properties which would be acquired by the Company upon the exercise of the option to acquire Madero. Although Madero believes that the majority of such applications will be successful, there can be no assurance that all or any of such cateos will be granted. Madero may determine to abandon some of such applications in order to secure title to others of the cateos applied for.

c)

Diamante Los Patos, Argentina

The Diamante Los Patos Property consists of 19 cateos ("exploration concessions") covering an area of approximately 140,904 hectares, which have been applied for by Madero on behalf of the Company. Of these, 9 (approximately 66,867 hectares) have been granted. The data which led to the discovery of the Diamante-Los Patos project was supplied by two prospectors, and in consideration of being provided with such data, the Company agreed to issue to the prospectors an aggregate of 100,000 common shares (issued). If the Company does not exercise the option to acquire Madero (Note 7(b)), the Diamante-Los Patos properties will be transferred by Madero to the Company's nominee.

d)

Radiante I Property, Peru

Pursuant to an agreement dated April 7, 2006, the Company acquired a 100% interest the Radiante I property, comprised of one mining concession in the Province of Carabaya, Peru, from Minera San Isidro S.A.C., a private Peruvian corporation, for 200,000 common shares (issued).

e)

Radiante II Property, Peru

Pursuant to an agreement dated April 7, 2006, the Company acquired a 100% interest the Radiante II property, comprised of one mining concession in the Province of Carabaya, Peru, from Minera San Isidro S.A.C., a private Peruvian corporation, for 200,000 common shares (issued).

f)

Hilton Property, Peru

Pursuant to an agreement dated April 7, 2006, the Company acquired a 100% interest the Hilton property, comprised of one mining concession in the Province of Carabaya, Peru, from Minera San Isidro S.A.C., a private Peruvian corporation, for 200,000 common shares (issued).

g)

Voluptuosa Property, Peru

Pursuant to an agreement dated April 7, 2006, the Company acquired a 100% interest the Voluptuosa property, comprised of three mining concessions (800 hectares) in the Province of Carabaya, Peru, from. Minera Koripampa del Peru S.A. ("Koripampa"), a private Peruvian corporation, for US\$167,000 (paid).

h)

Amata Project, Peru

Pursuant to an agreement dated June 6, 2004, between the Company and Koripampa, the Company had the option to acquire all of the interest of Koripampa in and to an option agreement between Koripampa and Rio Tinto Mining and Exploration Limited with respect to the Amata Project in Southern Peru. In order to acquire the interest, the Company was required to pay Koripampa USD 100,000 (paid) and issue 400,000 common shares to Koripampa, as to 200,000 common shares following TSXV acceptance (issued) and a further 200,000 common shares one year after closing (not issued), and to perform the obligations of Koripampa under the Rio Tinto agreement, which included incurring work expenditures of USD 700,000 and paying Rio Tinto USD 4,000,000 over 4 years to June 1, 2008. On May 20, 2005, the Company terminated its agreement with Koripampa, and wrote off its investment in the property.

i)

BET Claims, Nevada, USA

The Company's wholly owned subsidiary holds title to twenty-three unpatented mining claims, referred to as the BET 1-23 Claims, located in Whisky Canyon, Lander County, Nevada. To earn and maintain 100% interest in the BET 1-23 claims, the Company is required to pay annual fees of USD 8.50 per claim plus total maintenance fees of USD 2,875 per year. The Company has abandoned these claims.

Title to 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 conveyance 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 for which titles have been issued are in good standing.

8.

INVESTMENT

Number of Shares	Fair Value		Net Book Value	
	2006	2005	2006	2005

Edgar Filing: PATRICK INDUSTRIES INC - Form 10-Q

Clearant, Inc.	21,135	\$	\$	\$	\$
		7,186	75,278	1	1

The shares of Clearant, Inc. were acquired pursuant to a distribution of assets of an amalgamated company in which the Company originally invested in 1999. Clearant began trading in April 2005 on the OTCBB market under the symbol "CLRI". In 2004 the Company wrote down its investment to a nominal value of \$1.00. Fair value is based upon a closing price of USD 0.30 at November 30, 2006 (USD 3.05 at November 30, 2005). The shares have a legend attached that restricts their sale or distribution until March 25, 2007, and which permits limited sales after March 25, 2006.

9.

CAPITAL STOCK

	Number of Shares	Amount
Authorized		
Unlimited number of common voting shares without par value		
Unlimited number of preferred shares, issuable in series		
Common shares issued (reflecting 4:1 consolidation in January 2004)		\$
As at November 30, 2004	10,551,142	8,991,903
For cash - exercise of options	95,000	57,500
For cash - exercise of warrants	1,682,500	929,500
For cash - private placements	1,150,000	651,500
For acquisition of property (Note 7(a and b))	200,000	238,000
Stock-based compensation	-	42,910
As at November 30, 2005	13,678,642	10,911,313
For cash - exercise of warrants	3,289,500	2,537,600
For cash - private placements	1,700,000	3,035,000
For Agent's commission - private placement	43,000	75,250
For cash - exercise of options	730,000	537,250
For acquisition of properties(Note 7(a), (c)-(f))	1,100,000	1,843,000
Stock-based compensation	-	374,136

Edgar Filing: PATRICK INDUSTRIES INC - Form 10-Q

Future effect of flow-through shares	-	(155,447)
Share issuance costs	-	(321,417)
		\$
As at November 30, 2006	20,541,142	18,836,685

Refer to Note 15 for commitments to issue additional common shares.

Private Placements

The following table summarizes the Company's recent private placements:

	2006	2005	2004
First placement during the year:			
Private placement proceeds	\$2,152,500	\$560,000	\$204,000
Number of units	1,230,000	1,000,000	850,000
Number of whole warrants	615,000	500,000	425,000
Unit price	\$1.75	\$0.56	\$0.24
Warrant exercise price	\$2.25	\$0.80	\$0.35
Warrant expiry date	Jan. 12, 2008	Dec. 23, 2006	Aug. 26, 2005
Second placement during the year:	(flow through)		
Private placement proceeds	\$585,000	\$91,500	\$675,000
Number of units	300,000	150,000	2,500,000
Number of whole warrants	150,000	75,000	1,250,000
Unit price	\$1.95	\$0.61	\$0.27
Warrant exercise price	\$2.25	\$0.80	\$0.35
Warrant expiry date	Jan. 12, 2008	Jan. 5, 2007	Mar. 15, 2006
Third placement during the year:			
Private placement proceeds	\$297,500	n/a	\$1,625,400
Number of units	170,000		3,010,000
Number of whole warrants	85,000		1,505,000
Unit price	\$1.75		\$0.54
Warrant exercise price	\$2.25		\$0.80
Warrant expiry date	Jan. 13, 2008		May 14, 2006
Fourth placement during the year:			

Edgar Filing: PATRICK INDUSTRIES INC - Form 10-Q

Private placement proceeds	n/a	n/a \$1,045,000
Number of units		1,306,250
Number of whole warrants		1,306,250
Unit price		\$0.80
Warrant exercise price		\$1.00
Warrant expiry date		Mar. 7, 2006

Private Placements

In February 2004, the Company completed a private placement consisting of 850,000 units at a price of \$0.24 per unit, for total proceeds of \$204,000. Each unit consists of one common share and one-half share purchase warrant, where one full warrant entitles the holder to purchase an additional common share at a price of \$0.35 per share until August 26, 2005. No finder's fee was paid. During the year ended November 30, 2005, 425,000 (2004 Nil) warrants were exercised.

In March 2004, the Company completed a private placement consisting of 2,500,000 units at a price of \$0.27 per unit, for total proceeds of \$675,000. Each unit consisted of one common share and one-half share purchase warrant, where one full warrant entitles the holder to purchase an additional common share at a price of \$0.35 per share until March 15, 2006. No finder's fee was paid. During the year ended November 30, 2006, 745,000 (2005 355,000) (2004 150,000) warrants were exercised.

In May 2004, the Company completed a private placement consisting of 3,010,000 units at a price of \$0.54 per unit, for total proceeds of \$1,625,400. Each unit consisted of one common share and one-half share purchase warrant, where one full warrant entitles the holder to purchase an additional common share at a price of \$0.80 per share until May 14, 2006. No finder's fee was paid. During the year ended November 30, 2006, 908,250 (2005 - 552,500) (2004 Nil) warrants were exercised and 44,250 warrants expired.

In September 2004, the Company completed a private placement consisting of 1,306,250 units at a price of \$0.80 per unit, for total proceeds of \$1,045,000. Each unit consisted of one common share and one share purchase warrant entitling the holder to purchase an additional common share at a price of \$1.00 per share until March 7, 2006. Finder's fees of \$40,200 were paid. During the year ended November 30, 2006, 1,206,250 (2005 - 100,000) warrants were exercised.

In June 2005, the Company completed a private placement consisting of 1,000,000 units at a price of \$0.56 per unit for total proceeds of \$560,000. Each unit consisted of one common share and one-half share purchase warrant where one full warrant entitles the holder to purchase one common share at a price of \$0.80 per share until December 23, 2006. No finder's fees were paid. During the year ended November 30, 2006, 430,000 (2005 - Nil) warrants were exercised.

In July 2005, the Company completed a private placement consisting of 150,000 units at a price of \$0.61 per unit for total proceeds of \$91,500. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.80 per common share until January 5, 2007. During the year ended November 30, 2006, 25,000 (2005 Nil) warrants were exercised.

In July 12, 2006, the Company completed a brokered private placement consisting of 1,230,000 non flow-through units at a price of \$1.75 and 300,000 flow-through units at a price of \$1.95 for gross proceeds of \$2,737,500. The Agents were paid a commission consisting of \$116,375 cash, 43,000 share purchase units and an option to purchase up to 153,000 common shares at a price of \$2.00 until January 12, 2008. Each unit consisted of one common share

and one-half of a transferable warrant. Each full warrant is exercisable to acquire one additional common share at a price of \$2.25 until January 12, 2008. During the year ended November 30, 2006 no warrants or options were exercised.

On July 13, 2006, the Company completed a non-brokered private placement consisting of 170,000 units at a price of \$1.75 per unit for gross proceeds of \$297,500. Each unit consisted of one common share and one-half of a transferable warrant. Each whole warrant is exercisable to acquire one additional common share at a price of \$2.25 until January 13, 2008. A cash finder's fee of \$29,750 was paid in connection with this placement. During the year ended November 30, 2006 no warrants were exercised.

Escrow shares

As at November 30, 2006 and November 30, 2005, there were no common shares held in escrow.

Warrants

	2006	2005	2004
Outstanding, beginning of year	3,453,750	4,561,250	462,917
Issued:			
Exercisable at \$0.35	-	-	1,675,000
Exercisable at \$0.80	-	575,000	1,505,000
Exercisable at \$1.00	-	-	1,306,250
Exercisable at \$2.25	871,500	-	-
Exercised:			
Exercised at \$1.20	-	-	(59,500)
Exercised at \$0.60	-	-	(62,500)
Exercised at \$0.42	-	(225,000)	-
Exercised at \$0.35	(745,000)	(780,000)	(150,000)
Exercised at \$0.80	(1,338,250)	(577,500)	-
Exercised at \$1.00	(1,206,250)	(100,000)	-
Expired	(44,250)	-	(115,917)
Outstanding, end of year	991,500	3,453,750	4,561,250

The following warrants were outstanding at November 30, 2006:

Number of Warrants	Exercise Price	Expiry Date
70,000	\$0.80	December 23, 2006 (subsequently exercised)
50,000	\$0.80	January 5, 2007 (subsequently exercised)
171,500	\$2.25	January 12, 2008
615,000	\$2.25	January 12, 2008
85,000	\$2.25	January 13, 2008
991,500		

The following warrants were outstanding at November 30, 2005:

Number of Warrants	Exercise Price	Expiry Date
1,206,250	\$1.00	March 7, 2006
745,000	\$0.35	March 15, 2006
952,500	\$0.80	December 23, 2006
475,000	\$0.80	May 14, 2006
75,000	\$0.80	January 5, 2007
3,453,750		

The following warrants were outstanding at November 30, 2004:

Number of Warrants	Exercise Price	Expiry Date
425,000	\$0.35	August 26, 2005
225,000	\$0.42	November 14, 2005
1,306,250	\$1.00	March 7, 2006
1,100,000	\$0.35	March 15, 2006
1,505,000	\$0.80	May 14, 2006
4,561,250		

10.

STOCK OPTION PLAN AND STOCK-BASED COMPENSATION

Under its existing accounting policy for stock options, the Company recognizes an expense for the fair value of options granted on or after November 30, 2003, and provided certain pro-forma disclosure for the fair value of options granted up to November 30, 2003. The Company uses the Black-Scholes option pricing model to value stock options granted. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation and disclosures, the following assumptions were used:

	Options granted on				
	November 15, 2006	November 6, 2006	August 14, 2006	July 12, 2006	March 7, 2006
Risk free interest					
rate	3.03%	3.03%	3.28%	3.28%	4.0%
Expected life	2 years	2 years	2 years	1.5years	2 years
Expected volatility	67.77%	67.90%	68.88%	62.43%	70%
Expected dividends-	-	-	-	-	-

	Options granted on				
	December 5, 2005	November 24, 2005	November 3, 2005	August 29, 2005	May 5, 2005
Risk free interest rate	3.80%	3.80%	3.80%	3.10%	3.03%
Expected life	2 years	2 years	2 years	2 years	2 years
Expected volatility	59%	74%	68%	51%	129%
Expected dividends-	-	-	-	-	-

The Company, in accordance with the policies of the TSXV, is authorized to grant options to directors, employees and consultants, up to 10% of issued and outstanding common stock. The exercise price of each option is not less than the average market price of the Company's stock as calculated over the ten trading days preceding the date of grant, and may also be set at a higher price. The options can be granted for a maximum term of 5 years.

The current fiscal year stock-based compensation expense of \$596,506 was calculated using the Black-Scholes Option Pricing Model. The charge was based on options vested in the year and the following newly issued grants:

a)

December 5, 2005: options to acquire up to 75,000 shares granted to a consultant and exercisable at \$1.41 per share for two years.

b)

March 7, 2006: options to acquire up to 100,000 shares granted to three consultants and exercisable at \$1.45 per share for two years.

c)

July 12, 2006: compensation options to acquire up to 153,000 shares granted an agent and exercisable at \$2.00 per share for 18 months.

d)

August 14, 2006: options to acquire up to 550,000 shares granted to directors, officers and consultants and exercisable at \$1.80 per share for two years.

e)

November 6, 2006: options to acquire up to 310,000 shares granted to consultants and exercisable at \$1.65 per share for two years.

f)

November 15, 2006: options to acquire up to 50,000 shares granted to a director and exercisable at \$1.72 per share for two years.

In the comparative year ended November 30, 2005, 885,000 options exercisable at \$0.70 to \$1.12 per share resulted in a stock-based compensation charge of \$335,362. These amounts were charged against income in the periods granted, with the corresponding credit to contributed surplus. Upon exercise, a proportionate amount is credited to capital stock.

	2006	2005	2004
Outstanding, beginning of year	1,260,000	920,000	95,000
Granted:			
Exercisable at \$0.25	-	-	120,000
Exercisable at \$0.70	-	585,000	900,000
Exercisable at \$1.05	-	175,000	-
Exercisable at \$1.00	-	50,000	-

Edgar Filing: PATRICK INDUSTRIES INC - Form 10-Q

Exercisable at \$1.12	-	75,000	-
Exercisable at \$1.41	75,000	-	-
Exercisable at \$1.45	100,000	-	-
Exercisable at \$2.00	153,000	-	-
Exercisable at \$1.80	550,000	-	-
Exercisable at \$1.65	310,000	-	-
Exercisable at \$1.72	50,000	-	-
Exercised:			
Exercised at \$0.25	-	(20,000)	(195,000)
Exercised at \$0.70	(655,000)	(75,000)	-
Exercised at \$1.05	(75,000)	-	-
Cancelled	-	(25,000)	-
Cancelled	-	(425,000)	-
Outstanding, end of year	1,768,000	1,260,000	920,000

The following incentive stock options were outstanding at November 30, 2006:

Number of Shares	Exercise Price	Expiry Date
330,000	\$0.70	May 5, 2007
75,000	\$1.05	August 29, 2007
50,000	\$1.00	November 3, 2007
75,000	\$1.12	November 24, 2007
75,000	\$1.41	December 5, 2007
100,000	\$1.45	March 7, 2008
153,000	\$2.00	January 12, 2008
550,000	\$1.80	August 14, 2008
310,000	\$1.65	November 6, 2008
50,000	\$1.72	November 15, 2008
1,768,000		

The following incentive stock options were outstanding at November 30, 2005:

Number of Shares	Exercise Price	Expiry Date
425,000	\$0.70	September 29, 2006
560,000	\$0.70	May 5, 2007
150,000	\$1.05	August 29, 2007
50,000	\$1.00	November 3, 2007

75,000	\$1.12	November 24, 2007
1,260,000		

10.**STOCK OPTION PLAN AND STOCK-BASED COMPENSATION**

The following incentive stock options were outstanding at November 30, 2004:

	Number of Shares	Exercise Price	Expiry Date
	20,000	\$0.25	January 29, 2009
	900,000	\$0.70	September 29, 2006
	920,000		

11.**CONTRIBUTED SURPLUS**

The Company's contributed surplus is comprised of the following:

	2006	2005
	\$	\$
Balance beginning of year	825,012	532,560
Stock-based compensation (Note 10)	838,416	335,362
Stock options exercised	(374,136)	(42,910)
Balance end of year	\$	\$
	1,289,292	825,012

12.**RELATED PARTY TRANSACTIONS**

These consolidated financial statements include transactions with related parties as follows:

a)

The Company paid consulting fees of \$324,621 (2005 - \$163,856) (2004 \$584,260) to directors and \$144,463 (2005 \$28,000) (2004 - Nil) to officers. The Company paid legal fees of \$22,292 (2005 - Nil) (2004 - Nil) to a law firm of which an officer is a shareholder.

b)

The Company paid rent and administration fees of \$66,937 (2005 - \$55,867) (2004 - \$3,996) to Cardero Resource Corp. ("Cardero"), a public company related by a common director and officers, and \$3,000 (2005 - Nil) (2004 - Nil) to a director.

c)

Amounts due to related parties of \$40,250 (2005 - \$40,084) (2004 - \$25,525) is comprised of \$4,708 (2005 - \$5,000) (2004 - \$8,780) to directors and officers for consulting, \$4,532 (2005 - \$4,931) (2004 - \$2,461) to Cardero for rent and administration expenses, and \$31,010 (2005 - \$30,153) (2004 - \$14,284) to directors for expense reimbursements.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties (see Note 3).

13.

INCOME TAXES

The tax effects of temporary differences that give rise to significant components of future income tax assets and liabilities by applying the combined Canadian federal and provincial income tax rate of 34.99% (2005 34.99%) (2004 35.79%) are as follows:

2006	2005	2004
------	------	------

(Restated)

(Note 3)

Net loss for the year	\$	\$	\$
	(1,931,779)	(1,281,180)	(1,630,322)
Income tax recovery at combined basic			
Canadian Federal and Provincial tax rate:	675,930	448,285	583,476
Tax benefit of losses not recognized in current year	(675,930)	(448,285)	(583,476)
Income tax recovery	\$	\$	\$
	-	-	-

A reconciliation of the income tax benefit (provisions) with amounts determined by applying the Canadian income tax rates to the consolidated loss for completed financial periods is as follows:

	2006	2005	2004
		(Restated)	
		(Note 3)	
Future income tax:			
Property, plant and equipment	\$	\$	\$
	9,012	7,208	5,969
Exploration and development expenditures	525,383	583,559	620,589
Issuance costs	290,556	204,561	209,232
Losses available for future periods	1,854,934	1,331,319	1,038,433
	2,679,885	2,126,647	1,874,223
Valuation allowance	(2,679,885)	(2,126,647)	(1,874,223)
	\$	\$	\$
	-	-	-

The above losses available for future periods include US operating losses by applying the income tax rates of 34% to each year. These tax benefits have not been recognized in the consolidated financial statements, as there is no certainty that they will be utilized.

Subject to certain restrictions, the Company has exploration and development expenditures of approximately \$9,797,160 and operating losses of approximately \$3,560,447 available to reduce future Canadian taxable income.

Edgar Filing: PATRICK INDUSTRIES INC - Form 10-Q

The Company also has operating losses from US subsidiary of approximately \$1,023,964 (2005 - \$1,023,964) available to reduce US taxable income. These losses expire as follows:

	Canada	U.S.
2007	\$	\$
	243,750	-
2008	210,167	-
2009	254,374	-
2010	235,356	-
2014	538,975	-
2015	747,619	-
2016	1,330,206	-
2018	-	523,786
2019	-	255,021
2020	-	168,818
2021	-	34,215
2022	-	5,182
2023	-	18,488
2024	-	17,876
2025	-	578
	\$	\$
	3,560,447	1,023,964

During the year ended November 30, 2006, the Company issued 300,000 common shares on a flow-through basis for proceeds of \$585,000. The flow-through agreement requires the Company to renounce certain tax deductions for Canadian exploration expenditures incurred on the Company's mineral properties to the flow-through participants. The Company incurred \$444,263 of exploration expenditures relating to these flow-through shares resulting in an accrued future income tax liability of \$155,447.

14.

SUPPLEMENTAL DISCLOSURES WITH RESPECT TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended November 30

	2006	2005	2004
Cash paid during the year for:			
	\$	\$	\$
Interest	-	-	-
	\$	\$	\$
Income taxes	-	-	-

Since inception of the exploration stage, the Company has issued a total of 1,943,410 common shares (adjusted for roll-backs) for non-cash consideration as follows:

Year	Number of Shares	Amount	Consideration
	1,100,000	\$	Acquisition of mineral properties
2006		1,843,000	
2006	43,000	75,250	Agent's commission
2005	200,000	238,000	Acquisition of mineral property
2004	200,000	244,000	Acquisition of mineral property
2004	84,583	20,300	Shares for debt owing
2002	23,750	15,350	Finder's fees
2002	139,402	66,457	Shares for debt owing
1999	2,675	8,025	Finder's fees
1996	150,000	600,000	Acquisition of mineral property

15.

CONTINGENCIES AND COMMITMENTS

a)

The Company has entered into a month to month office lease arrangement with no annual lease commitments.

b)

All phases of the Company's operations are subject to environmental regulations. Environmental legislation, in the countries in which the Company is currently performing exploration work, is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened degree of responsibilities for companies and their officers, directors and employees. Although, presently, compliance with such laws is not a significant factor in the Company's operations, there is no assurance that future changes in environmental regulations, if any, will not adversely affect the Company's operations.

As at November 30, 2006, the Company has the following mineral property commitments over the next two years (all of which are payable/issuable at the sole option of the Company):

	Canada		Argentina	
	Non-Cash	Cash	Non-Cash	Cash
2007		\$		\$
Number of common shares to issue	250,000	-	300,000	-
Annual option payment	-	25,000	-	-
2008				
Number of common shares to issue	250,000	-	-	-
Annual option payment		25,000	-	-
	500,000	\$	300,000	\$
		50,000		-

16.

GEOGRAPHIC SEGMENTED INFORMATION

2006	Canada	Peru	Argentina	Total
	\$	\$	\$	\$
Resource Properties	1,884,870	1,200,005	5,685,479	8,770,354
Cash, term deposits and restricted cash	1,836,614	-	-	1,836,614
Refundable fee	100,000	-	-	100,000
Other	108,188	-	-	108,188
	3,929,672	1,200,005	5,685,479	10,815,156
2005				
Resource Properties	746,712	-	1,148,163	1,894,875
Cash, term deposits and restricted cash	2,046,834	-	-	2,046,834
Refundable fee	100,000	-	-	100,000
Other	105,401	-	-	105,401
	\$	\$	\$	\$
	2,998,947	-	\$	4,147,110
			1,148,163	
	2006	2005	2004	

(Restated)

(Note 3)

	\$	\$	\$
Net loss for the year- Canada	(1,931,779)	(1,184,300)	(1,126,060)
Net loss for the year- Peru	-	(8,562)	(484,847)
Net loss for the year - Columbia	-	(87,740)	-
Net loss for the year- US	-	(578)	(19,415)
Net loss for the year	\$	\$	\$
	(1,931,779)	(1,281,180)	(1,630,322)

17.**COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

18.**SUBSEQUENT EVENTS**

Subsequent to November 30, 2006, the Company:

a)

Closed a private placement of 3,500,000 units at \$2.00 per unit on March 9, 2007 for gross proceeds of \$7,000,000. The Company also issued 207,000 commission units and paid \$76,000 in cash and \$30,000 in expenses in connection with the private placement. Each unit consists of one common share and one-half of a warrant to purchase an additional common share at a price of \$2.50 until March 9, 2009. In connection with this private placement, the Company granted 280,000 compensation warrants to the Underwriters, each compensation warrant being exercisable to acquire one share at a price of \$2.00 per share until March 9, 2009.

b)

Issued the following shares:

-

120,000

warrants were exercised at \$0.80 for proceeds of \$96,000

-

74,792

agent's options were exercised at \$2.00 for proceeds of \$149,584

-

4,956

commission warrants were exercised at \$2.25 for proceeds of \$11,151

-

180,000

stock options were exercised at \$0.70 for proceeds of \$126,000

-

5,000

stock options were exercised at \$1.00 for proceeds of \$5,000

-

25,000

stock options were exercised at \$1.05 for proceeds of \$26,250

-

25,000

stock options were exercised at \$1.45 for proceeds of \$36,250

-

60,000

stock options were exercised at \$1.65 for proceeds of \$99,000

-

155,000

stock options were exercised at \$1.80 for proceeds of \$279,000

c)

Granted:

-

400,000 stock options at a price of \$2.00 per share for a period of two years on December 5, 2008

-

500,000 stock options at a price of \$3.10 per share for a period of two years on February 28, 2009

d)

Entered into the following property option agreements:

i) pursuant to an option agreement dated March 13, 2007 between the Company and two Peruvian individuals, the Company has the option to acquire a 100% interest in and to 20 cateos (exploration concessions) located in the province of Chubut, Argentina in consideration of the issuance of an aggregate of 50,000 shares, as to 10,000 shares 21 days after TSXV acceptance of the agreement and as to an additional 10,000 shares on each of the first, second, third and fourth anniversaries of the date of such acceptance;

ii) pursuant to an option agreement dated March 13, 2007 between the Company and two Peruvian individuals, the Company has the option to acquire a 100% interest in and to 20 cateos (exploration concessions) located in the province of Chubut, Argentina in consideration of the issuance of an aggregate of 50,000 shares, as to 10,000 shares 21 days after TSXV acceptance of the agreement and as to an additional 10,000 shares on each of the first, second, third and fourth anniversaries of the date of such acceptance; and

iii)

pursuant to an option agreement dated March 13, 2007 between the Company and a Peruvian individual, the Company has the option to acquire a 100% interest in and to 11 cateos (exploration concessions) located in the province of Chubut, Argentina in consideration of the issuance of an aggregate of 50,000 shares, as to 10,000 shares 21 days after TSXV acceptance of the agreement and as to an additional 10,000 shares on each of the first, second, third and fourth anniversaries of the date of such acceptance.

19.

UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Except as set out below, these consolidated financial statements also comply, in all material respects, with accounting principles generally accepted in the United States and the rules and regulations of the Securities and Exchange Commission.

Stock-Based Compensation

The United States Financial Accounting Standards Board has issued Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB25"). This statement uses the intrinsic value based method whereby compensation cost is recorded for the excess, if any, of the quoted market price over the exercise price, at the date the stock options are granted. As at November 30, 2003, no compensation cost would have been recorded for any period under this method.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS 123"), issued in October 1995, requires the use of the fair value based method of accounting for stock options. Under this method, compensation cost is measured at the grant date based on the fair value of the options granted and is recognized over the exercise period. SFAS 123 allows the Company to continue to measure the compensation cost of employees and directors in accordance with APB 25.

Prior to 2004, Canadian generally accepted accounting principles did not require the reporting of any stock -based compensation expense in the Company's consolidated financial statements.

The Company uses the Black-Scholes Option Pricing Model to determine the fair value of incentive stock options at the grant date. As at November 30, 2006 cumulative compensation expense totalled \$1,723,138 (2005 - \$884,722) (2004 \$549,360). In determining the fair value of the incentive stock options, the following assumptions, on a weighted average basis, were used:

	Options granted on				
	November 15, 2006	November 6, 2006	August 14, 2006	July 12, 2006	March 7, 2006
Risk free interest	3.03%	3.03%	3.28%	3.28%	4.0%

rate					
Expected life	2 years	2 years	2 years	1.5years	2 years
Expected volatility	67.77%	67.90%	68.88%	62.43%	70%
Expected dividends-	-	-	-	-	-

Options granted on

	December 5, 2005	November 24, 2005	November 3, 2005	August 29, 2005	May 5, 2005
Risk free interest rate	3.80%	3.80%	3.80%	3.10%	3.03%
Expected life	2 years	2 years	2 years	2 years	2 years
Expected volatility	59%	74%	68%	51%	129%
Expected dividends-	-	-	-	-	-

The following is a summary of the stock options 2006, 2005 and 2004:

	Number of Shares	Weighted Average Exercise Price
Outstanding at November 30, 2003	95,000	0.80
Granted	120,000	0.25
Granted	900,000	0.70
Exercised	(195,000)	0.25
Outstanding at November 30, 2004	920,000	0.69
Granted	885,000	0.79
Cancelled	(450,000)	0.70
Exercised	(95,000)	0.61
Outstanding at November 30, 2005	1,260,000	0.78
Granted	75,000	1.41
Granted	100,000	1.45
Granted	153,000	2.00
Granted	550,000	1.80

Granted	310,000	1.65
Granted	50,000	1.72
Exercised	(75,000)	1.05
Exercised	(655,000)	0.70
Outstanding at November 30, 2006	1,768,000	\$1.46

Income taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS No. 109"). SFAS No. 109 requires a company to recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in a company's financial statements. Under this method, deferred tax assets and liabilities are determined based on temporary differences between the tax rates in effect in the years when the temporary differences are expected to reverse.

Exploration expenditures

Under Canadian GAAP, acquisition costs and exploration expenditures are deferred as explained in Note 2.

Under U.S. GAAP, exploration costs incurred in locating areas of potential mineralization are expensed as incurred. Commercial feasibility is established in compliance with Industry Guide 7, which consists of identifying that part of a mineral deposit that could be economically and legally extracted or produced at the time of the reserve determination. After an area of interest has been assessed as commercially feasible, expenditures specific to the area of interest for further development are capitalized. In deciding when an area of interest is likely to be commercially feasible, management may consider, among other factors, the results of pre-feasibility studies, detailed analysis of drilling results, the supply and cost of required labour and equipment, and whether necessary mining and environmental permits can be obtained.

Under U.S. GAAP, mining projects and properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. If estimated future cash flows expected to result from the use of the mining project or property are less than the capitalized costs, an impairment is recognized based upon the estimated fair value of the mining project or property. Fair value generally is based on the present value of estimated future net cash flows for each mining project or property, calculated using estimated mineable reserves and mineral resources based on engineering reports, projected rates of production over the estimated mine life, recovery rates, capital requirements, remediation costs and future prices considering the Company's hedging and marketing plans.

Trading securities and available-for-sale securities

Under Canadian generally accepted accounting principles, marketable securities are recorded at the lower of cost or quoted market value. Long-term investments are recorded at cost and only written down when there is evidence of a decline in value below carried value that is other than temporary. Holding gains are never recognized.

Under Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS No. 115"), unrealized holding gains and losses for trading securities are included in Statements of Operations. Temporary unrealized holding gains and losses for available-for-sale securities are excluded from Statements of Operations and reported as a net amount in a separate component of shareholders' equity until realized.

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income", addresses standards for the reporting and display of comprehensive income and its components.

Comprehensive income includes net income and other comprehensive income. Other comprehensive income represents revenues, expenses, gains and losses that are excluded from net income under United States generally accepted accounting principles.

For the years ended November 30, 2006, 2005 and 2004 there were no other items of comprehensive income.

Loss per share

SFAS No. 128 "Earnings Per Share" simplifies the computation of income (loss) per share by replacing the presentation of primary earnings (loss) per share with a presentation of basic earnings (loss) per share, as defined. The statement requires dual presentation of basic and diluted earnings (loss) per share by entities with complex capital structures. Basic earnings (loss) per share includes no dilution and is computed by dividing income available to common stockholders by the weighted average number of shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share.

Recent accounting pronouncements

a)

In March 2005, the Emerging Issue Task Force issued EITF Issue 04-6, "Accounting for Stripping Costs in the Mining Industry" ("EITF Issue 04-6"), stating that post-production stripping costs are a component of mineral inventory costs subject to the provisions of the American Institute of Certified Public Accountants Accounting Research Bulletin No.43, "Restatement and Revision of Accounting Research Bulletins, Chapter 4", "Inventory Pricing", ("ARB No.43"). Based upon this statement, post production stripping costs are considered as costs of the extracted minerals under a full absorption costing system and are recognized as a component of inventory to be recognized in costs of sales in the same period as the revenue from the sale of the inventory. In addition, capitalization of such costs would be appropriate only to the extent inventory exists at the end of a reporting period. The provisions will be effective for financial statements issued for the first reporting period in fiscal years beginning after December 15, 2005, with early adoption permitted. The Company has determined that the adoption of EITF Issue 04-6 does not have an impact on its results of operations or financial position since the Company is still in the exploration stage and has not yet realized any revenues from its operations.

b)

In March 2005, the FASB issued Interpretation No. 47 ("FIN 47") "Accounting for Conditional Asset Retirement Obligations an interpretation of FASB Statement No. 143". A conditional asset retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and (or) method of settlement. Thus, the timing and (or) method of settlement may be conditional on a future event. FIN 47 requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN 47 is effective no later than the end of fiscal years ending after December 15, 2005 (December 31, 2005, for calendar-year enterprises). Retrospective application for interim financial information is permitted but is not required. The Company does not have any conditional asset retirement obligations.

c)

The following standards issued by the FASB do not impact the Company at this time:

SFAS No. 151, "Inventory Costs an amendment of ARB No. 43, Chapter 4" effective for inventory costs incurred during fiscal years beginning after June 15, 2005.

SFAS No. 153, "Exchanges of Non-monetary Assets an amendment of APB Opinion No. 29" effective for non-monetary asset exchanges occurring in fiscal years beginning after June 15, 2005.

Edgar Filing: PATRICK INDUSTRIES INC - Form 10-Q

SFAS No. 154, "Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and FASB No. 3.

SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments – an amendment of FASB Statements No. 133 and 140".

SFAS No. 156, "Accounting for Servicing of Financial Assets – an amendment of FASB Statement No. 140".

SFAS No. 157, "Fair Value Measurements".

SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)".

SFAS Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. This statement permits companies and not-for-profit organizations to make a one-time election to carry eligible types of financial assets and liabilities at fair value, even if fair value measurement is not required under GAAP. SFAS 159 is effective for fiscal years beginning after November 15, 2007.

The impact of the above differences between Canadian and United States generally accepted accounting principles on consolidated statements of loss, as reported, is as follows:

	Years Ended November 30			
Cumulative				
Amount from				
October 7, 1994	2006	2005	2004	
to		(Restated)		
November 30,		(Note 3)		
2006				
Loss for the year as reported	\$	\$	\$	\$
	(9,762,289)	(1,931,779)	(1,281,180)	(1,630,322)
Less:				

Edgar Filing: PATRICK INDUSTRIES INC - Form 10-Q

Exploration and development costs

expensed	(6,274,590)	(4,821,475)	(1,453,115)	-
Compensation expense:				
stock options	(350,111)	-	-	-
Loss for the year	\$	\$	\$	\$
in accordance with U.S. GAAP	(16,386,990)	(6,753,254)	(2,734,295)	(1,630,322)
Unrealized gain on investment	7,185	7,185	-	-
Comprehensive income (loss) per US GAAP	\$ (16,379,805)	\$ (6,746,069)	\$ (2,734,295)	\$ (1,630,322)

The impact of the above differences between Canadian and United States generally accepted accounting principles on the consolidated statements of deficit, as reported, is as follows:

	Years Ended November 30,		
	2006	2005	2004
		(Restated)	
		(Note 3)	
Deficit, as reported	\$	\$	\$
	(9,762,289)	(7,830,510)	(6,549,330)
Cumulative exploration and development costs			
expensed	(6,274,590)	(1,453,115)	-
Cumulative compensation expense			
- stock options	(350,111)	(350,111)	(350,111)
	\$	\$	\$
Deficit in accordance with U.S. GAAP	(16,386,990)	(9,633,736)	(6,899,441)

The impact of the above differences between Canadian and United States generally accepted accounting principles on the loss per share, as reported, is as follows:

	Years Ended November 30		
	2006	2005	2004

(Restated)

		(Note 3)	
Net loss for the year under U.S. GAAP	\$	\$	\$
	(6,753,254)	(2,734,295)	(1,630,322)
Weighted average number of shares outstanding under U.S. GAAP	17,145,600	11,648,823	6,732,969
Basic loss per share	\$ (0.39)	\$ (0.23)	\$ (0.24)

Diluted EPS has not been disclosed as the effect of the exercise of the Company's outstanding options and warrants would be anti-dilutive.

The impact of the above differences between Canadian and United States generally accepted accounting principles on the statements of shareholders' equity, as reported, is as follows:

Capital Stock

				Deficit		
	Number of	Subscription	Additional	Accumulated	Accumulated	Total
	Shares	(Receivable)	Paid-In	Other	during the	
	Amount	Received	Capital	Comprehensive	Exploration	
				Income	Stage	
Shareholders' equity as reported November 30, 2004						
	10,551,142					
	\$					
	8,991,903					
	\$					
	(30,375)					
	\$					
	532,560					
	-					

\$

(6,549,330)

\$

2,944,758

Cumulative compensation expense - stock options

-

-

-

350,111

-

(350,111)

-

Shareholders' equity in accordance with U.S. GAAP at November 30, 2004

10,551,42

8,991,903

(30,375)

882,671

-

(6,899,441)

2,944,758

Shareholders' equity as reported November 30, 2005

13,678,642

10,911,313

-

825,012

-
(7,830,510)
3,905,815
Cumulative exploration and development costs expense

-
(1,453,115)
(1,453,115)
Cumulative compensation expense- stock options

-
-
-
350,111
-
(350,111)
-
Shareholders' equity in accordance with U.S. GAAP at November 30, 2005
13,678,642
10,911,313
-
1,175,123
-
(9,633,736)
2,452,700

Shareholders' equity as reported November 30, 2006

20,541,142

18,836,685

4,000

1,289,292

-

(9,762,289)

10,367,688

Cumulative exploration and development costs expense

(6,274,590)

(6,274,590)

Cumulative compensation expense- stock options

-

-

-

350,111

(350,111)

-

Accumulated other comprehensive income

-

-

-

-

7,185

--

Shareholders' equity in accordance with U.S. GAAP at November 30, 2006

20,541,142

\$

18,836,685

\$

4,000

\$

1,639,403

\$

7,185

\$

(16,386,990)

\$

4,100,283

The impact of the above differences between Canadian and United States generally accepted accounting principles on the balance sheets, as reported, is as follows:

	2006	2005
Total assets per Canadian GAAP	\$ 10,815,156	\$ 4,147,110
Fair value adjustment to investment	7,185	-
Expenditures on mineral properties expensed under U.S. GAAP	(6,274,590)	(1,453,115)
Total assets per U.S. GAAP	\$ 4,547,751	\$ 2,693,995

ITEM 18.

FINANCIAL STATEMENTS

See Item 17.

ITEM 19.

EXHIBITS

**Exhibit
Number**

- 1.1 Articles of the Company as adopted effective January 9, 2006.
- 1.2 Continuation Application as filed January 9, 2006
- 1.3 Notice of Articles issued by the Registrar of Companies (B.C.) on January 9, 2006.
- 1.4 Certificate of Continuation (British Columbia) dated January 9, 2006
- 1.5 Certificate of Discontinuance (Alberta) dated January 16, 2006
- 4.1 Letter of Intent dated July 11, 2005 among the Company and the shareholders of Madero Minerals, S.A. *
- 4.2 Option Agreement dated March 13, 2007 among Wealth Minerals Ltd., Valentin Paniagua Jara and Maria Ines Vidal Buckley de Paniagua (Chubut uranium properties)
- 4.3 Option Agreement dated March 13, 2007 among Wealth Minerals Ltd., Jose Miguel Ramirez Gaston Roe and Carolina Lizarraga Houghton (Chubut uranium properties)
- 4.4 Option Agreement dated March 13, 2007 between Wealth Minerals Ltd. and Ina Marie Drago Ludoweig (Chubut Uranium properties)
- 4.5 Option Agreement dated April 7, 2006 between the Company and Minera San Isidro S.A.C. (Radiante I property)
- 4.6 Option Agreement dated April 7, 2006 between the Company and Minera San Isidro S.A.C. (Radiante II property)
- 4.7 Option Agreement dated April 7, 2006 between the Company and Minera San Isidro S.A.C. (Hilton property)

<u>4.8</u>	<u>Option Agreement dated April 7, 2006 between the Company and Minera Koripampa del Peru S.A. (Voluptuosa property)</u>	
<u>4.9</u>	<u>Option Agreement dated May 2, 2005 among the Company and James Dawson, Gary Belik, Lawrence Barry, Adam Vary, and John Robbins (MacKenzie Property)</u>	
4.10	2004 Incentive Stock Option Plan	*
<u>12.1</u>	<u>CEO 302 Certification</u>	
<u>12.2</u>	<u>CFO 302 Certification</u>	
<u>13.1</u>	<u>CEO 906 Certification</u>	
<u>13.2</u>	<u>CFO 906 Certification</u>	
15.1	Audit Committee Charter	*

* Indicates the named document has been previously filed and is incorporated by reference.

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant certifies that it meets all of the requirements for filing on Form 20-F and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

WEALTH MINERALS CORP.

By:

/s/ Henk Van Alphen

Hendrik Van Alphen,

President and Chief Executive Officer

Date: June 15, 2007