MONT BLANC RESOURCES INC

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

JANUARY 31, 2006 AND 2005

MANNING ELLIOTT

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of
Mont Blanc Resources Inc.

We have audited the balance sheets of Mont Blanc Resources Inc. as at January 31, 2006 and 2005 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

MANNING ELLIOTT LLP

Chartered Accountants

Vancouver, British Columbia

May 19, 2006

MONT BLANC RESOURCES INC.

BALANCE SHEETS

AS AT JANUARY 31, 2006 and 2005

	2006 **$**	**2005** **$**
ASSETS		
CURRENT ASSETS		
Cash	227,961	2,483
Temporary investments (Note 3)	11,500	–
Amounts receivable	5,715	2,046
Prepaids	3,403	–
Loan receivable (Note 4)	-	148,288
	248,579	152,817
PROPERTY AND EQUIPMENT	2,176	–
	250,755	**152,817**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	14,234	184,362
Due to related parties (Note 5)	4,068	118,398
Loans payable (Note 6)	-	188,592
	18,302	491,352
SHAREHOLDERS' EQUITY (DEFICIT)		
Share capital (Note 8)	6,611,003	5,928,203
Contributed surplus (Note 10)	216,250	–
Deficit	(6,594,800)	(6,266,738)
	232,453	(338,535)
	250,755	**152,817**

Approved on Behalf of the Board:

"Dennis Petke"
Dennis Petke, Director

"Jens Biertumpel"
Jens Biertumpel, Director

MONT BLANC RESOURCES INC.

STATEMENTS OF OPERATIONS AND DEFICIT

FOR THE YEARS ENDED JANUARY 31, 2006 AND 2005

	2006 $	2005 $
REVENUE	–	–
EXPENSES		
Amortization	176	–
Consulting fees (Note 5)	51,425	36,000
Management fees	15,500	–
Office and miscellaneous	7,884	9,662
Professional fees (Note 5)	28,280	8,782
Promotion and shareholder communication	6,910	–
Rent	5,685	6,000
Stock-based compensation (Note 11)	216,250	–
Transfer agent and other listing fees	13,844	9,800
Travel and meals	8,015	–
	353,969	70,244
LOSS FROM OPERATIONS	(353,969)	(70,244)
INTEREST INCOME	1,549	9,839
GAIN ON DEBT FORGIVENESS	26,498	108,921
INTEREST EXPENSE	(2,140)	(12,558)
NET INCOME (LOSS) FOR THE YEAR	(328,062)	35,958
DEFICIT, BEGINNING OF YEAR	(6,266,738)	(6,302,696)
DEFICIT, END OF YEAR	(6,594,800)	(6,266,738)
INCOME (LOSS) PER SHARE-BASIC AND DILUTED	(0.01)	0.01
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	6,399,000	3,337,000

MONT BLANC RESOURCES INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JANUARY 31, 2006 AND 2005

	2006 $	2005 $
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net income (loss) for the year	(328,062)	35,958
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	216,250	–
Gain on debt forgiveness	(26,498)	(108,921)
Non-cash expenses	80,500	–
Accrued interest on loans payable	2,140	12,558
Accrued interest on loan receivable	(1,549)	(9,838)
Amortization expense	176	–
Changes in operating assets and liabilities:		
Temporary investments	(11,500)	–
Amounts receivable	(3,669)	(2,046)
Prepaids	(3,403)	–
Accounts payable and accrued liabilities	23,445	68,469
Due to related parties	–	(27,211)
Net Cash Used in Operating Activities	(52,170)	(31,031)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of property and equipment	(2,352)	–
Net Cash Used In Investing Activities	(2,352)	–
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of subscriptions	–	(1,980)
Capital stock issued	280,000	–
Net Cash From (Used In) Financing Activities	280,000	(1,980)
NET INCREASE (DECREASE) IN CASH	225,478	(33,011)
CASH – BEGINNING OF YEAR	2,483	35,494
CASH – END OF YEAR	227,961	2,483
Non-cash Investing and Financing Activities:		
Shares issued to settle debt	402,800	248,000
Supplemental Disclosures:		
Interest paid	–	–
Income taxes paid	–	–

1. NATURE OF OPERATIONS AND CONTINUANCE OF BUSINESS

   Mont Blanc Resources Inc. (the “Company”) was incorporated on November 23, 1983 under the name Southern Star Resources Ltd. After undergoing several earlier name changes, the Company changed its name from Alda Industries Corporation to Crux Industries Inc. on July 14, 1999. The Company was deemed inactive by the TSX Venture Exchange on March 19, 1996 and traded on the NEX until April 6, 2006. Effective April 7, 2006, the Company's listing was transferred from NEX to the TSX Venture Exchange, having received regulatory approval. At the September 13, 2005 annual general meeting the Company received approval from the shareholders to change its name from Crux Industries Inc. to Mont Blanc Resources Inc. The Company is currently actively engaged in a joint venture exploring oil and gas opportunities in Alberta.

   The Company has incurred significant operating losses and its continued existence is dependent upon the continued support of its shareholders and its ability to obtain additional financing and generate profitable operations in the future.

   These financial statements have been prepared on the going concern basis of accounting which assumes that the Company will continue for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has an accumulated deficit of $6,594,800 and has a working capital of $230,277 as at January 31, 2006. A failure to continue as a going concern would require that stated amounts of assets and liabilities be reflected on a liquidation basis, which will differ from the going concern basis. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due. There is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

   a) Use of estimates

      The preparation of the financial statements in accordance in Canadian generally accepted accounting principles requires management to make estimates and assumptions based on currently available information. Such estimates and assumptions may affect the reported assets and liabilities and the reported revenue and expenses for the period. Actual results could differ from the estimates and assumptions used.

   b) Cash and cash equivalents

      The Company considers all highly liquid instruments with maturity of three months or less at the time of issuance to be cash equivalents.

   c) Property and equipment

      Property and equipment is stated at cost less accumulated amortization over its estimated useful life using the declining balance method at 30%. One half of the rate is applied in the year of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Stock-based compensation

As of February 1, 2004, the Company adopted the CICA Handbook Section 3870, "stock-based compensation and other stock-based payments" as amended, which established standards for recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. The standard requires that a fair value based method of accounting be applied to all stock-based payments to non-employees and to employee awards that are direct awards of stock that call for settlement in cash or other assets or are stock appreciation rights that call for settlement through the issuance of equity instruments. This standard requires the fair value of the compensation cost attributable to the issuance of stock options granted to employees or directors to be measured at the grant date and expensed over the vesting period with a corresponding increase in contributed surplus. Consideration paid by employees on the exercise of stock options is recorded as share capital.

e) Income taxes

The Company recognizes income taxes using the asset and liability method of tax allocation. Future income tax assets and liabilities are determined based on temporary differences and are measured using the current, or substantively enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized.

f) Financial instruments

The fair values of cash, amounts receivable, loan receivable, accounts payable and accrued liabilities, loans payable and due to related parties approximate their fair values due to the short-term maturity of these financial instruments. In management's opinion, the Company is not exposed to significant interest rate, currency exchange rate or credit risk arising from these financial instruments.

g) Loss per share

Basic net earnings (loss) per share are computed using the weighted average number of common shares outstanding during the periods. The treasury stock method is used for the calculation of diluted net earnings (loss) per share. Stock options and warrants are dilutive when the average market prices of the common shares during the period exceed the exercise price of the options and warrants.

h) Comparative Figures

Certain comparative figures for 2005 have been reclassified to conform to the current period's presentation.

3. TEMPORARY INVESTMENT

The Company has invested in a GIC that expires December 31, 2006. The temporary investment is recorded at the lower of cost or fair market value. As at January 31, 2006, the fair market value of the investment approximates its carrying value.

4. LOAN RECEIVABLE

The loan to PSA Outdoor Construction Canada Inc. ("PSAC") was amended as of the date of the termination of the Letter of Intent on July 2, 2003, was due on demand bearing interest on the outstanding principal amount from January 31, 2003 at 6.5% per annum, calculated and compounded annually. The January 31, 2005 balance includes accrued interest. In the quarter ended April 30, 2005, Bilarney Corporation ("Bilarney") accepted an assignment of the PSAC loan as consideration for the discharge of Bilarney's loan to the Company (see Note 6).

The assumption of the PSAC loan by Bilarney resulted in a reduction of the loan from Bilarney and gain on settlement of debt. In return, the Company agreed to assist Bilarney in recovering this loan receivable, and to forward 100% of any gross amounts or payments that the Company may receive from PSAC or any party related to PSAC to Bilarney.

5. DUE TO RELATED PARTIES

The following is a summary of amounts owing to directors and/or companies controlled by directors of the Company which are all unsecured, non-interest bearing and due on demand.

	2006 $	2005 $
Due to Berkshire Securities Inc. (formerly TWC Securities Inc.), a company in which the former President of the Company is a director	–	89,900
Due to Mont Blanc Capital Corp. a company controlled by a director	427	–
Due to Q4 Financial Group Inc., a company controlled by a director	3,641	28,498
	4,068	118,398

During the year ended January 31, 2006 and 2005, the Company was involved in the following related party transactions:

a) The Company paid $11,400 (2005: $37,284) for accounting and administrative services, $8,600 (2005: $18,000) for consulting services to Q4 Financial Group Inc. Q4 Financial Group Inc. also forgave $7,700 (2005: $NIL) in amounts owed to it by the Company.

b) The Company paid $42,000 (2005: $NIL) for consulting and $12,500 (2005: $NIL) for management services to Mont Blanc Capital Corp.

All the above transactions have been in the normal course of operations and in management's opinion undertaken with the same terms and conditions as transactions with unrelated parties.

6. LOANS PAYABLE

Effective March 31, 2005 the Company entered into an agreement with Bilarney Corporation whereby Bilarney agreed to assume the PSAC loan receivable. The assumption of the PSAC loan receivable by Bilarney resulted in a reduction of the loan from Bilarney and gain on settlement of debt.

The total payable to Bilarney at March 31, 2005 was $190,732, made up of the loan with accrued interest, totalling $183,607 and a non-interest bearing advance of $7,125. After assuming the PSAC debt, which totalled $149,837, the remaining loan payable to Bilarney was $40,895.

6. LOANS PAYABLE (continued)

As part of the shares for debt settlement accepted for filing by the TSX Venture Exchange on October 17, 2005, $25,000 of the $40,895 loan was converted to 250,000 common shares at $0.10 per share and the remaining $15,895 of the loan was forgiven.

The $15,895 forgiven on the settlement of the loan from Bilarney together with $10,603 in gains resulting from settlement of other amounts payable by the Company resulted in total gains on settlement of debt of $26,498.

	2006 $	2005 $
Loan from Bilarney Corporation, unsecured bearing interest at 8%, maturing January 1, 2006 (including accrued interest)	–	181,467
Loan from Bilarney Corporation, unsecured, with no interest or terms of repayment	–	7,125
Total	–	188,592

7. COMMITMENTS

Effective August 1, 2005, the Company negotiated a replacement agreement with Q4 Financial Group Inc. for monthly and quarterly accounting, administration and filing services totalling $3,000 per quarter. This agreement may be terminated by the Company or by Q4 Financial Group Inc. with the required notice.

Effective August 1, 2005, the Company negotiated an agreement with Mont Blanc Capital Corp. for monthly management services totalling $2,500 per month. This agreement may be terminated by the Company or by Mont Blanc Capital Corp. with the required notice.

On January 11, 2006, the Company entered into an agreement with Magnum Energy Inc. (“Magnum”), pursuant to which the Company and Magnum may earn a combined 50% interest in a farm-in agreement with a private junior oil and natural gas producer to drill a minimum of six medium-risk exploration wells in the Cherry area of Southern Alberta. The Company has committed to pay 55% of Magnum's drilling costs to earn a 25% interest in the play. As at May 19, 2006, approximately $1,000,000 has been paid to Magnum for drilling expenses.

8. SHARE CAPITAL

Authorized share capital – 100,000,000 without par value.

	Number of shares	$
Balance, January 31, 2003 and 2004	2,480,552	5,680,203
Issued for settlement of debt	2,480,000	248,000
Balance, January 31, 2005	4,960,552	5,928,203
Issued for settlement of debt	4,028,000	402,800
Issued for cash pursuant to private placement	1,400,000	280,000
Balance, January 31, 2006	10,388,552	6,611,003

8. SHARE CAPITAL (continued)

a) Issued for settlement of debt - the Company issued 4,028,000 shares at $0.10 per share to settle debts totalling $402,800. Included in the shares for debt settlement were 170,000 common shares issued to Q4 Financial Group Inc. (a company controlled by a director) and 2,020,000 common shares issued to the a director and his wholly owned company, Mont Blanc Capital Corp.

b) Issued for cash – A private placement was accepted for filing by the TSX Venture Exchange on November 21, 2005 for proceeds of $280,000, consisting of an aggregate of 1,400,000 shares in the capital stock of the company at a price of $0.20 per share. Participation by officers and directors included Jens Biertumpel, 250,000; Q4 Financial Group Inc. (Dennis Petke), 50,000, Michael Resendes, 25,000, and David George, 50,000.

9. STOCK OPTIONS

The Company has a fixed stock-based compensation plan in effect which provides that up to ten percent of the number of shares outstanding may be reserved for stock option grants to eligible optionees. Stock options granted under the plan vest immediately. At January 31, 2006, this plan provided for the grant of stock options to purchase a maximum of 1,038,855 common shares of which 1,029,000 have been granted and 9,855 options are available for future grants.

The following table summarizes the continuity of the Company's stock options:

	Number of Shares	Weighted Average Exercise Price $
Balance, January 31, 2004	–	–
Balance, January 31, 2005	–	–
Granted	1,029,000	0.20
Balance, January 31, 2006	1,029,000	0.20

Additional information regarding options outstanding as of January 31, 2006 is as follows:

	Outstanding and exercisable			
Exercise price $	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price $	Expiry Date
0.20	750,000	4.8	0.20	October 21, 2010
0.20	279,000	4.8	0.20	November 10, 2010
	1,029,000	4.8	0.20	

10. CONTRIBUTED SURPLUS

	2006	2005
Balance, beginning of year	$ –	$ –
Stock-based compensation (Note 11)	216,250	–
Balance, end of year	$ 216,250	$ –

11. STOCK-BASED COMPENSATION

During the year ended January 31, 2006, the Company granted 1,029,000 (2005 - Nil) stock options to directors and a consultant of the Company. The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions and resulting values:

	2006	2005
Assumptions:		
Risk-free interest rate *(%)*	3.72%	–
Expected life *(years)*	5 yrs.	–
Expected volatility *(%)*	107.53%	–

During the year ended January 31, 2006, the Company has recorded $216,250 (2005 - Nil) in stock-based compensation.

12. INCOME TAXES

In assessing the realizability of future tax assets, management considers that there is less than a 50% chance that some portion of all of the future tax assets will be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period.

	2006	2005
Effective tax rate	35%	36%
Future tax assets:		
Tax losses carried forward	$ 951,526	$ 895,807
Cumulative Canadian development expenses	124,219	124,219
	1,075,745	1,020,026
Valuation allowance	(1,075,745)	(1,020,026)
Net future tax asset	$ –	$ –

12. INCOME TAXES (continued)

The Company has tax losses available to reduce future years' taxable income of approximately $951,000, which, if unused, expire as follows:

2007	$ 135,000
2008	155,000
2009	219,000
2010	245,000
2011	62,000
2013	135,000
	$ 951,000

13. SUBSEQUENT EVENTS

a) On March 10, 2006, the Company granted options to a consultant to purchase a total of 50,000 common shares at a price of $0.50 per share subject to final approval by the TSX Venture Exchange.

b) On March 14, 2006 the TSX Venture Exchange accepted for filing documentation with respect to a non-brokered private placement. The offering, which closed March 6, 2006, consisted of 1,000,000 units at a price of $0.50 per unit for gross proceeds of $500,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one share at a price of $1.00 per share for a period of two years. The shares and warrants issued pursuant to this offering are subject to a four-month hold period.

c) On April 6, 2006 the TSX Venture Exchange accepted for filing the joint venture agreement dated January 11, 2006, between Mont Blanc Resources Inc. and Magnum Energy Inc. To May 19, 2006, the Company has paid $1,028,799 to Magnum Energy Inc. for its portion of the drilling expenditures upon announcement that the operator of the joint venture property with Magnum completed drilling operations on its initial prospect in the Vauxhall area of Southern Alberta.

d) Effective April 7, 2006, the Company, having met the requirements to be listed as a TSX Venture Exchange Tier 2 company, had its listing transferred from NEX to the TSX-V Tier 2 Venture Exchange. The Company was changed from MTN.H to MTN.

e) On April 10, 2006 the Company closed a second offering of 800,000 units at a price of $0.50 per unit, for gross proceeds of $400,000. Each unit consisted of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one share at a price of $1.00 per share for a period of two years. Shares acquired through these warrants are subject to a four-month hold period.

f) On April 11, 2006, the Company offered an additional 240,000 units at a price of $0.50 per unit, for further gross proceeds of $120,000. Each warrant entitles the holder to purchase one share at a price of $1.00 per share for a period of two years. The Closing will be subject to regulatory and TSX Venture Exchange approval and shares acquired through these warrants are subject to a four-month hold period.