Clearfield, Inc.
Form 10-Q
January 27, 2012

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 December 31, 2011

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

Commission File Number 0-16106

Clearfield, Inc.
(Exact name of Registrant as specified in its charter)

Minnesota	41-1347235
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5480 Nathan Lane North, Suite 120, Plymouth, Minnesota 55442
(Address of principal executive offices and zip code)

(763) 476-6866
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) 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.

[X] 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

[X] 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" (as defined in Rule 12b-2 of the Exchange Act).

[ ] Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X] 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 [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class:	Outstanding at January 20, 2012
Common stock, par value $.01	12,326,233

CLEARFIELD, INC.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CLEARFIELD, INC.
CONDENSED BALANCE SHEETS
UNAUDITED

	December 31, 2011	September 30, 2011
Assets		
Current Assets		
Cash and cash equivalents	$ 7,375,003	$ 11,281,027
Short-term investments	3,878,000	1,849,000
Accounts receivable, net	2,026,758	3,228,864
Inventories	2,528,067	2,757,151
Deferred taxes	994,000	994,000
Other current assets	228,551	170,243
Total Current Assets	17,030,379	20,280,285
Property, plant and equipment, net	930,690	986,031
Other Assets		
Long-term investments	5,314,000	2,707,000
Goodwill	2,570,511	2,570,511
Deferred taxes –long term	3,537,692	3,558,797
Other	199,467	199,467
Total other assets	11,621,670	9,035,775
Total Assets	$ 29,582,739	$ 30,302,091
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	969,756	1,439,611
Accrued compensation	1,035,146	2,465,132
Accrued expenses	72,726	106,383
Total current liabilities	2,077,628	4,011,126
Deferred rent	56,202	61,794
Total Liabilities	2,133,830	4,072,920
Commitment and Contingencies	-	-
Shareholders' Equity		
Preferred stock, $.01 par value; authorized 500 shares; no shares outstanding		
Common stock, authorized 50,000,000, $.01 par value; 12,326,233 and 12,270,691, shares issued and outstanding at December 31, 2011 and September 30, 2011	123,262	122,707
Additional paid-in capital	53,621,722	53,402,138
Accumulated deficit	(26,296,075)	(27,295,674)
Total Shareholders' Equity	27,448,909	26,229,171
Total Liabilities and Shareholders' Equity	$ 29,582,739	$ 30,302,091

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

CLEARFIELD, INC.
CONDENSED STATEMENTS OF OPERATIONS
UNAUDITED

	Three Months Ended December 31,	
	2011	2010
Revenues	$ 9,165,201	$ 7,246,669
Cost of sales	5,370,919	4,280,716
Gross profit	3,794,282	2,965,953
Operating expenses		
Selling, general and administrative	2,773,114	2,459,319
Income from operations	1,021,168	506,634
Other income		
Interest income	27,182	29,508
Other income	-	500
	27,182	30,008
Income before income taxes	1,048,350	536,642
Income tax expense	48,751	35,484
Net income	$ 999,599	$ 501,158
Net income per share:		
Basic	$ 0.08	$ 0.04
Diluted	$ 0.08	$ 0.04
Weighted average shares outstanding:		
Basic	12,299,554	12,019,289
Diluted	12,726,293	12,629,943

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

CLEARFIELD, INC.
CONDENSED STATEMENTS OF CASH FLOWS
UNAUDITED

	Three Months Ended December 31	
	2011	2010
Cash flows from operating activities		
Net income	$ 999,599	$ 501,158
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	96,081	105,236
Deferred taxes	21,105	21,105
Loss on disposal of assets	21,081	-
Stock based compensation	112,153	58,287
Changes in operating assets and liabilities:		
Accounts receivable, net	1,202,106	925,045
Inventories	230,693	(92,949)
Prepaid expenses and other	(58,308)	3,045
Accounts payable and accrued expenses	(1,939,090)	120,342
Net cash provided by operating activities	685,420	1,641,269
Cash flows from investing activities		
Purchases of property and equipment	(63,430)	(38,413)
Purchases of investments	(5,232,000)	(160,659)
Proceeds from maturities of investments	596,000	195,527
Net cash used in investing activities	(4,699,430)	(3,545)
Cash flows from financing activities		
Proceeds from issuance of common stock under employee stock purchase plan	70,305	37,722
Proceeds from issuance of common stock upon exercise of stock options	37,681	10,530
Net cash provided by financing activities	107,986	48,252
Increase (decrease) in cash and cash equivalents	(3,906,024)	1,685,976
Cash and cash equivalents, beginning of period	11,281,027	5,285,719
Cash and cash equivalents, end of period	$ 7,375,003	$ 6,971,695

SEE ACCOMPANYING NOTES TO CONDENSED FINANCIAL STATEMENTS

NOTES TO CONDENSED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying condensed financial statements are unaudited and have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America for interim financial information, pursuant to the rules and regulations of the Securities and Exchange Commission. Pursuant to these rules and regulations, certain financial information and footnote disclosures normally included in the financial statements have been condensed or omitted. However, in the opinion of management, the financial statements include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of the financial position and results of operations and cash flows of the interim periods presented. Operating results for the interim periods presented are not necessarily indicative of results to be expected for the full year or for any other interim period, due to variability in customer purchasing patterns and seasonal, operating and other factors. These condensed financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 2011.

In preparation of the Company's financial statements, management is required to make estimates and assumptions that affect reported amounts of assets and liabilities and related revenues and expenses during the reporting periods. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates.

Note 2. Net Income Per Share

Basic net income per common share ("EPS") is computed by dividing net income by the weighted average number of common shares outstanding for the reporting period. Diluted EPS equals net income divided by the sum of the weighted average number of shares of common stock outstanding plus all additional common stock equivalents, such as stock options, when dilutive.

	Three Months Ended December 31	
	2011	2010
Net income per common share — basic:		
Net income	$ 999,599	$ 501,158
Weighted average shares outstanding basic	12,299,554	12,019,289
Net income per common share	$ 0.08	$ 0.04
Net income per common share — diluted		
Net income	$ 999,599	$ 501,158
Weighted average shares outstanding	12,299,554	12,019,289
Dilutive impact of common stock equivalent outstanding	426,739	610,654
Weighted average shares outstanding— diluted	12,726,293	12,629,943
Net income per common share — diluted	$ 0.08	$ 0.04

Note 3. Cash, Cash Equivalents and Investments

The Company currently invests its excess cash in money market accounts and bank certificates of deposit (CDs) with a term of not more than three years. CDs with original maturities of more than three months are reported as held-to-maturity investments and are carried at amortized cost. The maturity dates of the Company's CDs at December 31, 2011 and September 30, 2011 are as follows:

	December 31, 2011	September 30, 2010
Less than one year	$ 3,878,000	$ 1,849,000
1-3 years	5,314,000	2,707,000
Total	$ 9,192,000	$ 4,445,000

Note 4. Stock Based Compensation

The Company recorded $112,153 of compensation expense related to current and past option grants, restricted stock grants and the Company's Employee Stock Purchase Plan for the three-month period ended December 31, 2011. The Company recorded $58,287 of compensation expense related to current and past equity awards for the three-month period ended December 31, 2010. This expense is included in selling, general and administrative expense. There was no tax benefit from recording this non-cash expense. As of December 31, 2011, $1,021,887 of total unrecognized compensation expense related to non-vested awards is expected to be recognized over a weighted average period of approximately 5.6 years.

We used the Black-Scholes option pricing model to determine the weighted average fair value of options during the three-month period ended December 31, 2010. The weighted-average fair values at the grant date for options issued during the three months ended December 31, 2010 was $1.92. This fair value was estimated at grant date using the weighted-average assumptions listed below.

	Three months ended December 31, 2010	
Dividend yield	0	%
Expected volatility	74.17	%
Average risk-free interest rate	1.58	%
Expected life	6 years	
Vesting period	3 years	

During the three month period ended December 31, 2011, the Company did not grant any incentive stock options or non-qualified stock options. During the three-month period ended December 31, 2010, the Company granted key employees incentive stock options to purchase an aggregate of 5,000 shares of common stock with a contractual term of 7 years, a three year vesting term and an exercise price of $3.00 with a fair value of $1.92 per share.

During the three month period ended December 31, 2011, exercised stock options totaled 46,106 shares, resulting in $37,681 of proceeds to the Company. During the three month period ended December 31, 2010, exercised stock options totaled 7,132 shares, resulting in $10,530 of proceeds to the Company.

The expected stock price volatility is based on the historical volatility of the Company's stock for a period approximating the expected life. The expected life represents the period of time that options are expected to be outstanding after their grant date. The risk-free interest rate reflects the interest rate at grant date on zero-coupon U.S.

governmental bonds having a remaining life similar to the expected option term.

Employee Stock Purchase Plan

Clearfield, Inc.'s Employee Stock Purchase Plan (ESPP) allows participating employees to purchase shares of the Company's common stock at a discount through payroll deductions. The ESPP is available to all employees subject to certain eligibility requirements. Terms of the ESPP provide that participating employees may purchase the Company's common stock on a voluntary after-tax basis. Employees may purchase the Company's common stock at a price that is no less than the lower of 85% of the fair market value of one share of common stock at the beginning or end of each stock purchase period or phase. The ESPP is carried out in six-month phases, with phases beginning on January 1 and July 1 of each calendar year. For the phases that ended on December 31, 2011 and December 31, 2010, employees purchased 11,267 and 17,710 shares at a price of $6.24 and $2.13 per share, respectively. After the employee purchase on December 31, 2011, 256,504 shares of common stock were available for future purchase under the ESPP.

Note 5. Inventories

Inventories consist of the following as of:

	December 31, 2011	September 30, 2011
Raw materials	$ 2,102,051	$ 2,158,647
Work-in-progress	162,077	304,793
Finished goods	263,939	293,711
	$ 2,528,067	$ 2,757,151

Note 6. Facilities

During the second quarter of fiscal 2011, the Company received and accepted a purchase offer on its Aberdeen, South Dakota facility. The Company had not occupied the facility since fiscal year 2006. In June 2011, the Company completed the sale of the facility and land in the amount of $725,000. The final proceeds to the Company after transaction costs were $660,000. The Company recorded a gain on the sale of these assets of approximately $37,000 in the third quarter of fiscal 2011.

Note 7. Major Customer Concentration

One customer, Power & Telephone Supply Company (Power & Tel) who serves as a reseller of the Company's product to a range of Tier 2 and Tier 3 Telco carriers as well as cable service operators, comprised approximately 25% and 27% of total sales for the three months ended December 31, 2011 and 2010, respectively.

At December 31, 2011, two customers accounted for 23% of accounts receivable. KGP Logistics, Inc., (KGP) a reseller, accounted for 13% and Power & Tel accounted for 10%. At December 31, 2010, Power & Tel accounted for 29% of accounts receivable. KGP's sales did not exceed 10% of total sales for the three months ended December 31, 2011 or 2010. Power & Tel and KGP purchase our product through a standard form of purchase order.

Note 8. Goodwill and Patents

The Company analyzes its goodwill for impairment annually or at an interim period when events occur or changes in circumstances indicate potential impairment. The result of the analysis performed in the fourth fiscal quarter ended September 30, 2011 did not indicate an impairment of goodwill. During the quarter ended December 31, 2011, there were no triggering events that indicate potential impairment exists.

The Company capitalizes legal costs incurred to obtain patents. Once accepted by either the U.S. Patent Office or the equivalent office of a foreign country, these legal costs are amortized using the straight-line method over the remaining estimated lives, not exceeding 17 years. The Company currently has three patents pending with the U.S. Patent Office and in foreign countries.

Note 9. Income Taxes

The Company recorded a provision for income taxes of approximately $49,000 and $35,000, for the three months ended December 31, 2011 and 2010, respectively. The Company's tax provision includes estimated current federal alternative minimum taxes and state franchise taxes, but is primarily related to deferred tax expense related to book and income tax basis difference in goodwill on prior asset acquisitions. Our year-to-date net change in valuation allowance is $373,000. This change consists of $395,000 of tax benefit as a result of a reduction in valuation allowance after considering current financial condition and potential future taxable income. This reduction is partially offset by a $22,000 increase in valuation allowance from the current year AMT tax credit generated as its utilization does not meet the "more likely than not" approach as required by Accounting Standards Codification ("ASC") 740.

As of September 30, 2011 the Company had U.S. federal and state net operating loss (NOL) carry-forwards of approximately $27,278,000 and $22,090,000, respectively, which expire in fiscal years 2013 to 2028 if not utilized. In fiscal 2009, the Company completed an Internal Revenue Code Section 382 analysis of the loss carry-forwards and determined that all of its loss carry-forwards were utilizable and not restricted under Section 382.

Deferred taxes recognize the impact of temporary differences between the amounts of the assets and liabilities recorded for financial statement purposes and these amounts measured in accordance with tax laws. The Company's realization of net operating loss carry-forward and other deferred tax temporary differences is contingent upon future taxable earnings. The Company reviewed its deferred tax asset for expected utilization using a "more likely than not" approach as required by ASC 740 by assessing the available positive and negative factors surrounding its recoverability.

During the fourth quarter of fiscal year 2011, the Company reversed a portion of its valuation allowance in consideration of all available positive and negative evidence, including our historical operating results, current financial condition, and potential future taxable income. The reduction in the valuation allowance in the fourth quarter resulted in a non-cash income tax benefit of $2,481,000. As of September 30, 2011, the Company had a remaining valuation allowance of approximately $6,042,000.

The Company future taxable income was evaluated based primarily on anticipated operating results from fiscal years 2012 through 2014. The Company determined that projecting operating results beyond 2014 involves substantial uncertainty and the Company discounted forecasts beyond 2014 as a basis to support its deferred tax assets. Based upon the assessment of all available evidence, the Company reversed a portion of its valuation allowance for the quarter ended December 31, 2011 in an amount in which the tax benefit generated offsets the tax provision to be realized from current year estimated taxable income. The Company will continue to assess the assumptions it uses to determine the amount of its valuation allowance and may adjust the valuation allowance in future periods based on changes in assumptions of estimated future taxable income and other factors. If the valuation allowance is reduced, the Company would record an income tax benefit in the period in which that determination is made. If the valuation allowance is increased, we would record additional income tax expense. For the three months ended December 31, 2011 and 2010, the Company has reduced its valuation allowance by approximately $373,000 and $217,000 respectively.

As of December 31, 2011, we do not have any unrecognized tax benefits. It is the Company's practice to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. The Company does not expect any material changes in its unrecognized tax positions over the next 12 months.

Note 10. Accounting Pronouncements

Recent Accounting Pronouncements:

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820)—Fair Value Measurement (ASU 2011-04), to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements for level 3 fair value measurements. ASU 2011-04 is effective for us in our first quarter of fiscal 2012 and should be applied prospectively. Our adoption of ASU 2011-04 became effective the first quarter of fiscal 2012 and had no material impact on our financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220)—Presentation of Comprehensive Income, to require an entity to present the total of comprehensive income, the components of net income, and the

components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for us beginning after December 15, 2012 and should be applied retrospectively.

In September 2011, the FASB issued ASU No. 2011-08, Intangibles-Goodwill and Other (Topic 350)—Testing Goodwill for Impairment, which is intended to simplify how entities test for goodwill impairment by permitting an entity the option of performing a qualitative assessment to determine whether further impairment testing is necessary. The standard will be effective for annual and interim goodwill impairments tests for fiscal years beginning after December 15, 2011. Our adoption of ASU 2011-08 became effective the first quarter of fiscal 2012 and had no material impact on our financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to future events and typically address the Company's expected future business and financial performance. Words such as "plan," "expect," "aim," "believe," "project," "target," "anticipate," "intend," "estimate," "will," "should," "could" an terms of similar meaning, typically identify these forward-looking statements. Forward-looking statements are based on certain assumptions and expectations of future events and trends that are subject to risks and uncertainties. Actual results could differ from those projected in any forward-looking statements because of the factors identified in and incorporated by reference from Part II, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended September 30, 2011, as well as in other filings we make with the Securities and Exchange Commission, which should be considered an integral part of Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations." All forward-looking statements included herein are made as the date of this Quarterly Report on Form 10-Q and we assume no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

The following discussion and analysis of our financial condition and results of operations as of and for the three and three-month periods ended December 31, 2011 and 2010 should be read in conjunction with the financial statements and related notes in Item 1 of this report and our Annual Report on Form 10-K for the year ended September 30, 2011.

OVERVIEW

General

Clearfield, Inc. manufactures, markets, and sells an end-to-end fiber management and enclosure platform that consolidates, distributes and protects fiber as it moves from the inside plant to the outside plant and all the way to the home, business and cell site. The Company has successfully established itself as a value-added supplier to its target market of broadband service providers, including independent local exchange carriers (telephone), multiple service operators (cable), wireless service providers, municipal-owned utilities, as well as commercial and industrial original equipment manufacturers ("OEMs"). Clearfield has expanded its product offerings and broadened its customer base during the last five years.

The Company has historically focused on the un-served or under-served rural communities who receive their voice, video and data services from independent telephone companies. By aligning its in-house engineering and technical knowledge alongside its customers, the Company has been able to develop, customize and enhance products from design through production. Final build and assembly is completed at Clearfield's plant in Plymouth, Minnesota with manufacturing support from a network of domestic and global manufacturing partners. Clearfield specializes in producing these products on both a quick-turn and scheduled delivery basis. The Company deploys a hybrid sales model with some sales made directly to the customer, some made through two-tier distribution (channel) partners, and some sales through original equipment suppliers who private label its products.

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RESULTS OF OPERATIONS

THREE MONTHS ENDED DECEMBER 31, 2011 VS. THREE MONTHS ENDED DECEMBER 31, 2010

Revenues for the first fiscal quarter of 2012 ended December 31, 2011 were $9,165,000, an increase of 26% or approximately $1,918,000 from revenue of $7,247,000, for the first fiscal quarter of 2011. Revenue growth was experienced from existing clients as well as from the development of new accounts. The Company continued to experience gains from within Tier 3 Carriers, as well as from an emerging presence associated with Tier 2 Carriers who have a national footprint. One of the revenue drivers was an increase in product sales to engineering contractors providing Engineer, Furnish and Installation (EF&I) services to telco and cable broadband operators. These gains were throughout the product line. Revenues derived from distributor arrangements continued to increase as additional distributors are now representing the Company. Revenues were positively affected by early stage deployments associated with the American Recovery and Reinvestment Act (stimulus funds). The market continues to experience challenges associated with the limited supply of fiber cable and uncertainty over federal policy toward the Universal Service Fund, a federal program to support the delivery of telecommunications services to non-metropolitan communities, which has influenced the buying patterns of Clearfield’s customer base. Operating results for the first quarter of fiscal year 2012 are not necessarily indicative of results to be expected for future quarters or the entire year, due to variability in customer purchasing patterns and seasonal, operating and other factors.

Cost of sales for the first quarter of fiscal 2012 was $5,371,000, an increase of $1,090,000, or 26% from the $4,281,000 comparable period. Gross margin improved to 41.4% from 40.9% for comparable first quarters of fiscal 2012 and 2011. Gross profit increased from $2,966,000 for the first quarter of fiscal 2011 to $3,794,000 for the first fiscal quarter of 2012, an increase of 28% or $828,000. The year-over-year gain in gross profit percentage is derived from strategic sourcing and improved manufacturing processes designed to optimize margins. In addition, a product mix that continues to favor Clearfield value-added features teamed with these continual improvements in our manufacturing processes, which have resulted in greater manufacturing efficiency and absorption of factory overhead.

Selling, general and administrative expenses increased 13% or $314,000 from $2,459,000 for the first fiscal quarter of 2011 to $2,774,000 for the first fiscal quarter of 2012. This increase is primarily composed of $118,000 in higher compensation expenses, mainly associated with an increase in sales personnel. Marketing expenses increased $113,000 as a result of higher advertising and tradeshow costs within the period. Stock based compensation expense increased $54,000 in the fiscal 2012 period as a result of a higher amount of employee stock options outstanding in the 2012 quarter versus 2011.

Income from operations for the first fiscal quarter of 2012 was $1,021,000 compared to income of $507,000 for the first fiscal quarter of 2011, an improvement of $515,000 or 102%. This improvement is attributable to increased revenue and improved gross margin.

Interest income for the quarter ended December 31, 2011 was $27,000 compared to $30,000 for the comparable period for fiscal 2011. Interest rates have continued to decline resulting in lower returns. The Company invests its excess cash primarily in FDIC-backed bank certificates of deposit and money market accounts.

Income tax expense was $49,000 and $35,000 for the quarters ended December 31, 2011 and 2010, respectively. Tax expense primarily relates to book and tax differences of goodwill totaling $21,000 and $21,000 respectively for each of the corresponding quarters. The balance of the income tax expense was for various states income and franchise taxes as well as alternative minimum tax (AMT).

The Company’s net income for the first quarter of fiscal 2012 ended December 31, 2011 was $1,000,000, or $0.08 per basic and diluted share. For the first quarter of fiscal 2011 ended December 31, 2010 the Company reported net income of $501,000, or $0.04 per basic and diluted share.

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LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2011, our principal source of liquidity was our cash and cash equivalents and short-term investments. Those sources total $11,253,000 at December 31, 2011 compared to $13,130,000 at September 30, 2011. Our excess cash is invested mainly in certificates of deposit backed by the FDIC and money market accounts. The majority of our funds are insured by the FDIC. Investments considered long-term are $5,314,000 at December 31, 2011, compared to $2,707,000 at September 30, 2011. We believe the combined balances of short-term cash and investments along with long-term investments provide a more accurate indication of our available liquidity. At December 31, 2011, Clearfield had no debt along with $16,567,000 in cash and investments, up $730,000 from $15,837,000 from fiscal year end September 30, 2011.

The Company expects to fund operations with its working capital, which is the combination of existing cash and cash equivalent cash flow from operations, accounts receivable and inventory. The Company intends to use its cash assets primarily for its continued organic growth. Additionally, the Company may use some available cash for potential future strategic initiatives or alliances. We believe our cash and cash equivalents at December 31, 2011, along with cash flow from future operations, will be sufficient to fund our working capital and capital resources needs for the next 12 months.

Operating Activities

Net cash generated from operating activities totaled $685,000 for the three months ended December 31, 2011. This was primarily due to net income of $1,000,000, which includes non-cash expenses for depreciation of $96,000, deferred taxes of $21,000, loss on asset disposals of $21,000, and stock based compensation of $112,000. Changes in cash from operating assets and liabilities include decreases in accounts receivable of $1,200,000 and inventory of $231,000, along with increases in prepaid expenses of $58,000 and accounts payable and accrued expenses of $1,939,000. The decrease in cash from accounts payable and accrued expenses reflects fiscal 2011 accrued bonus compensation accruals paid in the first quarter of fiscal 2012.

Net cash generated from operating activities for the three months ended December 31, 2010 totaled $1,641,000. This was primarily due to net income of $501,000, depreciation of $105,000, deferred taxes of $21,000, stock based compensation of $58,000 and a decrease in accounts receivable of $925,000 and an increase in accounts payable of $120,000. This was offset by an increase in inventories of $93,000. The source of cash from accounts receivable primarily results from higher sales levels in the fourth quarter of fiscal 2010 over the first quarter of fiscal 2011.

Investing Activities

We invest our excess cash in money market accounts and bank CDs in denominations across numerous banks. We believe we obtain a competitive rate of return given the economic climate along with the security provided by the FDIC on these investments. During the three month period ended December 31, 2011 we used cash to purchase $5,232,000 of FDIC-backed securities and received $596,000 on CDs that matured. Purchases of capital equipment, mainly information technology equipment and vehicles, consumed $63,000 of cash.

During the three-month period ended December 31, 2010 we utilized cash to purchase $161,000 of securities and received $195,000 on CDs that have matured. Purchases of capital consumed $38,000 of cash during the three month period ended December 31, 2010.

Financing Activities

For the three-month period ended December 31, 2011 we received $70,000 from employees' participation and purchase of stock through our ESPP and $38,000 from the issuance of stock as a result of employees exercising

options.

For the three month period ended December 31, 2010 we received $38,000 from employees' participation and purchase of stock through our ESPP and received $11,000 from the issuance of stock as a result of employees exercising options.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management utilizes its technical knowledge, cumulative business experience, judgment and other factors in the selection and application of the Company's accounting policies. The accounting policies considered by management to be the most critical to the presentation of the financial statements because they require the most difficult, subjective and complex judgments include revenue recognition, stock-based compensation, deferred tax asset valuation allowances, accruals for uncertain tax positions, and impairment of goodwill and long-lived assets.

These accounting policies are described in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Company's Annual Report on Form 10-K for the year ended September 30, 2011. Management made no changes to the Company's critical accounting policies during the quarter ended December 31, 2011.

In applying its critical accounting policies, management reassesses its estimates each reporting period based on available information. Changes in these estimates did not have a significant impact on earnings for the quarter ended December 31, 2011.

RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards (Topic 820)—Fair Value Measurement (ASU 2011-04), to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU 2011-04 changes certain fair value measurement principles and enhances the disclosure requirements for level 3 fair value measurements. ASU 2011-04 is effective for us in our first quarter of fiscal 2012 and should be applied prospectively. Our adoption of ASU 2011-04 became effective the first quarter of fiscal 2012 and had no material impact on our financial statements.

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220)—Presentation of Comprehensive Income, to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. ASU 2011-05 eliminates the option to present the components of other comprehensive income as part of the statement of equity. ASU 2011-05 is effective for us beginning after December 15, 2012 and should be applied retrospectively. We do not believe ASU 2011-05 will have a material impact on our financial statements.

In September 2011, the FASB issued ASU No. 2011-08, Intangibles-Goodwill and Other (Topic 350)—Testing Goodwill for Impairment, which is intended to simplify how entities test for goodwill impairment by permitting an entity the option of performing a qualitative assessment to determine whether further impairment testing is necessary. The standard will be effective for annual and interim goodwill impairments tests for fiscal years beginning after December 15, 2011. Our adoption of ASU 2011-08 became effective the first quarter of fiscal 2012 and had no material impact on our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report these disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There were no changes to the Company's internal control over financial reporting as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934, that occurred during the quarter ended December 31, 2011 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is exposed to a number of asserted and unasserted legal claims encountered in the ordinary course of business. Although the outcome of any such legal action cannot be predicted, management believes that there are no pending legal proceedings against or involving the Company for which the outcome is likely to have a material adverse effect upon its financial position or results of operations.

ITEM 1A. RISK FACTORS

The most significant risk factors applicable to the Company are described in Part I, Item 1A "Risk Factors" of our Annual Report on Form 10-K for the year ended September 30, 2011. There have been no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. [REMOVED AND RESERVED]

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit 31.1 – Certification of Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act

Exhibit 31.2 – Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) of the Exchange Act

Exhibit 32.1 – Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. §1350

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CLEARFIELD, INC.

January 27, 2012

/s/ Cheryl P. Beranek
By: Cheryl P. Beranek
Its: President and Chief Executive Officer
(Principal Executive Officer)

January 27, 2012

/s/ Daniel Herzog
By: Daniel Herzog
Its: Chief Financial Officer
(Principal Financial and Accounting Officer)

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@stsca.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
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	5,939,328	1,638,500	3,735,587
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

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)

-

-

-

-

(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

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

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

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

-

-

-

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

-

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 minerals 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 to 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**	
		Accumulated			**Accumulated**	
	Cost	**Amortization**	**Net**	**Cost**	**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 (Uranium)		**Canada (Gold)**	**Peru (Uranium)**				**Total**
	Other Properties	**Diamante-Los Patos**	**Mackenzie**	**Radiante 1**	**Radiante II**	**Hilton**	**Voluptuosa**	
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

		Fair Value		Net Book Value	
	Number of Shares	**2006**	**2005**	**2006**	**2005**
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
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:			
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	-
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 (Restated) (Note 3)	2004
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 (Restated) (Note 3)	2004
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. 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
2006	1,100,000	$ 1,843,000	Acquisition of mineral properties
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	- 1,148,163	4,147,110

	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					
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 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.

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:

	Cumulative Amount from October 7, 1994	Years Ended November 30

	to November 30, 2006	2006	2005 (Restated) (Note 3)	2004
Loss for the year as reported	$ (9,762,289)	$ (1,931,779)	$ (1,281,180)	$ (1,630,322)
Less:				
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 (Restated) (Note 3)	2004
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						
	Number of Shares	Amount	Subscription (Receivable) Received	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Deficit Accumulated during the Exploration Stage	Total
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

–-

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