

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)

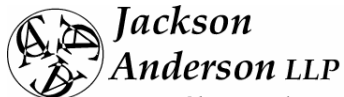
CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited – See Notice to Reader)

November 30, 2005

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)

November 30, 2005

Notice to Reader	Page 1
Financial Statements	
Consolidated Statement of Loss	2
Consolidated Statement of Deficit	3
Consolidated Balance Sheet	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6



*Chartered
Accountants*

Owen Jackson, C.A.*

Clay Anderson, C.A.*

* Denotes Professional Corporation

#208, 17420 Stony Plain Road, Edmonton, Alberta, T5S 1K6 . Phone (780) 451-1131 . Fax: (780) 452-2204 . Email jfa@jfa.ab.ca

NOTICE TO READER

We have compiled the consolidated balance sheet of Micrex Development Corp. as at November 30, 2005 and the consolidated statements of loss and deficit and cash flows for periods then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Edmonton, Alberta
January 16, 2006

"Jackson Anderson LLP"
Chartered Accountants

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Consolidated Statement of Loss
FOR THE THREE MONTH PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

	November 30, 2005	November 30, 2004.
	\$	\$
Revenue	<u>-</u>	<u>-</u>
Expenses		
Amortization	2,076	2,964
Insurance	-	599
Consulting fees	37,500	70,000
Office and sundry	7,816	8,439
Professional fees	8,420	12,561
Subcontract	19,300	19,800
Telephone	<u>1,497</u>	<u>1,247</u>
	<u>76,609</u>	<u>115,610</u>
Net loss for the period	<u>(76,609)</u>	<u>(115,610)</u>
Loss per common share (Note 10)		
Basic	<u>(0.003)</u>	<u>(0.005)</u>

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Consolidated Statement of Deficit
FOR THE THREE MONTH PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

	November 30, 2005	November 30, 2004.
	\$	\$
Deficit, beginning of period	(5,490,638)	(5,235,984)
Net loss for the period	<u>(76,609)</u>	<u>(115,610)</u>
Deficit, end of period	<u>(5,567,247)</u>	<u>(5,351,594)</u>

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Consolidated Balance Sheet
(Unaudited – See Notice to Reader)

	November 30, 2005 (Unaudited)	August 31, 2005 (Audited)
	\$	\$
Assets		
Current assets		
Cash and short term deposits	66,554	133,754
Accounts receivable	15,092	11,153
Prepaid expenses	<u>10,000</u>	<u>10,000</u>
	91,646	154,907
Mineral properties and equipment (note 4)	<u>2,803,946</u>	<u>2,709,710</u>
	<u><u>2,895,592</u></u>	<u><u>2,864,617</u></u>
Liabilities (other than amounts due to shareholders)		
Current liabilities		
Accounts payable and accrued liabilities	-	43,583
Advances from shareholders and directors (note 5)	<u>173,138</u>	<u>194,776</u>
	<u>173,138</u>	<u>238,359</u>
Shareholders' Interests		
Equity		
Share capital (note 6)	8,116,710	7,943,905
Contributed surplus	172,991	172,991
Deficit	<u>(5,567,247)</u>	<u>(5,490,638)</u>
	<u>2,722,454</u>	<u>2,626,258</u>
	<u><u>2,895,592</u></u>	<u><u>2,864,617</u></u>

Approved On Behalf Of The Board

Director "Stan Marshall"

Director "Max Morpurgo"

The accompanying notes form part of these financial statements

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Consolidated Statement of Cash Flows
FOR THE THREE MONTH PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

	November 30, 2005	November 30, 2004.
	\$	\$
Cash flows from operating activities		
Net loss for the period	(76,609)	(115,610)
Adjustment for:		
Amortization	<u>2,076</u>	<u>2,964</u>
	(74,533)	(112,646)
Change in non-cash working capital items		
Accounts receivable	(3,939)	311
Prepaid expenses	-	448
Accounts payable and accrued liabilities	<u>(43,583)</u>	<u>(23,957)</u>
	<u>(47,522)</u>	<u>(23,198)</u>
Cash flows from investing activity		
Purchase of mineral properties and equipment	<u>(96,312)</u>	<u>(37,400)</u>
Cash flows from financing activity		
Advances from shareholders and directors	(21,638)	229,724
Net issuance of share capital	<u>172,805</u>	<u>(3,396)</u>
	<u>151,167</u>	<u>226,328</u>
(Decrease) increase in cash	(67,200)	53,084
Cash, beginning of period	<u>133,754</u>	<u>135,154</u>
Cash, end of period	<u><u>66,554</u></u>	<u><u>188,238</u></u>

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

1. Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended August 31, 2005. The interim consolidated financial statements should be read in conjunction with the August 31, 2005 annual financial statements.

2. Nature of Operations and Going Concern

Micrex Development Corp. was incorporated under the Business Corporations Act of Alberta on February 16, 1987.

The Company is considered to be primarily in the exploration stage with respect to its mineral properties. Based on the information available to date, the Company has not yet determined whether its mineral properties contain economically recoverable reserves. The Company has a working capital deficiency and has suffered recurring losses. The recoverability of the amounts shown for mineral properties is dependent upon the confirmation of economically recoverable reserves, the ability of the Company to obtain necessary financing to successfully complete their development and upon future profitable production.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. The continuing operations of the Company are dependent upon its ability to raise adequate financing, receive continued support from its creditors and to commence profitable operations in the future.

These consolidated financial statements do not give effect to any adjustments which might be necessary if the "going concern" basis were not appropriate.

Although the Company has taken steps to verify the title to resource properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements, transfers or Native land claims and may be affected by other undetected items.

3. Significant accounting policies

Significant accounting policies observed in the preparation of the financial statements are summarized below. These policies are in accordance with Canadian generally accepted accounting principles.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

3. Significant accounting policies (continued)

Consolidation

The consolidated financial statements include the financial statements of the company and those of Gold Standard Mining Corp. in which the company holds a 100% interest. Gold Standard Mining Corp. is the registered owner of the Big Horn Mine property and related equipment and has no other assets or liabilities and has no separate ongoing operations.

The Company holds a 51% interest in Gee Cee Mines Ltd. This company essentially acts as a bare trustee and owns claims relating to the Wild Horse placer mine. The Company has recorded its 51% proportionate interest in these claims at the purchase price of the shares plus amounts expended on development. Gee Cee Mines Ltd. has no other operations, assets or liabilities.

Mineral Properties

Development Properties

At present, all activities of the Company are in the exploration stage. The cost of mineral properties or interests therein and all related exploration costs excluding administration costs are being capitalized until the respective properties are determined to be capable of sustained commercial production, or there has been an impairment in value. Each property is assessed periodically by management. When a property is determined to be non-commercial, non-productive or its carrying value is not considered to be fully recoverable based on the net present value of future expected cash flows, or its value is otherwise impaired, those costs in excess of estimated future recoveries are charged to operations. The ultimate recovery of the costs of deferred exploration expenditures and the satisfaction of future commitments is dependent on the Company's ability to raise sufficient capital in order to further develop and determine the commercial viability of the properties. The Company expenses administration costs as incurred. On commencement of commercial production, net acquisition costs and exploration and development costs on a property-by-property basis will be amortized to operations on the unit-of-production basis, based on the economic reserves of the property.

Asset Retirement Obligations

The Company recognizes the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, with a corresponding increase in the carrying amount of the long-lived asset. The liability accretes until the Company expects to settle the retirement obligation. These asset retirement costs are depleted using the unit of production method and actual costs to retire the asset will be deducted from the liability as incurred. At this time, the Company does not foresee the necessity to make any material expenditures in this area and the Company is not committed to any significant reclamation or other asset retirement obligations until such time as production commences.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

3. Significant accounting policies (continued)

Mineral Properties (continued)

Value

The amounts shown for the mineral properties represent costs to date (net of impairment write-downs), and do not necessarily represent present or future values as they are entirely dependent upon the economic recovery of current and future reserves.

Equipment

Plant and equipment are recorded at cost. The Company provides for amortization at rates designed to amortize the cost of the plant and equipment over their useful lives. The annual amortization rates are as follows:

	<u>Methods</u>	<u>Rates</u>
Mining equipment	Diminishing balance	30%
Automotive equipment	Diminishing balance	30%
Computer equipment	Diminishing balance	30%
Furniture and fixtures	Diminishing balance	20%

Half year amortization is recorded in the year of acquisition. Amortization is not recorded in the year of disposal.

Stock-Based Compensation

Effective September 1, 2003 the Company prospectively adopted the fair value method of accounting for stock-based compensation. Under the fair value method, compensation expense related to these programs is recorded in the statement of loss and deficit with a corresponding increase to contributed surplus. This accounting is recorded annually in the year end financial statements. The fair value of options granted are determined at the date of grant and expensed over the vesting period.

Options granted to consultants and directors prior to September 1, 2003 were accounted for using the intrinsic value method whereby the excess of the stock price on the date of the grant over the exercise price of the option was recorded as compensation expense and for share options granted after January 1, 2002, pro forma disclosure was provided to show the effect had the fair value based model been applied. The fair value of warrants issued to agents is recorded as share issue costs with a corresponding increase to contributed surplus.

Consideration paid on the exercise of stock options and warrants is credited to share capital. Upon the exercise of stock options and warrants, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company does not incorporate an estimated forfeiture rate for stock options and agents' warrants that will not vest, but accounts for forfeitures as they occur.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

3. Significant accounting policies (continued)

Earnings (Loss) per Share

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury stock method. The treasury stock method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market price.

Revenue Recognition

Revenue is recognized when title to delivered precious metals or gemstones passes to the buyer.

Future Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are recognized based on temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized and are measured using enacted or substantially enacted tax rates expected to apply when the asset is realized or the liability is settled.

Flow-Through Shares

The Company has issued flow-through shares. Under this financing arrangement, shares are issued at a fixed price and the resultant proceeds are used to fund exploration and development work within a defined time period. The exploration and development expenditures funded by flow-through arrangements are renounced to investors in accordance with the appropriate tax legislation. During the current year, the Company adopted prospectively the recommendations of EIC 146 (Emerging Issues Committee Abstract of the Canadian Institute of Chartered Accountants) whereby a future tax liability and a reduction to share capital is recorded when the related exploration and development expenditures are incurred. In previous years, mining properties and share capital were reduced by the estimated renounced tax deductions when the related costs were incurred.

Statement of Cash Flow

The company is using the indirect method in its presentation of the Statement of Cash Flow.

Financial Instruments

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturity of these instruments. Financial instruments also include advances from directors. Management considers that no events have occurred subsequent to the arrangement of these advances that would indicate that fair value differs substantially from carrying value. 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.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

3. Significant accounting policies (continued)

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 amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The significant estimates pertain to the recovery of deferred exploration expenditures and the physical and economic lives of plant, equipment and mining properties.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

4. Mineral properties and equipment

Title to mineral properties involves certain inherent risks due to the difficulties in determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to the mineral properties and, to the best of its knowledge, title to the properties are in good standing.

a) Net book value

Given below are the net book values of plant and equipment, and mining development properties.

	November 30, 2005 (Unaudited)	August 31, 2005		
	Plant and Equipment	Mining Development Properties	Net Book Value	Net Book Value
	\$	\$	\$	\$
Big Horn Mine	4,162	751,188	755,350	740,687
Wild Horse Mine	3,788	-	3,788	4,095
Banks Mine	4,744	-	4,744	5,129
Deadwood and Sunburst Mines	-	346,688	346,688	346,688
Mount Royal Mine	-	110,473	110,473	110,473
Burmis Magnetite Deposit	-	1,114,452	1,114,452	1,033,139
Clear Hills	-	30,176	30,176	30,176
Buffalo Head Hills	-	128,196	128,196	128,196
Quebec Magnetite deposit	-	297,121	297,121	297,121
Other	12,958	-	12,958	14,006
	<u>25,652</u>	<u>2,778,294</u>	<u>2,803,946</u>	<u>2,709,710</u>

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

4. Mineral properties and equipment (continued)

b) Plant and equipment

		November 30, 2005 (Unaudited)	August 31, 2005.
	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$
Automotive	40,540	32,887	7,653
Furniture & fixtures	750	615	135
Computer equipment	36,322	31,152	5,170
Mining equipment	427,331	414,637	12,694
	<u>504,943</u>	<u>479,291</u>	<u>25,652</u>
			<u>13,729</u>

c) The company has interest in the following mining development properties:

- (i) 100% interest in Big Horn hard rock mine located in the Atlin area of British Columbia, Canada. This property was acquired in 1993 by the issuance of 2,747,283 common shares having a value of \$631,875 (\$159,270 for plant and equipment; \$472,605 for mining property).
- (ii) 51% interest in Wild Horse placer mine located in the Fort Steele area of British Columbia, Canada. This property was originally acquired in 1996 by the issuance of 10,000 common shares having a value of \$21,500, plus \$39,000 cash. Due to inactivity over the past four years, the accumulated costs relating to this property in the amount of \$270,925 have been written off (2005 - \$2,629; 2004 - \$268,296).
- (iii) 51% interest in Banks hard rock mine located in the Steeple Rock district of New Mexico, U.S.A. This property was originally acquired in 1996 by the issuance of 200,000 common shares having a value of \$50,000, plus a \$100,000 expenditure commitment which was fulfilled in a previous year. This interest is subject to a 2% net smelter royalty interest to the vendor upon commencement of production. Due to inactivity over the past four years, the accumulated costs relating to this property in the amount of \$963,912 have been written off (2005 - \$475; 2004 - \$963,437).
- (iv) 100% interest in Deadwood patented hard rock mine and Sunburst patented hard rock mine claim located in Catron County, New Mexico, U.S.A. The Company owns the land and mineral rights.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

4. Mineral properties and equipment (continued)

c) The company has interest in the following mining development properties:

- (v) 33% interest in Mount Royal patented hard rock mine claim located in the Steeple Rock district of New Mexico, U.S.A. The Company owns the land and mineral rights.
- (vi) 28%; (2004 - 26%) equity interest in the claims and 100% interest in all production from the claims relating to the Burmis Magnetite deposit located in the Crowsnest Pass area of Alberta. The Company originally acquired a 12% equity interest in this property in 1997 by the issuance of 100,000 common shares having a value of \$103,000, plus \$10,000 cash, plus a \$200,000 expenditure commitment which was fulfilled in a previous year. The purchase agreement provides the Company the right to acquire an additional 2% equity interest per year by the annual payment of \$70,000 by way of cash or common shares or the Company can purchase outright the remaining equity interest at any time. Accordingly, future payments totaling \$2,520,000 would acquire the remaining 72% interest, although there is no commitment to acquire this additional interest.

During the 2005 fiscal year the Company acquired an additional 2%; (2004 – 4%) equity interest by the issuance of 280,000; (2004 - 474,510) common shares at their fair value of \$70,000; (2004 – 140,000). The 2004 acquisition consisted of the Company's 2004 and 2003 year's purchase options.

The equity interest is subject to a gross overriding royalty to the vendor upon commencement of production at the greater of 1% of gross sales or \$0.25 per ton.

- (vii) 100% interest in the Clear Hills diamond exploration project consisting of 72 square miles located in the Clear Hills and Chinchaga Hills, Alberta, Canada.
- (viii) 100% interest in the Buffalo Hills diamond exploration project consisting of 72 square miles located in the Buffalo Head Hills, Alberta, Canada.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

4. Mineral properties and equipment (continued)

c) The company has interest in the following mining development properties:

- (ix) 18%; (2004 - 16%) equity interest in the claims and 100% interest in all production from the claims relating to the Quebec magnetite deposit located near Chicoutimi, Quebec, Canada. The Company originally acquired a 12% equity interest in this property in the preceding fiscal year by the issuance of 290,323 common shares having a fair value of \$90,290. The purchase agreement provides the Company the right to acquire an additional 2% equity interest per year by the annual payment of \$45,000 by way of cash or common shares or the Company can purchase outright the remaining equity interest at any time. Accordingly, future payments totaling \$1,845,000 would acquire the remaining 82% interest, although there is no commitment to do acquire this additional interest.

During the 2005 fiscal year the Company acquired an additional 2%; (2004 - 2%) equity interest by the issuance of 180,000; (2004 – 176,471) common shares at their fair value of \$45,000; (2004 - \$45,000).

The equity interest is subject to a gross overriding royalty to the vendor upon commencement of production at the greater of 1% of gross sales or \$0.25 per ton.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

4. Mineral properties and equipment (continued)

d) Acquisition costs and deferred exploration costs for the properties are as follows:

	November 30, 2005 (Unaudited)		
	Acquisition Costs	Deferred Exploration Costs	Total
	\$	\$	\$
Big Horn Mine	472,606	278,582	751,188
Deadwood and Sunburst Mines	343,482	3,206	346,688
Mount Royal Mine	44,780	65,693	110,473
Burmis Magnetite Deposit	673,000	441,452	1,114,452
Clear Hills	13,420	16,756	30,176
Buffalo Head Hills	5,448	122,748	128,196
Quebec Magnetite deposit	225,290	71,831	297,121
	<u>1,778,026</u>	<u>1,000,268</u>	<u>2,778,294</u>

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

4. Mineral properties and equipment (continued)

August 31,
2005

	Acquisition Costs	Deferred Exploration Costs	Total
	\$	\$	\$
Big Horn Mine	472,606	263,582	736,188
Deadwood and Sunburst Mines	343,482	3,206	346,688
Mount Royal Mine	44,780	65,693	110,473
Burmis Magnetite Deposit	673,000	360,139	1,033,139
Clear Hills	13,420	16,756	30,176
Buffalo Head Hills	5,448	122,748	128,196
Quebec Magnetite deposit	225,290	71,831	297,121
	<u>1,778,026</u>	<u>903,955</u>	<u>2,681,981</u>

5. Advances from shareholders and directors

The advances are due on demand, non-interest bearing, unsecured and have no set repayment terms. These advances were made in conjunction with share subscriptions, which did not close prior to the quarter-end and will be recorded as share capital in the subsequent fiscal period.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

6. Share capital

a) Share capital consists of:

Authorized

Unlimited number of common voting shares

10,000,000 preferred shares

10,000,000 convertible preferred shares

Preferred shares and convertible preferred shares may be issued in one or more series. The directors are authorized to fix the number of shares in each series to determine the designation, rights, privileges, restrictions and conditions attached to the shares of each series.

	November 30, 2005 (Unaudited)	August 31, 2005.
	\$	\$
Issued		
28,043,832 common shares	<u>8,116,710</u>	<u>7,943,905</u>

Certain of the common shares issued by private placement for cash or other consideration are held in escrow. As at November 30, 2005 958,649; (August 31, 2005 – 958,649) common shares were deposited in performance escrow and are to be released on the basis of one share for each \$0.23 of development expenditures on the Big Horn mining property. During the quarter, nil common shares were released from escrow.

Effective December 31, 2004 the Company completed a flow-through private placement of 99,233 units at a price of \$3.00 per unit. Each unit consisted of nine flow-through common shares, three common shares and twelve common share purchase warrants, which entitles the holder to acquire one common share for \$0.30 for a period of two years, expiring December 30, 2006. The fair value of the warrants issued in connection with this private placement is estimated to be \$91,215, using the Black Scholes valuation model; this amount is recorded as a share issuance cost in the current fiscal year. The assumptions utilized in determining the fair value of the 1,190,796 warrants issued was a spot rate of \$0.28, a strike price of \$0.30, a risk-free rate of 3.1%, volatility of 50.0%, expected dividend yield of nil and a maturity period of 2.0 years.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

6. Share capital (continued)

b) Transactions during the period:

	#	\$
Balance August 31, 2004.	25,280,703	7,734,342
Flow through shares issued for cash	1,190,796	297,699
Issued for acquisition of mining properties	460,000	115,000
Tax benefit renounced to shareholders	<u>-</u>	<u>(58,059)</u>
	26,931,499	8,088,982
Cost of issuing shares	<u>-</u>	<u>(145,077)</u>
Balance August 31, 2005	26,931,499	7,943,905
Shares issued for cash	1,112,333	178,155
Cost of issuing shares	<u>-</u>	<u>(5,350)</u>
Balance November 30, 2005	<u>28,043,832</u>	<u>8,116,710</u>

c) Warrants

At November 30, 2005, the company had the following warrants outstanding:

- i) 958,649 warrants attached to shares which have been deposited in performance escrow. These warrants expire 6 months after the release of the performance shares from escrow.
- ii) 2,160,264 warrants expiring December 30, 2005 entitling the subscribers to purchase one common share per warrant at a price of \$0.40 per share. These shares were issued as part of the December 31, 2003 flow-through share issue. These warrants lapsed subsequent to quarter end.
- iii) 1,190,796 warrants expiring December 30, 2006 entitling the subscribers to purchase one common share per warrant at a price of \$0.30 per share. These shares were issued as part of the December 31, 2004 flow-through share issue. These warrants lapsed subsequent to quarter end.
- iv) 665,000 warrants expiring October 26, 2006 entitling the subscribers to purchase one common share per warrant at a price of \$0.45 per share. These shares were issued as part of a private placement share issue on October 25, 2005.
- v) 114,000 warrants expiring November 15, 2006 entitling the subscribers to purchase one common share per warrant at a price of \$0.45 per share. These shares were issued as part of a private placement share issue on November 15, 2005.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

6. Share capital (continued)

d) Stock options

The Company has a stock option plan, which is administered by the Board of Directors, under which the corporation may reserve a maximum of 10% of the issued and outstanding listed common shares.

Under this plan, the Company has currently granted options for a total of 2,563,203 common shares, having various exercise prices as determined on the date of issuance of the options. These options have no vesting period and may be exercised at any time within five years of issuance. The options expire after thirty days following the date the optionee ceases to be a director, officer or employee, or one year following the date of death of the optionee.

All options are exercisable as at the quarter-end.

The following options to purchase shares have been granted and exercised.

	Number of Options	Weighted avg exercise price
Options outstanding August 31, 2004.	2,442,203	\$ 0.28
Granted	479,000	\$ 0.17
Exercised	<u>(358,000)</u>	\$ 0.23
Options outstanding August 31, 2005	2,563,203	\$ 0.26
Granted	150,000	\$ 0.25
Expired	<u>(150,000)</u>	\$ 0.23
<u>Options outstanding November 30, 2005</u>	<u>2,563,203</u>	<u>\$ 0.26</u>

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

6. Share capital (continued)

The following summarizes the options outstanding at November 30, 2005.

Number of Options	Exercise Price	Expiry Date
400,500	\$ 0.20	February 2006
40,087	\$ 0.26	January 2007
307,200	\$ 0.32	May 2007
75,000	\$ 0.36	June 2007
218,416	\$ 0.30	February 2008
230,000	\$ 0.35	December 2008
238,000	\$ 0.32	January 2009
225,000	\$ 0.31	February 2009
200,000	\$ 0.23	June 2009
85,000	\$ 0.22	November 2009
394,000	\$ 0.16	April 2010
<u>150,000</u>	\$ 0.23	September 2010
<u>2,563,203</u>		

Effective September 1, 2003, the company applies the fair value based method of accounting for stock-based compensation. Accordingly, compensation expense is recorded in the accounts for the share option plans. This accounting is recorded annually in the year end financial statements. For share options granted prior to September 1, 2003, disclosure was provided of the impact on earnings as if the fair value based method of accounting for the share-based compensation had been applied. The fair value of share options granted in the year ended August 31, 2004 was determined to be immaterial. The fair values of share options granted in the year ended August 31, 2005, using the Black Scholes valuation model, are as follows:

November 26, 2004: The assumptions utilized in determining this value of the 85,000 stock options issued to management was a spot rate of \$0.22, a strike price of \$0.22, a risk-free rate of 3.7%, volatility of 50.0%, expected dividend yield of nil and a maturity period of 5.0 years. The estimate of the fair value of options issued is \$8,925.

April 27, 2005: The assumptions utilized in determining this value of the 394,000 stock options issued to management and consultants was a spot rate of \$0.29, a strike price of \$0.16, a risk-free rate of 3.4%, volatility of 50.0%, expected dividend yield of nil and a maturity period of 5.0 years. The estimate of the fair value of options issued is \$72,851.

Total stock-based compensation during the year ended August 31, 2005 is \$81,776; (2004 – nil). Option pricing models require the input of subjective assumptions and, accordingly, the fair value estimates can vary materially as a result of changes in the assumptions.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

7. Income Taxes

The provision for income taxes differs from the amount obtained by applying the combined Federal and Provincial income tax rate to earnings before income taxes as follows:

	November 30, 2005	November 30, 2004
Statutory tax rate	34%	40%
	\$	\$
Expected tax recovery	26,047	46,244
Benefit of income tax losses not recognized	<u>(26,047)</u>	<u>(46,244)</u>
Income tax expense	=	=

The components of future income tax balances are as follows:

	November 30, 2005	August 31, 2005
	\$	\$
<u>Future tax assets</u>		
Tax basis of capital assets in excess of carrying values	158,407	158,407
Undeducted share issue costs	37,404	37,404
Non-capital loss carryforwards	<u>664,973</u>	<u>664,973</u>
Net future tax assets	860,784	860,784
Less valuation allowance	<u>(860,784)</u>	<u>(860,784)</u>
Future tax liabilities	=	=

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

8. Income Taxes (continued)

The valuation allowance reflects management's assumption that the tax assets, more likely than not, will not be realized.

Flow-Through Shares and Future Tax Liability

During the year ended August 31, 2005 the Company renounced expenditures totaling \$486,059 as management expects this amount to be incurred in Canadian exploration and development expenses. The Company has until August 31, 2006 to incur qualifying expenditures totaling \$499,471. If these expenditures are not incurred, penalties will be assessed by the Canada Revenue Agency under the Income Tax Act.

The Company has non-capital income tax losses carried forward for tax purposes aggregating to \$1,955,803, which are available for reduction of future years' taxable income. The losses expire as follows:

	\$
2006	330,532
2007	168,518
2008	312,189
2009	297,323
2010	276,012
2011 and thereafter	<u>571,229</u>
	<u>1,955,803</u>

In addition to the loss carryforward, the Company has tax pools relating to its depreciable capital assets which exceed their book values by \$465,904; (2004 - \$454,048) as well as share issue costs deductible in future years of \$110,011; (2004 - \$89,229).

Mineral development properties with an original cost of \$1,024,720 at August 31, 2005 have no cost base for income tax purposes.

No recognition has been given in these financial statements to any potential tax savings arising from application of these items, as it is likely that the loss carryforwards will expire prior to being realized.

MICREX DEVELOPMENT CORP.
(An Exploration Stage Company)
Notes to the Consolidated Financial Statements
PERIOD ENDED NOVEMBER 30, 2005
(Unaudited – See Notice to Reader)

9. Related party transactions

During the quarter, the Company paid \$37,500; (November 30, 2004 - \$70,000) to a director for consulting and management services provided.

Of the amount owing to shareholders, the balance owing to directors as at November 30, 2005 was \$55,160; (August 31, 2005 - \$105,040).

During the quarter, the company paid \$19,300 (November 30, 2004 - \$19,800) to certain shareholders for subcontract services.

The above transactions occurred in the normal course of operations and are recorded at the exchange amount which represents the consideration established and agreed to by the related parties.

10. Loss per Share

The numerator used in the calculation of basic loss per common share is the company's net loss of \$79,609; (November 30, 2004 - \$115,610); the denominator used in the calculation is the weighted average number of common shares outstanding during the quarter of 27,502,744; (November 30, 2004 – 25,280,703). This results in a basic loss per common share of \$0.003; (November 30, 2004 - \$0.005).

Diluted loss per common share has not been presented for 2005 or 2004 as the effect of the conversion of options and warrants is anti-dilutive.