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# CONSOLIDATED KOOKABURRA RESOURCES LTD.

*(formerly Kookaburra Resources Ltd.)*

INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED  
SEPTEMBER 30, 2006

*(Unaudited - Prepared by Management)*

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## **MANAGEMENT'S COMMENTS ON UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

The accompanying unaudited interim consolidated financial statements of Consolidated Kookaburra Resources Ltd. for the nine months ended September 30, 2006, have been prepared by and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

**CONSOLIDATED KOOKABURRA RESOURCES LTD.**  
(formerly Kookaburra Resources Ltd.)

**INTERIM CONSOLIDATED BALANCE SHEETS**

(Unaudited - Prepared by Management)

|                         | <b>September 30,<br/>2006</b> | <b>December 31,<br/>2005</b> |
|-------------------------|-------------------------------|------------------------------|
|                         | \$                            | \$                           |
| <b>A S S E T S</b>      |                               |                              |
| <b>CURRENT ASSETS</b>   |                               |                              |
| Cash                    | 9,799                         | 6,258                        |
| Amounts receivable      | 832                           | 1,030                        |
| Prepaid expenses        | <u>11,250</u>                 | <u>1,250</u>                 |
|                         | 21,881                        | 8,538                        |
| <b>ADVANCE</b> (Note 3) | <u>25,000</u>                 | <u>-</u>                     |
|                         | <u><u>46,881</u></u>          | <u><u>8,538</u></u>          |

**L I A B I L I T I E S**

|   |                |                |
|---|----------------|----------------|
| <b>CURRENT LIABILITIES</b>                        |                |                |
| Accounts payable and accrued liabilities (Note 8) | 90,850         | 248,314        |
| Advances (Note 4)                                 | <u>374,791</u> | <u>103,923</u> |
|   | <u>465,641</u> | <u>352,237</u> |

**S H A R E H O L D E R S '   D E F I C I E N C Y**

|                                     |                      |                     |
|-------------------------------------|----------------------|---------------------|
| <b>SHARE CAPITAL</b> (Note 5)       | 19,164,557           | 19,164,557          |
| <b>CONTRIBUTED SURPLUS</b> (Note 7) | 31,980               | -                   |
| <b>DEFICIT</b>                      | <u>(19,615,297)</u>  | <u>(19,508,256)</u> |
|                                     | <u>(418,760)</u>     | <u>(343,699)</u>    |
|                                     | <u><u>46,881</u></u> | <u><u>8,538</u></u> |

**NAME CHANGE, NATURE OF OPERATIONS AND GOING CONCERN** (Note 1)

**SUBSEQUENT EVENTS** (Note 11)

APPROVED BY THE DIRECTORS

"Graeme Robinson" , Director

"Nick DeMare" , Director

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

**CONSOLIDATED KOOKABURRA RESOURCES LTD.**  
(formerly Kookaburra Resources Ltd.)

**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**

(Unaudited - Prepared by Management)

|                                      | Three Months Ended<br>September 30, |                     | Nine Months Ended<br>September 30, |                     |
|--------------------------------------|-------------------------------------|---------------------|------------------------------------|---------------------|
|                                      | 2006<br>\$                          | 2005<br>\$          | 2006<br>\$                         | 2005<br>\$          |
| <b>EXPENSES</b>                      |                                     |                     |                                    |                     |
| Accounting and administration        | 1,300                               | 1,025               | 7,425                              | 5,028               |
| Audit                                | -                                   | -                   | 853                                | -                   |
| Consulting                           | -                                   | 30,000              | -                                  | 30,000              |
| Interest                             | 2,387                               | 646                 | 5,292                              | 1,880               |
| Legal                                | 330                                 | -                   | 1,686                              | 1,402               |
| Management fees                      | 7,500                               | 7,500               | 22,500                             | 22,500              |
| Office                               | 612                                 | 126                 | 2,320                              | 1,465               |
| Regulatory                           | 6,831                               | 1,250               | 12,996                             | 6,933               |
| Rent                                 | 1,002                               | 3,000               | 3,006                              | 3,000               |
| Shareholder costs                    | 707                                 | -                   | 3,642                              | 2,030               |
| Stock-based compensation (Note 6)    | 9,594                               | -                   | 31,980                             | 21,328              |
| Transfer agent                       | 744                                 | 1,155               | 10,294                             | 5,264               |
| Travel                               | 5,263                               | 2,000               | 5,263                              | 2,000               |
|                                      | <u>36,270</u>                       | <u>46,702</u>       | <u>107,257</u>                     | <u>102,830</u>      |
| <b>LOSS BEFORE OTHER ITEMS</b>       | <u>(36,270)</u>                     | <u>(46,702)</u>     | <u>(107,257)</u>                   | <u>(102,830)</u>    |
| <b>OTHER ITEMS</b>                   |                                     |                     |                                    |                     |
| Interest and other income            | 114                                 | 71                  | 262                                | 251                 |
| Foreign exchange                     | 5                                   | (58)                | (46)                               | (2,113)             |
|                                      | <u>119</u>                          | <u>13</u>           | <u>216</u>                         | <u>(1,862)</u>      |
| <b>NET LOSS FOR THE PERIOD</b>       | <u>(36,151)</u>                     | <u>(46,689)</u>     | <u>(107,041)</u>                   | <u>(104,692)</u>    |
| <b>DEFICIT - BEGINNING OF PERIOD</b> | <u>(19,579,146)</u>                 | <u>(19,433,761)</u> | <u>(19,508,256)</u>                | <u>(19,375,758)</u> |
| <b>DEFICIT - END OF PERIOD</b>       | <u>(19,615,297)</u>                 | <u>(19,480,450)</u> | <u>(19,615,297)</u>                | <u>(19,480,450)</u> |
| <b>BASIC AND DILUTED</b>             |                                     |                     |                                    |                     |
| <b>- LOSS PER SHARE</b>              | <u>\$(0.03)</u>                     | <u>\$(0.02)</u>     | <u>\$(0.10)</u>                    | <u>\$(0.05)</u>     |
| <b>WEIGHTED AVERAGE NUMBER</b>       |                                     |                     |                                    |                     |
| <b>OF COMMON SHARES</b>              | <u>1,066,682</u>                    | <u>2,133,363</u>    | <u>1,066,682</u>                   | <u>2,086,842</u>    |

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

**CONSOLIDATED KOOKABURRA RESOURCES LTD.**  
(formerly Kookaburra Resources Ltd.)

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited - Prepared by Management)

|   | Three Months Ended<br>September 30, |                     | Nine Months Ended<br>September 30, |                     |
|---|-------------------------------------|---------------------|------------------------------------|---------------------|
|   | 2006<br>\$                          | 2005<br>\$          | 2006<br>\$                         | 2005<br>\$          |
| <b>CASH PROVIDED FROM (USED FOR)</b>                              |                                     |                     |                                    |                     |
| <b>OPERATING ACTIVITIES</b>                                       |                                     |                     |                                    |                     |
| Net loss for the period   | (36,151)                            | (46,689)            | (107,041)                          | (104,692)           |
| Adjustment for items not affecting cash                           |                                     |                     |                                    |                     |
| Interest expense on advances                                      | 2,387                               | 646                 | 5,292                              | 1,604               |
| Stock-based compensation  | 9,594                               | -                   | 31,980                             | 21,328              |
|   | <u>(24,170)</u>                     | <u>(46,043)</u>     | <u>(69,769)</u>                    | <u>(81,760)</u>     |
| Decrease (increase) in amounts receivable                         | 452                                 | 465                 | 198                                | (165)               |
| Increase in prepaid expenses and deposit                          | (8,750)                             | -                   | (10,000)                           | -                   |
| Increase (decrease) in amounts payable and<br>accrued liabilities | <u>(120,669)</u>                    | <u>33,171</u>       | <u>(157,464)</u>                   | <u>30,333</u>       |
|   | <u>(153,137)</u>                    | <u>(12,407)</u>     | <u>(237,035)</u>                   | <u>(51,592)</u>     |
| <b>INVESTING ACTIVITY</b>   |                                     |                     |                                    |                     |
| Advance   | <u>(25,000)</u>                     | <u>-</u>            | <u>(25,000)</u>                    | <u>-</u>            |
| <b>FINANCING ACTIVITIES</b>                                       |                                     |                     |                                    |                     |
| Advances received   | 180,576                             | 13,000              | 265,576                            | 52,000              |
| Repayment of advances   | -                                   | -                   | -                                  | (30,944)            |
| Issuance of common shares   | <u>-</u>                            | <u>-</u>            | <u>-</u>                           | <u>34,902</u>       |
|   | <u>180,576</u>                      | <u>13,000</u>       | <u>265,576</u>                     | <u>55,958</u>       |
| <b>INCREASE IN CASH FOR THE PERIOD</b>                            | 2,439                               | 593                 | 3,541                              | 4,366               |
| <b>CASH - BEGINNING OF PERIOD</b>                                 | <u>7,360</u>                        | <u>7,428</u>        | <u>6,258</u>                       | <u>3,655</u>        |
| <b>CASH - END OF PERIOD</b>                                       | <u><u>9,799</u></u>                 | <u><u>8,021</u></u> | <u><u>9,799</u></u>                | <u><u>8,021</u></u> |

**SUPPLEMENTARY CASH FLOW INFORMATION** (Note 10)

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

**CONSOLIDATED KOOKABURRA RESOURCES LTD.**  
*(formerly Kookaburra Resources Ltd.)*

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

*(Unaudited - Prepared by Management)*

**1. NAME CHANGE, NATURE OF OPERATIONS AND GOING CONCERN**

Consolidated Kookaburra Resources Ltd. (the "Company") had been previously engaged in the exploration and development of natural resource properties. As at September 30, 2006, the Company does not hold any resource property interests, and is continuing in its efforts to identify, evaluate and acquire potential resource properties.

As at September 30, 2006, the Company had a working capital deficiency of \$443,760 and a deficit of \$19,615,297. The Company is currently not generating cash flow from its operations to meet its ongoing corporate overhead and to discharge its liabilities as they come due. The future viability of the Company is dependent upon the continued financial support of the Company's directors and creditors, the ability to generate additional financing to satisfy future working capital requirements and, in the longer term, the generation of profit and positive cash flow from business operations.

On March 10, 2006, the Company completed a consolidation of its share capital and changed its name from Kookaburra Resources Ltd. to Consolidated Kookaburra Resources Ltd.

See also Notes 3 and 11.

**2. SIGNIFICANT ACCOUNTING POLICIES**

These interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the amounts reported in the interim financial statements and accompanying notes. Actual results could differ from those estimates. These interim consolidated financial statements have, in management's opinion, been properly prepared using careful judgement with reasonable limits of materiality. These interim consolidated financial statements should be read in conjunction with the most recent annual consolidated financial statements. The significant accounting policies follow that of the most recently reported annual financial statements.

**3. PROPOSED ACQUISITION**

On September 20, 2006, the Company, Curimining SA ("Curimining") and Messrs. Fredy Salazar and Pablo Acosta (collectively the "Curimining Shareholders"), entered into an agreement whereby the Company has agreed to purchase all of the issued shares of Curimining in exchange for the issuance of 15,000,000 common shares of the Company and payment of US \$970,000 (the "Transaction"), of which US \$300,000 will be paid on the closing of the Transaction and the balance from subsequent financings. In addition up to 7,000,000 additional common shares may be issued to the Curimining Shareholders on an earn-out basis. To fully earn these additional shares, a total of 11.2 million ounces of gold in an "indicated category" must be identified within a period of four years. The common shares will be subject to escrow restrictions in accordance with the policies of the TSX Venture Exchange (the "TSXV"). The Transaction is at arm's length and completion of the Transaction is subject to Company shareholder and TSXV approvals.

**CONSOLIDATED KOOKABURRA RESOURCES LTD.**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

*(Unaudited - Prepared by Management)*

**3. PROPOSED ACQUISITION** (continued)

The completion of the Transaction will result in the Curimining Shareholders holding the majority of the Company's issued and outstanding common shares. Accordingly, the Transaction will be treated as a reverse takeover and the financial statements will be treated for accounting purposes as a reverse takeover and the financial statements will represent a continuation of the legal subsidiary, Curimining, not the Company, the legal parent.

Curimining is a private Ecuadorian mineral exploration company. Curimining's significant assets comprise a portfolio of properties covering approximately 131,300 hectares in prospective exploration areas in Ecuador. The two principal properties are the Curipamba Property, covering 71,298 hectares, and the Rumiñahui Property, covering 26,996 hectares, in central Ecuador.

As at September 30, 2006, the Company had advanced \$25,000 to Curimining. The advance is non-interest bearing and has no fixed terms of repayment.

**4. ADVANCES**

|                               | <b>September 30,<br/>2006</b> | <b>December 31,<br/>2005</b> |
|-------------------------------|-------------------------------|------------------------------|
|                               | \$                            | \$                           |
| Interest bearing advances     | 196,000                       | 101,000                      |
| Accrued interest              | <u>8,215</u>                  | <u>2,923</u>                 |
|                               | 204,215                       | 103,923                      |
| Non-interest bearing advances | <u>170,576</u>                | <u>-</u>                     |
|                               | <u><u>374,791</u></u>         | <u><u>103,923</u></u>        |

The Company has received ongoing advances from private corporations controlled by directors of the Company. The advances are without fixed terms of repayment. The interest bearing advances bear interest at an annual rate of Bank of Montreal Prime less 1%.

Subsequent to September 30, 2006, \$126,000 of interest bearing advances were repaid and \$60,000 of non-interest bearing advances were repaid.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

(Unaudited - Prepared by Management)

**5. SHARE CAPITAL**

Authorized - unlimited number of common shares without par value

| Issued:                                | <u>September 30, 2006</u> |                          | <u>December 31, 2005</u> |                          |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
|  | Shares                    | Amount<br>\$             | Shares                   | Amount<br>\$             |
| Balance, beginning of period           | <u>1,066,682</u>          | <u>19,164,557</u>        | <u>969,732</u>           | <u>19,108,327</u>        |
| Issued during the period               |                           |                          |                          |                          |
| For cash                               |                           |                          |                          |                          |
| Exercise of options                    | -                         | -                        | 96,950                   | 34,902                   |
| Reallocation on exercise<br>of options | <u>-</u>                  | <u>-</u>                 | <u>-</u>                 | <u>21,328</u>            |
|  | <u>-</u>                  | <u>-</u>                 | <u>96,950</u>            | <u>56,230</u>            |
| Balance, end of period                 | <u><u>1,066,682</u></u>   | <u><u>19,164,557</u></u> | <u><u>1,066,682</u></u>  | <u><u>19,164,557</u></u> |

On March 10, 2006, the Company completed a consolidation of its share capital on a one new for two old basis. The comparative share balances and comparative per share amounts have been adjusted accordingly.

See also Note 11.

**6. STOCK OPTIONS AND STOCK-BASED COMPENSATION**

The Company has established a rolling stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 10% of the issued and outstanding shares of the Company. The exercise price of the options is set at the Company's closing share price on the day before the grant date, less allowable discounts in accordance with the policies of the TSXV. The options have a maximum term of three years.

During the nine months ended September 30, 2006, the Company granted 106,600 (2005 - 193,900) stock options to directors and officers and recorded compensation expense of \$31,980 (2005 - \$21,328).

The fair value of stock options granted to directors and consultants is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grants made during the nine months ended September 30, 2006 and 2005:

|                         | <u>2006</u> | <u>2005</u> |
|-------------------------|-------------|-------------|
| Risk-free interest rate | 4.06%       | 2.87%       |
| Estimated volatility    | 53%         | 87%         |
| Expected life           | 3 years     | 1.5 years   |
| Expected dividend yield | 0%          | 0%          |

The weighted average fair value of all stock options granted during the period to the Company's directors and officers was \$0.30 (2005 - \$0.11) per share.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

(Unaudited - Prepared by Management)

**6. STOCK OPTIONS AND STOCK-BASED COMPENSATION** (continued)

A summary of the Company's stock options at September 30, 2006 and 2005 and the changes for the periods ending on those dates is presented below:

|                              | 2006                                |   | 2005                                |   |
|------------------------------|-------------------------------------|---|-------------------------------------|---|
|                              | Number of<br>Options<br>Outstanding | Weighted<br>Average<br>Exercise Price<br>\$ | Number of<br>Options<br>Outstanding | Weighted<br>Average<br>Exercise Price<br>\$ |
| Balance, beginning of period | -                                   | -   | -                                   | -   |
| Granted                      | 106,600                             | 0.70  | 193,900                             | 0.18  |
| Exercised                    | -                                   | -   | (193,900)                           | 0.18  |
| Balance, end of period       | <u>106,600</u>                      | 0.70  | <u>-</u>                            |   |

See also Note 11.

**7. CONTRIBUTED SURPLUS**

A summary of the contributed surplus as at September 30, 2006 and 2005 and the changes for the periods ending on those dates is presented below:

|  | 2006<br>\$    | 2005<br>\$ |
|--|---------------|------------|
| Balance, beginning of period                       | -             | -          |
| Stock-based compensation on stock options (Note 6) | 31,980        | 21,328     |
| Stock options exercised                            | -             | (21,328)   |
| Balance, end of period                             | <u>31,980</u> | <u>-</u>   |

**8. RELATED PARTY TRANSACTIONS**

(a) The Company was billed by Chase Management Ltd. ("Chase"), a private corporation owned by a director of the Company during the nine months ended September 30, 2006 and 2005, as follows:

|                               | 2006<br>\$ | 2005<br>\$ |
|-------------------------------|------------|------------|
| Accounting and administration | 7,425      | 5,028      |
| Management fees               | 22,500     | 22,500     |
| Rent                          | 3,006      | 3,000      |

The above transactions have been recorded at the exchange amounts agreed to by Chase and the Company. As at September 30, 2006, accounts payable and accrued liabilities include \$3,641 (2005 - \$32,956) due to Chase.

(b) As at September 30, 2006, accounts payable and accrued liabilities include \$nil (2005 - \$120,388) for unpaid past management fees due to the President of the Company and \$43,071 (2005 - \$43,071) for past directors' fees.

**CONSOLIDATED KOOKABURRA RESOURCES LTD.**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2006**

(Unaudited - Prepared by Management)

**8. RELATED PARTY TRANSACTIONS (continued)**

(c) See also Note 4.

**9. FAIR VALUE OF FINANCIAL INSTRUMENTS**

As at September 30, 2006, the carrying values of cash, amounts receivable and accounts payable and accrued liabilities and advances approximate their fair values.

**10. SUPPLEMENTARY CASH FLOW INFORMATION**

Non-cash financing activities were conducted by the Company during the nine months ended September 30, 2006 and 2005, as follows:

|  | 2006<br>\$ | 2005<br>\$ |
|--|------------|------------|
| Financing activities                       |            |            |
| Shares issued on exercise of stock options | -          | 21,328     |
| Contributed surplus                        | -          | (21,328)   |
|  | -          | -          |
|  | -          | -          |
| Other supplementary cash flow information: |            |            |
|  | 2006<br>\$ | 2005<br>\$ |
| Interest paid in cash                      | -          | 276        |
|  | -          | -          |
| Income taxes paid in cash                  | -          | -          |
|  | -          | -          |
|  | -          | -          |

**11. SUBSEQUENT EVENTS**

(a) Subsequent to September 30, 2006, the Company:

- (i) completed a non-brokered private placement for 450,000 units, at \$0.70 per unit, for gross proceeds of \$315,000. Each unit is comprised of one common share and one-half share purchase warrant. Each full warrant entitles the holder to purchase an additional share, at a price of \$1.40 per share on or before October 27, 2007;
- (ii) issued 106,600 common shares for proceeds of \$74,620 on the exercise of stock options; and
- (iii) received \$1,208,000 pursuant to a proposed private placement of up to \$1,645,000 convertible debentures. The debentures will convert into units of the Company at \$0.70 per unit, with each unit consisting of one common share and one-half warrant. Each full warrant will entitle the holder to purchase an additional common share at a price of \$1.40 per share for a period of two years.

(b) See also Note 4.