

RESOURCE FINANCE & INVESTMENT LTD.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

December 31, 2005 and 2004

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Resource Finance & Investment Ltd.:

We have audited the accompanying consolidated balance sheets of Resource Finance & Investment Ltd. (an Exploration Stage Company) (the "Company") as at December 31, 2005 and 2004 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years ended December 31, 2005, 2004 and 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted accounting principles and with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the years ended December 31, 2005, 2004 and 2003, in accordance with Canadian generally accepted accounting principles.

Vancouver, BC
March 22, 2006, *except for Note 11c which is at April 21, 2006*

STALEY, OKADA & PARTNERS
CHARTERED ACCOUNTANTS

Comments By Auditors For U.S. Readers On Canada - U.S. Reporting Difference

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when financial statements are affected by future events, the outcome of which is indeterminable. As discussed in Note 1, the Company's continued existence as a going concern is dependent upon the future economic success of its exploration and development activities, the Company's ability to continue to secure adequate financing and the Company achieving a positive cash flow and profitable operations. Our report to the shareholders dated March 22, 2006, is expressed in accordance with Canadian reporting standards, which do not require a reference to such going concern considerations in the auditors' report when the situation is adequately disclosed in the financial statements.

Vancouver, BC
March 22, 2006, *except for Note 11c which is at April 21, 2006*

STALEY, OKADA & PARTNERS
CHARTERED ACCOUNTANTS

Resource Finance & Investment Ltd.

Statement 1

(An Exploration Stage Company)

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

December 31

2005

2004

Assets

Current

Cash and cash equivalents	\$	50,355	\$	7,853
Prepaid expenses		2,700		28,500
Accounts receivable		234		-
		<u>53,289</u>		<u>36,353</u>

Property, plant and equipment (Note 3)		628,468		1,894
Mineral property costs (Note 4) – Schedule		1,860,866		492,447
Exploration advances (Note 4)		200,000		-
Investment in Cadillac West Explorations Inc. (Note 9)		<u>-</u>		<u>420,497</u>
	\$	<u>2,742,623</u>	\$	<u>951,191</u>

Liabilities

Current

Accounts payable	\$	400,600	\$	100,016
Accrued liabilities		33,106		16,069
		<u>433,706</u>		<u>116,085</u>

Loan payable (Note 5)		483,119		176,317
Due to related parties (Note 8)		120,000		-
Non-controlling interest (Note 9)		<u>277,360</u>		<u>-</u>
		<u>1,314,185</u>		<u>292,402</u>

Going concern (Note 1)

Shareholders' Equity

Capital stock (Note 6) – Statement 3

Authorized:

120,000,000 common shares with a par value of US\$0.001

Issued and allotted: (Note 6)

35,956,825 (2004 – 31,156,825) shares

Contributed surplus – Statement 3		39,298		33,253
Cumulative translation adjustment		12,995,617		11,752,599
Deficit accumulated during the exploration stage – Statement 3		(43,174)		-
		<u>(11,563,303)</u>		<u>(11,127,063)</u>

		<u>1,428,438</u>		<u>658,789</u>
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	\$	<u>2,742,623</u>	\$	<u>951,191</u>
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See accompanying notes to the consolidated financial statements.

Resource Finance & Investment Ltd.

(An Exploration Stage Company)

Consolidated Statements of Operations

(Expressed in Canadian Dollars)

Statement 2

	For the Year Ended December 31 2005	For the Year Ended December 31 2004	For the Year Ended December 31 2003	For the Period from October 16 1978 (inception) to December 31 2005 (Unaudited)
Expenses				
Consulting services	\$ 231,429	\$ 145,782	\$ 110,247	\$ 1,533,718
Depreciation	711	973	505	63,463
General expenses	77,078	42,960	5,182	442,941
Interest	17,934	17,195	38,125	239,111
Licenses, dues and taxes	-	-	1,772	70,695
Management services – stock-based compensation (Note 6)	14,946	247,759	149,566	412,271
Management services	-	-	8,000	502,644
Office, stationery and sundry	11,293	23,386	4,526	424,669
Professional fees	137,596	32,298	11,972	782,355
Rent (Note 8)	18,855	15,581	17,820	205,751
Salaries and benefits	4,695	-	36,447	249,055
Salaries and benefits – stock-based compensation (Note 6)	-	-	28,762	28,762
Shareholder, listing and public relations	56,578	48,034	18,787	482,571
Loss before other income (expense)	(571,115)	(573,968)	(431,711)	(5,438,006)
Other income (expense)				
Foreign exchange, interest and other	(13,772)	22,029	78,506	253,240
Administrative fees	40,000	-	-	40,000
Loss on forgiveness of debt	35,000	-	-	35,000
Non-controlling interest	19,897	-	-	19,897
Gain on subsidiary's equity transaction (Note 9)	53,750	-	-	53,750
Gain on sale of marketable securities	-	-	-	18,662
Write-down of mineral property costs	-	-	-	(6,663,112)
Write-down of payables and accruals	-	-	(218)	127,266
Loss before income taxes	(436,240)	(551,939)	(353,423)	(11,553,303)
Income taxes	-	-	-	(10,000)
Net loss	\$ (436,240)	\$ (551,939)	\$ (353,423)	\$ (11,563,303)
Weighted average number of common shares outstanding	32,304,222	27,556,825	24,471,219	
Loss per common share – basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.01)	

See accompanying notes to the consolidated financial statements.

Resource Finance & Investment Ltd.

Statement 3

(An Exploration Stage Company)

Consolidated Statements of Shareholders' Equity

(Expressed in Canadian Dollars)

	Common Shares		Contributed Surplus	Cumulative Translation Adjustment	Accumulated Deficit	Total
	Number	Amount				
Balance – December 31, 2001	24,462,765	\$ 24,463	\$ 9,751,410	\$ -	\$ (9,992,480)	\$ (216,607)
Loss for the year	-	-	-	-	(229,221)	(229,221)
Balance – December 31, 2002	24,462,765	24,463	9,751,410	-	(10,221,701)	(445,828)
Shares issued in settlement of debt	3,094,060	4,116	661,034	-	-	665,150
Stock-based compensation	-	-	297,652	-	-	297,652
Loss for the year	-	-	-	-	(353,423)	(353,423)
Balance – December 31, 2003	27,556,825	28,579	10,710,096	-	(10,575,124)	163,551
Stock-based compensation (<i>Note 6</i>)	-	-	247,759	-	-	247,759
Loss for the year	-	-	-	-	(551,939)	(551,939)
Private placement	3,600,000	4,674	794,744	-	-	799,418
Balance – December 31, 2004	31,156,825	33,253	11,752,599	-	(11,127,063)	658,789
Stock-based compensation (<i>Note 6</i>)	-	-	83,637	-	-	83,637
Loss for the year	-	-	-	-	(436,240)	(436,240)
Share issuance costs	-	-	(161,179)	-	-	(161,179)
Private placement	4,800,000	6,045	1,320,560	-	-	1,326,605
Cumulative translation adjustment	-	-	-	(43,174)	-	(43,174)
Balance – December 31, 2005	35,956,825	\$ 39,298	\$ 12,995,617	\$ (43,174)	\$ (11,563,303)	\$ 1,428,438

See accompanying notes to the consolidated financial statements.

Resource Finance & Investment Ltd.

(An Exploration Stage Company)

Statement 4

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the Year Ended December 31 2005	For the Year Ended December 31 2004	For the Year Ended December 31 2003	For the Period from October 16 1978 (inception) to December 31 2005 (Unaudited)
Cash derived from (applied to)				
Operating				
Net loss	\$ (436,240)	\$ (551,939)	\$ (353,423)	\$ (11,563,303)
Depreciation	711	973	505	63,473
Stock-based compensation	14,946	247,759	178,328	441,033
Gain on sale of marketable securities	-	-	-	(18,662)
Write-down of mineral property costs	-	-	-	6,676,751
Minority interest	(19,897)	-	-	(19,897)
Gain on forgiveness of debt	(35,000)	-	-	(35,000)
Gain on subsidiary's equity transaction (Note 9)	(53,750)	-	-	(53,750)
Changes in non-cash operating working capital				
Prepaid expenses	25,800	(28,500)	-	(2,700)
Accounts receivable	(234)	-	-	(234)
Accounts payable	(50,336)	49,254	(62,615)	40,952
Accrued liabilities	17,037	(2,649)	8,718	41,824
Due to related party	-	-	(24,000)	-
	<u>(536,963)</u>	<u>(285,102)</u>	<u>(252,487)</u>	<u>(4,429,513)</u>
Investing				
Proceeds on sale of interests in mineral properties	-	-	-	797,802
Proceeds on sale of marketable securities	-	-	-	98,662
Mineral property costs	(153,918)	(253,321)	(125,008)	(6,116,725)
Exploration advances	(200,000)	-	-	(200,000)
Acquisition of mineral properties	-	-	-	(1,703,857)
Acquisition of property, plant and equipment	(437,032)	-	(3,372)	(576,776)
Proceeds on sale of property, plant and equipment	-	-	-	75,098
Investment in Cadillac West Explorations Inc.	(349,503)	(420,497)	-	(770,000)
Cash acquired on purchase of Cadillac West Explorations Inc.	15,863	-	-	15,863
	<u>(1,124,590)</u>	<u>(673,818)</u>	<u>(128,380)</u>	<u>(8,379,933)</u>
Financing				
Issue of common shares for cash, net of issue costs	1,165,426	799,418	-	11,479,705
Loan payable	306,802	164,530	380,752	1,148,269
Due to related party	155,000	-	-	155,000
Special warrants of Cadillac West Explorations Inc.	120,000	-	-	120,000
	<u>1,747,228</u>	<u>963,948</u>	<u>380,752</u>	<u>12,902,974</u>
Currency Translation adjustment	(43,173)	-	-	(43,173)
Increase (decrease) in cash	42,502	5,028	(115)	50,355
Cash and cash equivalents, beginning of period	7,853	2,825	2,940	-
Cash and cash equivalents, end of period	<u>\$ 50,355</u>	<u>\$ 7,853</u>	<u>\$ 2,825</u>	<u>\$ 50,355</u>

See accompanying notes to the consolidated financial statements.

Resource Finance & Investment Ltd.

(An Exploration Stage Company)

Statement 4 (Continued)

Consolidated Statements of Cash Flows (Continued)

(Expressed in Canadian Dollars)

	For the Year Ended December 31 2005	For the Year Ended December 31 2004	For the Year Ended December 31 2003	For the Period from October 16 1978 (inception) to December 31 2005 (Unaudited)
Non-cash investing and financing transactions				
Pilot plant expenditures included in accounts payable	\$ 188,418	\$ -	\$ -	\$ 188,418
Exploration expenditures included in accounts payable	\$ 33,436	\$ (6,281)	\$ 1,075	\$ 28,230
Acquisition of non – cash assets and liabilities of Cadillac West Explorations Inc.:				
Property, plant and equipment	\$ 1,835	\$ -	\$ -	\$ 1,835
Mineral properties	\$ 1,112,374	\$ -	\$ -	\$ 1,112,374
Accounts Payable	\$ 41,565	\$ -	\$ -	\$ 41,565
Due to related party	\$ 96,256	\$ -	\$ -	\$ 96,256
Marketable securities received on the sale of interest in resource property	\$ -	\$ -	\$ -	\$ 80,000
Stock-based compensation included in mineral property costs	\$ 68,691	\$ -	\$ 119,324	\$ 188,015
Stock-based compensation included in expenses	\$ 14,946	\$ 247,759	\$ 178,328	\$ 441,033
Common shares issued in exchange for mineral properties	\$ -	\$ -	\$ -	\$ 200,000
Common shares issued in payment of agents' fees	\$ -	\$ -	\$ -	\$ 71,500
Common shares issued on settlement of debt	\$ -	\$ -	\$ 665,150	\$ 665,150

See accompanying notes to the consolidated financial statements.

Resource Finance & Investment Ltd.

Schedule

(An Exploration Stage Company)

Consolidated Schedules of Mineral Property Costs

(Expressed in Canadian Dollars)

December 31

2005

2004

Cadillac West Project, Quebec, Canada

Acquisition costs

Acquisition of Cadillac West Explorations Inc. properties

\$ 1,112,374 \$ -

Staking Fees

611 -

1,112,985 -

Exploration costs

Consulting fees (recovery)

(121) -

Filing fees

97 -

Sample analysis (recovery)

(439) -

(463) -

Less Mineral Exploration Tax credits received

(134,863) -

Total

977,659 -

Shawnee Project, Kentucky, U.S.A.

Acquisition costs

Mineral lease payments

15,598 16,219

15,598 16,219

Exploration costs

Consulting

- 4,765

Salaries and wages

- 16,409

- 21,174

Total

15,598 37,393

Oregon Mineral Sands Project, Oregon, U.S.A.

Acquisition costs

Mineral lease payments

7,475 4,609

Royalty payment

- 129,840

7,475 134,449

Exploration costs

Salaries and wages

86,144 49,217

Salaries and wages – stock-based compensation

68,691 -

Consulting

224,874 20,727

Sample analysis

- 5,254

379,709 75,198

Total

387,184 209,647

Costs for the year

1,380,441 247,040

Balance – Beginning of year

492,447 245,407

Foreign currency translation adjustment

(12,022) -

Balance – End of Year

\$ 1,860,866 \$ 492,447

See accompanying notes to the consolidated financial statements.

Resource Finance & Investment Ltd.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2005 and 2004

1. Operations and Going Concern

Until fiscal year 1999, the Company was a junior resource company engaged in the business of acquiring, exploring and developing mineral resource properties in the United States and Venezuela.

An extraordinary general meeting of shareholders was held on September 9, 1994, at which time shareholders of the Company approved, by special resolution, the continuance of the Company from British Columbia to Bermuda in accordance with provisions of Part XA of the Companies Act, 1981 (Bermuda), as amended, and the British Columbia Company Act. On April 4, 1997, the Company changed its name to Resource Finance & Investment Ltd.

During 2000, management determined that the Company would no longer pursue its resource business and instead switched the Company's focus to that of the maintenance of existing leases (Note 3) and identification of business opportunities of a more general nature. In 2003, in response to escalating prices for commodities and rare minerals, the Company decided to reactivate its interests in Kentucky lands and conduct ongoing appraisals and evaluations for various minerals. In 2004 and 2005, the focus of the company has been its Oregon mineral sands project, where the company is presently conducting sample analysis, building a pilot plant and investigating exploration and pre development opportunities for the extraction of approximately 2,598 acres of terraced mineral sands properties near Coos Bay in South West Oregon. In addition the Company continues to evaluate potential acquisitions and joint venture partnerships where significant value can be generated for shareholders. These represent the main activities of the Company as a business concern.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

The Company has incurred significant losses and negative cash flow from operations since inception. The Company's ability to continue as a going concern is uncertain and is dependent upon obtaining additional financing and achieving a profitable level of operations. Management intends to raise further financing in the future by private share placements and by utilising the US\$500,000 line of credit available during the year, which was increased to US\$1,000,000 subsequent to year-end. There can be no assurance that future private share placements can be successfully concluded.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles, which as applied in these consolidated financial statements, conform in all material respects with accounting principles generally accepted in the United States except as disclosed in Note 12.

Basis of Consolidation

The consolidated financial statements include the accounts of Resource Finance & Investment Ltd. ("RFI"), its wholly-owned U.S.A. subsidiaries; Oregon Resources Corporation ("ORC") and Dynamex Resources Corporation ("DYN") as well as Cadillac West Explorations Inc. ("CWE") where it owns currently 59.51% of this company's shares.

Resource Finance & Investment Ltd.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2005 and 2004

2. Summary of Significant Accounting Policies *(Continued)*

Basis of Consolidation *(Continued)*

The subsidiaries have been recorded under the purchase method of accounting. All intercompany transactions and balances have been eliminated on consolidation. Included in these consolidated financial statements are the results of operations of the parent company and the above subsidiaries from their respective dates of incorporation or purchase by RFI.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property, Plant and Equipment, and Depreciation

Property, plant and equipment are valued at cost less accumulated depreciation. Property, plant and equipment are depreciated over their estimated useful lives at the following rates and methods:

- Computer equipment - 30% declining balance
- Pilot Plant – units of production over economic reserves

One-half of the above rate is applied in the year of acquisition. The Company regularly reviews its property, plant and equipment to eliminate obsolete items.

Mineral Properties

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and leasehold costs and exploration costs are capitalized and deferred until such time as the property is put into production or the property is disposed of either through sale or abandonment. If put into production, the costs of acquisition and exploration will be written off over the life of the property, based on estimated economic reserves. Proceeds received from the sale of any interest in a property will first be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the property and deferred exploration costs will be written off to operations.

The costs capitalized for mineral properties are reviewed on a property-by-property basis to consider if there is any impairment on the subject property. When the carrying value of the property exceeds the net estimated recoverable amount for that property a provision is made for impairment in value. The net realizable value is determined based on identifiable geological reserves, joint venture expenditures or commitments or the Company's assessment of its ability to sell the property for its carrying value.

The recorded costs do not necessarily reflect present or future values of the mineral properties.

When the Company acquires or disposes of a property subject to an option agreement; the option is exercisable at the option of the optionee and as such the accounts payable or receivable are not recorded relating to requirements under the subject option agreement. Option payments and expenditures are recorded as mineral property costs when the payments are made or the expenditures are completed.

Resource Finance & Investment Ltd.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2005 and 2004

2. Summary of Significant Accounting Policies *(Continued)*

Mineral Properties - *Continued*

The Company recognizes Mineral Exploration Tax Credits amounts and applies those amounts against deferred exploration costs when the Company's application for tax credits is approved by Canada Revenue Agency. Assessments, if any for taxes, penalties and interest under Part Xii.6 under Section 2.11.91 of the Income Tax Act are deducted from the tax credits when assessed.

Cash and Cash Equivalents

Cash and cash equivalents consists of cash on hand and balances with banks and highly liquid temporary money market instruments with original maturities of ninety days or less.

Income Taxes

The asset and liability method is used for determining future income taxes. Under the asset and liability method, the change in the net future income tax asset or liability is included in income. The income tax effects of differences in the periods when revenue and expenses are recognized, in accordance with Company accounting practices, and the periods they are recognized for income tax purposes are reflected as future income tax assets or liabilities. Future income tax assets and liabilities are measured using the statutory income tax rates which are expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled.

Foreign Currency Translation

The Company's functional currency is the U.S. dollar. The Company's reporting currency is the Canadian dollar. Integrated foreign operations are re-measured into the functional currency using the temporal method as follows:

- i) Monetary assets and liabilities at the rate of exchange in effect at the balance sheet date,
- ii) Non-monetary assets and liabilities, and equity at historical rates, and
- iii) Revenue and expense items at the average rate of exchange prevailing during the period.

Gains and losses on re-measurement are included in determining net income for the period. Self-sustaining foreign operations are re-measured into the functional currency using the current method.

Translation of balances from the functional currency into the reporting currency is conducted using the current rate method as follows:

- i) Assets and liabilities at the rate of exchange in effect at the balance sheet date,
- ii) Equity at historical rates, and
- iii) Revenue and expense items at the average rate of exchange prevailing during the period.

Translation adjustments resulting from translation of balances from functional to reporting currency are accumulated as a separate component of shareholders' equity as a component of cumulative foreign currency translation adjustment. Upon sale or liquidation of the net investment in the foreign entity to which the cumulative translation adjustment relates, the amount deferred will be recognized in income.

Resource Finance & Investment Ltd.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2005 and 2004

2. Summary of Significant Accounting Policies *(Continued)*

Financial Instruments

The Company has various financial instruments including cash and cash equivalents, accounts receivable, accounts payable due to related parties and loan payable. 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 carrying value of these financial instruments approximates their fair value.

Stock-Based Compensation

All stock-based awards made to employees and non-employees are measured and recognized using a fair value based method. For employees, the fair value of the options is measured at the date of the grant. For non-employees, the fair value of the options is measured on the earlier of the date at which the counterparty performance is complete or the date the performance commitment is reached or the date at which the equity instruments are granted if they are fully vested and non-forfeitable. For employees and non-employees, the fair value of the options is accrued and charged to operations, with the offsetting credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Loss per Common Share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on loss per share. The dilutive effect of convertible securities is reflected in diluted loss per share by application of the "if converted" method. The dilutive effect of outstanding options and warrants and their equivalents is reflected in diluted loss per share by application of the treasury stock method.

Share Capital

The proceeds from the exercise of stock options and warrants are recorded as share capital in the amount for which the option or warrant enabled the holder to purchase a share in the Company.

Share capital issued for non-monetary consideration is recorded at an amount based on fair market value.

Asset Retirement Obligations

Effective January 1, 2004, the Company adopted the recommendations of CICA Handbook Section 3110, Asset Retirement Obligations. This section requires recognition of a legal liability for obligations relating to retirement of property, plant, and equipment, and arising from the acquisition, construction, development, or normal operation of those assets. Such asset retirement cost must be recognized at fair value, when a reasonable estimate of fair value can be estimated, in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life.

There is no material impact on the consolidated financial statements resulting from the adoption of Section 3110 either in the current or prior years presented.

Resource Finance & Investment Ltd.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2005 and 2004

2. Summary of Significant Accounting Policies *(Continued)*

Variable Interest Entities – Change in Accounting Policy

The Accounting Standards Board (Cabs) issued Accounting Guidelines Act 15 “*Consolidation of Variable Interest Entities*,” to harmonize the Guideline with the equivalent FASB Interpretation No. 46R, “*Consolidation of Variable Interest Entities*” (“VIE”). The Guideline provides criteria for identifying Vies and further criteria for determining what entity, if any, should consolidate them. The Guideline is effective for annual and interim periods beginning on or after November 1, 2005, and upon adoption, will not materially impact the Company’s result of operations and financial position.

3. Property, Plant and Equipment

Details are as follows:

	Cost	Accumulated Amortization	2005 Net Book Value
Pilot plant	\$ 625,775	\$ -	\$ 625,775
Computer equipment	4,657	1,964	2,693
	\$ 630,432	\$ 1,964	\$ 628,468

	Cost	Accumulated Amortization	2004 Net Book Value
Computer equipment	\$ 3,446	\$ 1,552	\$ 1,894

No amortization has been taken on the pilot plant as it has not been put into use.

4. Mineral Property Costs

The Company has mineral leases in Oregon via its subsidiary ORC, in Kentucky via DYN and in Quebec via its majority controlled interest in CWE. The Company does not have a legal obligation to make lease payments. The effect of non-payment is cancellation of a resource property lease.

Oregon Project, Oregon, U.S.A

The Oregon leases consist of two principal leases: the Yoder Lease, which was renegotiated in January 2003 on which the first payment was made in January 2004, and the Weyerhauser Lease, which was renegotiated as of January 1, 2006.

At present, the annual lease payment commitment on the Yoder Lease is US\$6,400. On the Yoder Lease, ORC shall pay a production royalty, which will be \$0.875 per ton of ore mined. In the event that ORC extracts and markets precious metal, the Company shall pay an additional production royalty equal to 10% of the "Net Smelter Return" from the sale of such products.

The Weyerhauser lease shall begin on January 1, 2006 and shall continue until December 31, 2015; with an option to renew the lease for a future period of five years.

Resource Finance & Investment Ltd.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2005 and 2004

4. Mineral Property Costs - *Continued*

Oregon Project, Oregon, U.S.A - *Continued*

ORC shall pay Weyerhaeuser a production royalty of 3.5% of gross sales receipts for all mineral sands or constituents of mineral sands removed from the leased area and sold FOB the plant where the final saleable product is produced. In the event that ORC extracts and markets precious metals, ORC shall pay a separate production royalty on any precious metals mined and sold in an amount equal to 5% of the gross selling price received by ORC. The Weyerhaeuser advance royalty payment is US\$10,000 for the first and second years; US\$25,000 for the third year; US\$50,000 for years four through eight, and thereafter US\$100,000 each year.

Shawnee Project, Kentucky, U.S.A

As at December 31, 2005, DYN was current on its active Kentucky leases. As at December 31, 2005, DYN was required to make the annual lease payments on the Kentucky project of approximately US\$18,971 (2004 – US\$9,540) to maintain the current leases.

Cadillac West Project, Quebec, Canada

a) Richmond Agreement

Per agreement dated April 30, 2004 and amended November 1, 2005 between Richmond Mines Inc. and Andre Audet and Victor Erickson ("A&E"), related parties to CWE, A&E or its assignee ("the Optionee") may earn 50% interests in the Norcoeur and Lac Fortune Properties.

In order to earn 50% interests in the Nacreous and Lac Fortune Properties, the Optionee shall complete the following exploration expenditures:

	Lac Fortune	Nacreous
On or before November 22, 2006	\$ 300,000	\$ 400,000
On or before November 22, 2007	500,000	800,000
On or before November 22, 2008	700,000	1,000,000
	<u>\$ 1,500,000</u>	<u>\$ 2,200,000</u>

The Optionee must incur minimum expenditures of \$500,000 on either property by May 22, 2006 with the following terms:

- \$200,000 is held on deposit with a third party;
- Exploration expenditures will be withdrawn from the balance on deposit; and
- Any balance remaining on deposit at May 22, 2006 will belong to Richmond Mines Inc.

Once the 50% interest is earned a joint venture will be formed subject to standard dilution clauses.

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4. Mineral Property Costs - *Continued*

b) Assignment Agreement

Per agreement dated June 3, 2004 and subsequently amended on June 8, 2005 ("Assignment Agreement"), A&E assigned to CWE its interests in the Richmond Agreement and certain claims in the region.

For consideration during the year ended December 31, 2004, CWE has issued to A&E 5,000,000 common shares. Of the total amount of common shares issued, 2,000,000 are to be placed into escrow.

Should the option on the Lac Fortune or the Norcoeur properties not be earned by CWE, 1,000,000 of these shares will be returned to treasury for each property.

Since A&E is a related party to CWE, the cost of the acquisition has been recorded at A&E's underlying cost, that being \$21,831.

By agreement dated October 31, 2005, A&E will retain a maximum of 1.5% net smelter return royalty on production in excess of 100,000 ounces of gold, from properties assigned to or optioned to CWE by A&E.

Details of deferred mineral property costs are as follows:

	Acquisition	Exploration	Total 2005
Oregon Project, Oregon, USA	\$ 146,951	\$ 483,925	\$ 630,876
Shawnee Project, Kentucky, USA	43,636	220,717	264,353
Cadillac West Project, Quebec, Canada	1,112,985	(135,326)	977,659
Foreign currency translation adjustment	-	-	(12,022)
	<u>\$ 1,303,572</u>	<u>\$ 569,316</u>	<u>\$ 1,860,866</u>

	Acquisition	Exploration	Total 2004
Oregon Project, Oregon, USA	\$ 139,476	\$ 104,216	\$ 243,692
Shawnee Project, Kentucky, USA	28,038	220,717	248,755
	<u>\$ 167,514</u>	<u>\$ 324,933</u>	<u>\$ 492,447</u>

5. Loan Payable

As at December 31, 2005, borrowings on the maximum US\$500,000 (2004 - US\$500,000) line of credit had a balance of \$483,119 (2004 - \$176,317). The facility bears interest at a rate of 8%, and is secured by the Company's shares in subsidiaries. The loan was due on December 31, 2006. Subsequent to year-end, the facility was increased to US\$1,000,000 and the maturity date has been changed to December 31, 2007, consequently, this loan has been classified as a long-term liability. This loan facility is with a company whose director is also an officer of the Company. Current year's interest expense on this loan was \$14,511 (2004 - \$11,693; 2003 - \$32,933).

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6. Capital Stock

Par Value

During the fiscal year 2002, the par value of common shares was changed from CDN\$0.001 to US\$0.001.

Issuance of Shares

During the current year, the Company completed a private offering of 4,800,000 units at US\$0.22 per unit, for total consideration of \$1,326,605 (US\$1,056,000). Each unit consisted of one common share and one half (1/2) share purchase warrant. Each warrant can be exercised at US\$0.30 per share on or before February 28, 2007.

Out of the total number of units issued, 4,300,000 were issued to a company whose director is also an officer of the Company. The remaining 500,000 units were issued to an unrelated party. In connection with this private placement, the Company incurred \$161,179 of share issuance costs.

Stock Options

The Company has granted stock options to directors, officers and employees as follows:

Number Outstanding December 31, 2004	Granted	Exercised	Expired / Cancelled	Number Outstanding December 31, 2005	Exercise Price per Share (USD)	Expiry Date
900,000	-	-	-	900,000	\$ 0.17	August 31, 2008
150,000	-	-	-	150,000	\$ 0.18	August 2, 2009
1,500,000	-	-	-	1,500,000	\$ 0.19	June 24, 2006
-	250,000	-	-	250,000	\$ 0.30	June 6, 2010
-	100,000	-	-	100,000	\$ 0.30	June 6, 2007
2,550,000	350,000	-	-	2,900,000		

On June 25, 2004, Mr. Philip Garratt, in conjunction with his appointment as Chief Executive of the Company, was awarded 1,500,000 options exercisable at a price of US\$0.19, within two years of the date of the grant. On August 3, 2004, Mr. Michael Brickell was granted a further 150,000 options exercisable at a price of US\$0.18 within five years of the date of the grant.

On June 7, 2005, Ms. Cheryl Wilson was awarded 250,000 options exercisable at a price of US\$0.30 within five years of the date of grant. Furthermore Martin Wood Associates, appointed Consultants to the company, were offered 100,000 options also exercisable at a price of US\$0.30 within two years of grant.

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December 31, 2005 and 2004

6. Capital Stock - *Continued*

Stock-Based Compensation

For the newly granted options, compensation expense is based on the fair value of the options at the grant date. For any options that have alteration in their conditions, compensation expense is based on the fair value of the options on the alteration date less the fair value of the original options based on the shorter of the remaining expanded life of the old option or the expected life of the modified option. All options granted vest immediately.

The stock option compensation expense is calculated using the Black-Scholes Option Pricing Model in 2005 and 2004 with the following weighted average assumptions on the date of grant:

	2005	2004
Risk-free interest rate	3.02%	3.97%
Expected dividend yield	-	-
Expected stock price volatility	112%	188%
Expected option life in years	4.14	3.72

Current year stock-based compensation amounted to \$83,637 (2004 - \$247,759), which was included in the contributed surplus account. The stock option benefit related to 250,000 options granted to Ms. Cheryl Wilson and amounting to \$68,691 was included in Oregon Project exploration costs. The stock option benefit also related to 100,000 options granted to MWA Associates Inc. amounting to \$14,946 being expensed as salaries and benefits.

The stock option benefit recorded in 2004 related to 1,500,000 options granted to Mr. Philip Garratt and amounting to \$220,188 was expensed and included in management services stock-based compensation. The stock option benefit related to 150,000 options granted to Mr. Michael Brickell and amounting to \$27,571 was expensed and included in management services stock-based compensation.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimated, and therefore it is management's view that the existing models do not necessarily provide a single reliable measure of the fair value of the Company's stock option grants.

Warrants

The following are details of changes in warrants:

Number Outstanding December 31, 2004	Issued	Exercised	Expired / Cancelled	Number Outstanding December 31, 2005	Exercise Price per Share (USD)	Expiry Date
-	2,400,000	-	-	2,400,000	\$ 0.30	February 28, 2007

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7. Income Taxes

The Company and its subsidiaries have combined non-capital losses for tax purposes of approximately \$4,423,000 in the listed jurisdictions, which may be carried forward and expire as follows:

	USA	Canada
2013	\$ 1,084,000	\$ -
2014	1,085,000	13,000
2015	1,015,000	256,000
2016	69,000	-
2020	50,000	-
2021	84,000	-
2022	92,000	-
2023	53,000	-
2024	163,000	-
2025	459,000	-
Total non-capital losses	\$ 4,154,000	\$ 269,000

The components of the consolidated entity's future income tax assets are as follows:

	December 31, 2005	December 31, 2004
Future income tax assets:		
Non-capital loss carryforwards	\$ 1,508,000	\$ 1,261,000
Less: Valuation allowance	(1,508,000)	(1,261,000)
Net future income tax assets	\$ -	\$ -

The valuation allowance reflects the Company's estimate that the tax assets, more likely than not, will not be realized in the foreseeable future.

8. Related Party Transactions

Except as noted elsewhere in these consolidated financial statements, related party transactions are as follows:

- During the year, salaries and benefits of \$93,840 (2004 - \$93,579; 2003 - \$65,718) were paid to a director of the Company, which was recorded as part of exploration costs.
- During the year, office rent expenses of \$14,056 (2004 - \$15,618; 2003 - \$16,755) were paid to a director of the Company.
- During the year, management fees of \$117,937 (2004 - \$93,214; 2003 - \$NIL) were paid to the CEO of the Company.
- As at year-end, management fees of \$120,000 (2004 - \$NIL; 2003 - \$NIL) were owing to two major shareholders of CWE, one of which is a director and an officer of CWE.

These amounts were incurred in the ordinary course of business, are non-interest bearing, and unsecured. The shareholders have agreed that payment will not be demanded in the coming year.

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8. Related Party Transactions - *Continued*

- As at year-end, accounts payable included accounting fees of \$6,500 (2004 - \$NIL) owing to an officer of the Company. This amount was incurred in the ordinary course of business, is non-interest bearing, unsecured and due on demand.
 - As at year end, accounts payable included \$1,243 (2004 - \$NIL; 2003 - \$NIL) due to the president and director of the Company for expenses incurred on behalf of the Company. This amount was incurred in the ordinary course of business, is non-interest bearing, unsecured and due on demand.
 - As at year end, accounts payable included \$37,384 (2004 - \$64,869; 2003 - \$NIL) due to the CEO and director of the Company for expenses incurred on behalf of the Company. This amount was incurred in the ordinary course of business, is non-interest bearing, unsecured and due on demand.
-

9. Investment in Cadillac West Explorations Inc.

Cadillac West Explorations Inc. ("CWE") was incorporated under the Business Corporations Act (British Columbia) on June 8, 2004. CWE's main business is acquiring and exploring mineral properties principally located in the Province of Quebec, Canada, with the objective of identifying mineralized deposits economically worthy of development, mining or sale.

By agreement dated June 30, 2004 and amended on June 8, 2005, the Company entered into an agreement with CWE allowing the Company to fund exploration activities of CWE. In return, the Company had an option to convert its advances to CWE into CWE shares. During 2004, the Company advanced \$420,497 to CWE.

On June 8, 2005 and October 31, 2005, the Company acquired a 59.51% interest in CWE by converting \$700,000 and \$70,000 of advances receivable into 7,000,000 and 350,000 shares of CWE respectively. The Company also received 1,400,000 of CWE share purchase warrants that can be exercised at \$0.25 per share on or before November 30, 2008. The acquisition was a related party transaction, as on the date of acquisition there was a director and officer in common. There was minimal activity in the books of CWE between June 8, 2005 and October 31, 2005; therefore the two-step acquisition was accounted for as one, effective June 8, 2005. A summary of the identifiable assets and liabilities of CWE on June 8, 2005 and purchase price discrepancy calculation are as follows:

Cash and cash equivalents	\$	24,619
Computer equipment		1,835
Mineral property costs		681,955
Accounts payable		(13,376)
Accrued liabilities		(28,189)
Due to related parties		(87,500)
Due to Resource Finance & Investment Ltd.		(8,756)
		<hr/>
		570,588
Percentage of interest acquired		x 59.5142%
Fair value acquired		<hr/>
		339,581
Consideration given up		<hr/>
		770,000
Purchase price discrepancy	\$	<hr/>
		430,419

The purchase method of accounting has been used and the excess purchase price paid over fair value for identifiable net assets (\$430,419) was allocated to non-monetary assets of CWE, being mineral property costs.

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9. Investment in Cadillac West Explorations Inc. - *Continued*

During the year, CWE completed a private placement comprising of 600,000 special warrants which were issued at \$0.20 per special warrant for total proceeds of \$120,000. Each warrant converts to one share at the earliest of twelve months from the date of issuance or the fifth business day after a final receipt is issued by applicable securities regulations in respect of a prospectus qualifying the conversion. None of the special warrants have been converted to shares as of December 31, 2005. For the purposes of these financial statements, it is considered that the \$120,000 of the outstanding special warrants are converted to CWE's common shares as of December 31, 2005. As a result of this, the interest of RFI in CWE reduced from 59.514% to 56.76% and the non-controlling interest in CWE increased from 40.485% to 43.24%. \$53,750 of the \$120,000 has been recognized as a gain by the Company, which is reflected in the consolidated statement of operations. The remaining amount, being \$66,250, has been allocated to the non-controlling interest.

The non-controlling interest is initially recorded at the carrying value in the records of the subsidiary. This amount is adjusted by the non-controlling interest's portion of the income (loss) and certain other adjustments that occur subsequent to the acquisition of control of the subsidiary. Details of non-controlling interest in CWE are as follows:

Total net assets as at the date of acquisition at carrying value	\$	570,588
Multiplied by the non-controlling interest of 40.4858%		231,007
2005 loss allocated to non-controlling interest		(19,897)
Equity transaction adjustment allocated to non-controlling interest		66,250
	\$	277,360

10. Segmented Information

Details on a geographic basis as at December 31, 2005 are as follows:

	USA	Canada	Europe	Total
Assets	\$ 1,534,481	\$ 1,206,362	\$ 1,780	\$ 2,742,623
Mineral property costs	\$ 883,207	\$ 977,659	\$ -	\$ 1,860,866
Loss for the year	\$ 90,887	\$ 132,102	\$ 213,251	\$ 436,240

Details on a geographic basis as at December 31, 2004 are as follows:

	USA	Canada	Europe	Total
Assets	\$ 497,069	\$ 420,496	\$ 33,626	\$ 951,191
Mineral property costs	\$ 492,447	\$ -	\$ -	\$ 492,447
Loss for the year	\$ 193,368	\$ 23,897	\$ 334,674	\$ 551,939

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11. Subsequent Events

- a) The Company's majority controlled subsidiary, CWE, is currently negotiating with Eclips Inc ("Eclips"), a public company listed on the TSX Venture Exchange. Per an agreement dated November 28, 2005, Eclips will purchase 100% of CWE's issued and outstanding shares, with consideration being sufficient common shares of Eclips to provide CWE's shareholders with an 80% equity position in the combined entity. Concurrent with the acquisition Eclips will issue up to 5,000,00 shares in satisfaction of its debts and as finders fees. Following the acquisition, the combined entity is expected to complete an equity financing of approximately \$2,000,000 and share consolidation. The closing of the acquisition is contingent upon:

- satisfactory completion of due diligence by both parties;
- obtaining regulatory and shareholder approvals; and
- reduction of CWE's liability to related parties down to a maximum of \$100,000

The transaction will be accounted for by Eclips as a reverse takeover.

- b) On February 10, 2006, the Company and its subsidiary ORC signed a letter of intent with a third party for purchase of a 28.44 acre industrial property at Coos Bay, Oregon, for consideration of \$3,000,000 as follows:

- Upon execution of the purchase and sale agreement: \$200,000 in cash, as a non-refundable deposit.
- Upon closing of the transaction: \$300,000 in cash and delivery of a promissory note in the principal amount of \$2,500,000. Interest to accrue on the Bank of America prime rate plus 3% compounded monthly. As security, the seller shall have first mortgage on the property plus all improvements and fixtures on the property as of the date of closing.
- The note will be payable in equal instalments of \$1,250,000 plus interest on the total outstanding balance accrued to the date of the payment on the second and third anniversary of the closing date.
- The promissory note holder will have the option to convert any amounts owing, including interest, into shares of the Company at the 20-day weighted average trading price preceding the payment date.
- The Company also agreed to use best efforts to complete a public offering on a publicly listed exchange within six months of the closing.
- The Agreement has not been executed as of the audit report date, but is anticipated to be no later than June 1, 2006.

- c) On April 21, 2006, the Company signed an agreement with Rubirosa Limited ("Rubirosa") for the sale of 100% of the Company's interest in ORC. As consideration, the Company will receive from Rubirosa 70,000,000 of common shares and 30,000,000 of performance shares. Common shares will be escrowed for up to 24 months. Performance shares will have the same voting, dividend and other capital distribution rights as regular shares. Performance shares will be converted to common shares only if during the year ended December 31, 2008 ORC's net income after tax exceeds AUD \$5,000,000. If in 2008 ORC does not achieve net profits of AUD \$5,000,000, then the performance shares will continue to be outstanding as such.

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11. Subsequent Events - *Continued*

The agreement is conditional upon the following events:

- RFI and Rubirosa completing a satisfactory due diligence on or before April 30, 2006
- Rubirosa obtaining shareholders' approval on or before May 31, 2006
- Prior to its initial public offering ("IPO"), Rubirosa has to issue 10,000,000 units for AUD \$0.16 per unit ("pre-IPO financing"). Each unit will consist of one common share and ½ of free standing Option. Each full Option will be exercisable into Rubirosa shares at AUD \$0.20 per share on or before December 31, 2009. This pre-IPO financing needs to be completed on or before May 5, 2006.
- Rubirosa has to raise between AUD \$8,000,000 and AUD \$10,000,000 of equity financing at the price of AUD \$0.20 per shares through its IPO prospectus, as well as obtain listing on Australian Stock Exchange.
- ORC has to complete its acquisition of the 28.44 acre industrial property at Coos Bay, Oregon (*Note 11b*).

After completion of the transaction, and assuming maximum IPO prospectus funding, the Company's equity interest in Rubirosa would be approximately 58% (including performance shares).

12. Reconciliation of 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 financial statements also comply, in all material aspects, with accounting principles generally accepted in the United States and the rules and regulations of the Securities Exchange Commission.

Under Canadian GAAP, the mineral properties are carried at cost and written off or written down if the properties are abandoned, sold or if management decides not to pursue the properties. Under United States GAAP, the Company would periodically review and obtain independent reports in determining adjustments to the mineral properties and record properties at net realizable value. The Company has not yet obtained an independent report for United States GAAP purposes, therefore, the Company's mineral property costs have been written off.

The impact of the above differences between Canadian and United States GAAP on loss for the period is as follows:

	Year Ended December 31 2005	Year Ended December 31 2004	Year Ended December 31 2003	For the period from October 16, 1978 (Inception) to December 31 2005
Loss for the period as reported	\$ (436,240)	\$ (551,939)	\$ (353,423)	\$ (11,563,303)
Write-off of mineral property costs	(1,368,419)	(247,040)	(245,407)	(1,860,866)
Loss for the period in accordance with United States GAAP	\$ (1,804,659)	\$ (798,979)	\$ (598,830)	\$ (13,424,169)
Loss per share for the year in accordance with United States GAAP – basic and diluted	\$ (0.06)	\$ (0.03)	\$ (0.02)	

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12. Reconciliation of Generally Accepted Accounting Principles - *Continued*

The impact of the above differences between Canadian and United States GAAP on the statement of changes in shareholders' equity (deficiency) as reported, is as follows:

	Common Shares		Contributed Surplus	Special Warrants	Cumulative Translation Adjustment	Comprehensive Income	Accumulated Deficit	Total
	Number	Amount						
Shareholders' equity (deficiency) as reported at December 31, 2003	27,556,825	\$ 28,579	\$ 10,710,096	\$ -	\$ -	\$ -	\$ (10,575,124)	\$ 163,551
Write-off of mineral property costs	-	-	-	-	-	-	(245,407)	(245,407)
Shareholders' equity (deficiency) in accordance with United States GAAP at December 31, 2003	27,556,825	\$ 28,579	\$ 10,710,096	-	-	\$ -	\$ (10,820,531)	\$ (81,856)
Shareholders' equity (deficiency) as reported at December 31, 2004	31,156,825	\$ 33,253	\$ 11,752,599	-	-	\$ -	\$ (11,127,063)	\$ 658,789
Write-off of mineral property costs	-	-	-	-	-	-	(492,447)	(492,447)
Shareholders' equity (deficiency) in accordance with United States GAAP at December 31, 2004	31,156,825	\$ 33,253	\$ 11,752,599	-	-	\$ -	\$ (11,619,510)	\$ 166,342
Shareholders' equity (deficiency) as reported at December 31, 2005	35,956,825	\$ 39,298	\$ 12,995,617	120,000	(43,174)	\$ -	\$ (11,563,303)	\$ 1,548,438
Write-off of mineral property costs	-	-	-	-	-	-	(1,860,866)	(1,860,866)
Shareholders' equity (deficiency) in accordance with United States GAAP at December 31, 2005	35,956,825	\$ 39,298	\$ 12,995,617	\$ 120,000	\$ (43,174)	\$ -	\$ (13,424,169)	\$ (312,428)

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12. Reconciliation of Generally Accepted Accounting Principles - *Continued*

The impact of the above difference between Canadian and United States GAP on the statement of cash flows, as reported, is as follows:

	Year Ended December 31 2005	Year Ended December 31 2004	Year Ended December 31 2003	For the Period From October 16, 1978 (Inception) to December 31, 2005
Cash flows from operating activities				
As reported	\$ (536,963)	\$ (285,102)	\$ (252,487)	\$ (4,429,513)
Mineral property costs	(153,918)	(253,321)	(125,008)	(6,116,725)
Per United States GAAP	\$ (690,881)	\$ (538,423)	\$ (377,495)	\$ (10,546,238)
Cash flows from investing activities				
As reported	\$ (1,124,590)	\$ (673,818)	\$ (128,380)	\$ (8,379,933)
Mineral property costs	153,918	253,321	125,008	6,116,725
Per United States GAAP	\$ (970,672)	\$ (420,497)	\$ 3,372	\$ (2,263,208)

In December 2004, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 123R, "Share Based Payment". SFAS 123R is a revision of SFAS No. 123 "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and its related implementation guidance. SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS 123R does not change the accounting guidance for share-based payment transactions with parties other than employees provided in SFAS 123 as originally issued in Emerging Issues Task Force Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services". SFAS 123R does not address the accounting for employee share ownership plans, which are subject to AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans". SFAS 123R requires a public entity to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award – the requisite service period (usually the vesting period). SFAS 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. The scope of SFAS 123R includes a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans. Public entities (other than those filing as small business issuers) will be required to apply SFAS 123R as of the first interim or annual reporting period that begins after June 15, 2005. Public entities that file as small business issuers will be required to apply SFAS 123R in the first interim or annual reporting period that begins after December 15, 2005. For nonpublic entities, SFAS 123R must be applied as of the beginning of the first annual reporting period beginning after December 15, 2005. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

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12. Reconciliation of Generally Accepted Accounting Principles - *Continued*

In December 2004, FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets - An Amendment of APB Opinion No. 29". The guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions", is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. A nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. The provisions of SFAS No. 153 are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Early application is permitted and companies must apply the standard prospectively. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

In May 2005, the FASB issued SFAS 154, "Accounting Changes and Error Corrections," which replaces APB Opinion No. 20, "Accounting Changes," and supersedes FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements – an amendment of APB Opinion No. 28." SFAS 154 requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, SFAS 154 requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings for that period rather than being reported in an income statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, SFAS 154 requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. SFAS 154 shall be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not expect the provisions of SFAS 154 will have a significant impact on its results of operations.

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments, an amendment of FASB Statements No. 133 and 140." This statement permits fair value re-measurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation. It establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. In addition, SFAS 155 clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133. It also clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives. SFAS 155 amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006. The adoption of this standard is not expected to have a material effect on the Company's results of operations or financial position.

Resource Finance & Investment Ltd.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

(Expressed in Canadian Dollars)

December 31, 2005 and 2004

12. Reconciliation of Generally Accepted Accounting Principles - *Continued*

In March 2006, the FASB issued SFAS 156, "Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140". This statement amends FASB Statement No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities", with respect to the accounting for separately recognized servicing assets and servicing liabilities. This statement: (1) requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in any of the following situations: (a) a transfer of the servicer's financial assets that meets the requirements for sale accounting, (b) a transfer of the servicer's financial assets to a qualifying special-purpose entity in a guaranteed mortgage securitization in which the transferor retains all of the resulting securities and classifies them as either available-for-sale securities or trading securities in accordance with FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities", (c) an acquisition or assumption of an obligation to service a financial asset that does not relate to financial assets of the servicer or its consolidated affiliates; (2) requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable; (3) permits an entity to choose either of the following subsequent measurement methods for each class of separately recognized servicing assets and servicing liabilities: (a) Amortization method—Amortize servicing assets or servicing liabilities in proportion to and over the period of estimated net servicing income or net servicing loss and assess servicing assets or servicing liabilities for impairment or increased obligation based on fair value at each reporting date, or (b) Fair value measurement method—Measure servicing assets or servicing liabilities at fair value at each reporting date and report changes in fair value in earnings in the period in which the changes occur; (3) at its initial adoption, permits a one-time reclassification of available-for-sale securities to trading securities by entities with recognized servicing rights, without calling into question the treatment of other available-for-sale securities under Statement 115, provided that the available-for-sale securities are identified in some manner as offsetting the entity's exposure to changes in fair value of servicing assets or servicing liabilities that a servicer elects to subsequently measure at fair value; and (5) requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. An entity should adopt this statement as of the beginning of its first fiscal year that begins after September 15, 2006. Earlier adoption is permitted as of the beginning of an entity's fiscal year, provided the entity has not yet issued financial statements, including interim financial statements, for any period of that fiscal year. The effective date of this Statement is the date an entity adopts the requirements of this statement.
