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# **ASTRAL MINING CORPORATION**

*(formerly Amanda Resources Corp.)*

*(An Exploration Stage Company)*

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

MARCH 31, 2006 AND 2005

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## AUDITORS' REPORT

To the Shareholders of  
Astral Mining Corporation  
(formerly Amanda Resources Corp.)

We have audited the consolidated balance sheets of Astral Mining Corporation (formerly Amanda Resources Corp.) (An Exploration Stage Company) as at March 31, 2006 and 2005 and the consolidated statements of loss and deficit and cash flows for the years ended March 31, 2006 and 2005 and for the cumulative period from incorporation on February 12, 2004 to March 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2006 and 2005 and the results of its operations and cash flows for the years ended March 31, 2006 and 2005 and for the cumulative period from incorporation on February 12, 2004 to March 31, 2006 in accordance with Canadian generally accepted accounting principles.

Vancouver, B.C.  
June 23, 2006

**"D&H GROUP LLP"**

**Chartered Accountants**

**ASTRAL MINING CORPORATION**  
*(formerly Amanda Resources Corp.)*  
*(An Exploration Stage Company)*  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT MARCH 31**  
*(Expressed in Canadian Dollars)*

	<b>2006</b>	<b>2005</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	1,422,902	103,027
Accounts receivable and prepaids	<u>33,243</u>	<u>6,391</u>
	1,456,145	109,418
<b>MINERAL PROPERTIES AND DEFERRED COSTS (Note 3)</b>	543,969	318,707
<b>DEFERRED SHARE ISSUANCE COSTS</b>	<u>-</u>	<u>56,993</u>
	<u><u>2,000,114</u></u>	<u><u>485,118</u></u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 6)	<u>38,889</u>	<u>39,726</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>SHARE CAPITAL (Note 4)</b>	2,250,258	548,310
<b>SHARE SUBSCRIPTIONS RECEIVED (Note 4 (b))</b>	-	85,500
<b>CONTRIBUTED SURPLUS (Note 5)</b>	267,914	-
<b>DEFICIT</b>	<u>(556,947)</u>	<u>(188,418)</u>
	<u>1,961,225</u>	<u>445,392</u>
	<u><u>2,000,114</u></u>	<u><u>485,118</u></u>

**NATURE OF OPERATIONS AND NAME CHANGE (Note 1)**

**SUBSEQUENT EVENTS (Note 10)**

APPROVED BY THE DIRECTORS

"Manfred Kurschner" , Director

"Nick DeMare" , Director

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

**ASTRAL MINING CORPORATION**  
*(formerly Amanda Resources Corp.)*  
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**CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT**

*(Expressed in Canadian Dollars)*

	<b>Year Ended March 31, 2006 \$</b>	<b>Year Ended March 31, 2005 \$ (Note 2)</b>	<b>Cumulative from February 12, 2004 (Incorporation) to March 31, 2006 \$ (Note 2)</b>
<b>EXPENSES</b>			
Accounting and administrative	12,000	21,897	34,147
Advertising	10,423	-	10,423
General exploration	393	-	393
Legal and audit	12,996	22,810	43,083
Management fees	60,000	-	60,000
Office	20,746	13,271	36,326
Regulatory	14,430	847	16,839
Rent	8,146	13,809	21,955
Salaries and benefits	26,955	40,620	71,561
Stock-based compensation (Note 4)	190,033	-	190,033
Travel	12,783	11,413	27,038
	<u>368,905</u>	<u>124,667</u>	<u>511,798</u>
<b>LOSS BEFORE OTHER ITEMS</b>	<u>(368,905)</u>	<u>(124,667)</u>	<u>(511,798)</u>
<b>OTHER EXPENSE (INCOME)</b>			
Interest expense	2,859	-	2,859
Interest income	(3,440)	-	(3,440)
Loss on disposal of equipment	-	2,568	2,568
Foreign exchange	205	2,743	2,948
Write-off of mineral properties and deferred costs	-	40,214	40,214
	<u>376</u>	<u>(45,525)</u>	<u>(45,149)</u>
<b>NET LOSS FOR THE PERIOD</b>	<u>(368,529)</u>	<u>(170,192)</u>	<u>(556,947)</u>
<b>DEFICIT - BEGINNING OF PERIOD</b>	<u>(188,418)</u>	<u>(18,226)</u>	<u>-</u>
<b>DEFICIT - END OF PERIOD</b>	<u>(556,947)</u>	<u>(188,418)</u>	<u>(556,947)</u>
 <b>LOSS PER SHARE - BASIC AND DILUTED</b>	 <u>\$(0.11)</u>	 <u>\$(0.22)</u>	
 <b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED</b>	 <u>3,407,020</u>	 <u>757,643</u>	

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**ASTRAL MINING CORPORATION**  
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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(Expressed in Canadian Dollars)*

	<b>Year Ended March 31, 2006 \$</b>	<b>Year Ended March 31, 2005 \$</b>	<b>Cumulative from February 12, 2004 (Incorporation) to March 31, 2006 \$</b>
<b>CASH PROVIDED FROM (USED FOR)</b>			
<b>OPERATING ACTIVITIES</b>			
Net loss for the period	(368,529)	(170,192)	(556,947)
Items not affecting cash			
Loss on disposal of equipment	-	2,568	2,568
Stock-based compensation	190,033	-	190,033
Write-off of mineral properties and deferred costs	-	40,214	40,214
	(178,496)	(127,410)	(324,132)
Changes in non-cash working capital balances			
Accounts receivable and prepaids	(26,852)	(5,732)	(33,243)
Accounts payable and accrued liabilities	(837)	14,885	38,889
	(206,185)	(118,257)	(318,486)
<b>FINANCING ACTIVITIES</b>			
Issuance of common shares	1,999,500	377,377	2,376,878
Share subscriptions received	-	85,500	246,500
Share issuance costs	(315,678)	(57,986)	(377,739)
Advances received	97,000	-	97,000
Advances repaid	(97,000)	-	(97,000)
	1,683,822	404,891	2,245,639
<b>INVESTING ACTIVITIES</b>			
Expenditures on mineral properties and deferred costs	(157,762)	(293,450)	(501,683)
Purchase of equipment	-	(5,350)	(5,350)
Proceeds from disposal of equipment	-	2,782	2,782
	(157,762)	(296,018)	(504,251)
<b>INCREASE (DECREASE) IN CASH DURING THE PERIOD</b>	1,319,875	(9,384)	1,422,902
<b>CASH - BEGINNING OF PERIOD</b>	103,027	112,411	-
<b>CASH - END OF PERIOD</b>	1,422,902	103,027	1,422,902

**SUPPLEMENTARY CASH FLOW INFORMATION** (Note 9)

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

**ASTRAL MINING CORPORATION**  
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**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

*(Expressed in Canadian Dollars)*

	Gold Springs \$	Scraper Springs \$	Other \$	Total \$
<b>BALANCE - BEGINNING OF YEAR</b>	272,380	16,830	29,497	318,707
<b>EXPENDITURES</b>				
Consulting	7,199	-	-	7,199
Geochemistry	-	2,971	3,860	6,831
Geology	10,688	5,661	5,384	21,733
Project management	5,577	-	-	5,577
	<u>23,464</u>	<u>8,632</u>	<u>9,244</u>	<u>41,340</u>
<b>ACQUISITION COSTS</b>				
Option payments	110,632	34,939	-	145,571
Land holding fees	22,003	5,290	11,058	38,351
	<u>132,635</u>	<u>40,229</u>	<u>11,058</u>	<u>183,922</u>
<b>BALANCE - END OF YEAR</b>	<u><u>428,479</u></u>	<u><u>65,691</u></u>	<u><u>49,799</u></u>	<u><u>543,969</u></u>

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**ASTRAL MINING CORPORATION**  
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**CONSOLIDATED SCHEDULE OF MINERAL PROPERTIES AND DEFERRED COSTS**

**FOR THE YEAR ENDED MARCH 31, 2005**

*(Expressed in Canadian Dollars)*

	Gold Springs \$	Scraper Springs \$	Dune \$	Other \$	Total \$
<b>BALANCE - BEGINNING OF YEAR</b>	50,471	-	-	-	50,471
<b>EXPENDITURES</b>					
Consulting	36,692	427	205	4,465	41,789
Geochemistry	2,696	-	1,238	565	4,499
Geology	4,356	111	1,649	3,626	9,742
Geophysics	78,340	-	5,583	-	83,923
Project management	20,047	1,383	2,792	2,967	27,189
Survey	-	-	2,197	-	2,197
Travel	3,513	249	576	2,201	6,539
	<u>145,644</u>	<u>2,170</u>	<u>14,240</u>	<u>13,824</u>	<u>175,878</u>
<b>ACQUISITION COSTS</b>					
Option payments	51,810	6,798	16,340	-	74,948
Land holding fees	23,596	7,377	8,972	15,673	55,618
Legal and others	859	485	662	-	2,006
	<u>76,265</u>	<u>14,660</u>	<u>25,974</u>	<u>15,673</u>	<u>132,572</u>
<b>BALANCE BEFORE WRITE-OFF</b>	272,380	16,830	40,214	29,497	358,921
<b>WRITE-OFF</b>	-	-	(40,214)	-	(40,214)
<b>BALANCE – END OF YEAR</b>	<u>272,380</u>	<u>16,830</u>	<u>-</u>	<u>29,497</u>	<u>318,707</u>

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

**ASTRAL MINING CORPORATION**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2006 AND 2005**

*(Expressed in Canadian Dollars)*

**1. NATURE OF OPERATIONS AND NAME CHANGE**

The Company was originally incorporated under the Company Act (British Columbia) on February 12, 2004 and was transitioned under the Business Corporations Act (British Columbia) on November 1, 2004. On June 6, 2005, the Company changed its name from Amanda Resources Corp. to Astral Mining Corporation.

The Company is a junior resource company engaged in the acquisition and exploration of unproven mineral interests in the western United States and Canada and is considered a development stage company as defined by Accounting Guideline No. 11 of the Canadian Institute of Chartered Accountants (“CICA”) Handbook. As at March 31, 2006, the Company has not earned any production revenue, nor found proved reserves on any of its mineral interests. The amounts shown as mineral properties and deferred costs represent expenditures incurred to date, less amounts amortized and/or written off, and do not necessarily represent present or future values. The underlying value of the mineral properties and deferred costs are entirely dependent on the existence of economically recoverable reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain the necessary financing to complete development, and future profitable production.

On September 27, 2005, the Company received final receipts for a prospectus and became a reporting issuer in British Columbia. On February 3, 2006, the Company filed an amended and restated prospectus and, on February 6, 2006, received final receipts for the amended and restated prospectus. The Company completed its listing on the TSX Venture Exchange (the “TSXV”) and began trading on March 1, 2006 with a symbol “AST” as a junior mineral exploration company.

The Company considers that it has adequate resources to maintain its core operations for the next fiscal year but currently may not have sufficient working capital to fund all of its planned exploration and development work. The Company will continue to rely on successfully completing additional equity financing.

**2. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The consolidated financial statements have, in management's opinion, been properly prepared using careful judgment.

***Use of Estimates***

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Significant areas requiring the use of management estimates include assessment of carrying values of mineral properties and deferred costs for impairment. Actual results may differ from these estimates.

***Principles of Consolidation***

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Astral Mining USA Corporation (“Astral USA”). All inter-company transactions and balances have been eliminated.

**ASTRAL MINING CORPORATION**  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2006 AND 2005**

*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Mineral Properties and Deferred Costs***

Direct costs related to the acquisition and exploration of mineral properties held or controlled by the Company, are deferred on an individual property basis until the viability of a property is determined. Administration costs and general exploration costs are expensed as incurred. When a property is placed in commercial production, deferred costs will be depleted using the units-of-production method. Management of the Company periodically reviews the recoverability of the capitalized mineral properties. Management takes into consideration various information including, but not limited to, results of exploration activities conducted to date, estimated future metal prices, and reports and opinions of outside geologists, mine engineers and consultants. When it is determined that a project or property will be abandoned then the costs are written-off, or if its carrying value has been impaired, then the costs are written down to fair value.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received. After costs are recovered, the balance of the payments is recorded as a gain on option or disposition of mineral property.

***Asset Retirement Obligations***

Asset retirement obligations are recognized when a legal or constructive obligation arises. This liability is recognized at the fair value of the asset retirement obligation. When the liability is initially recorded the Company capitalizes the cost by increasing the carrying amount of the related long-lived assets. Over time the liability is accreted to its present value each period, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company may incur a gain or loss. As at March 31, 2006 the Company does not have any asset retirement obligations.

***Impairment of Long-Lived Assets***

Long-lived assets are reviewed for impairment when changes in circumstances suggest their carrying value has become impaired. Management considers assets to be impaired if the carrying value exceeds the estimated undiscounted future projected cash flows to result from the use of the asset and its eventual disposition. If impairment is deemed to exist, the assets will be written down to fair value. Fair value is generally determined using a discounted cash flow analysis.

***Translation of Foreign Currencies***

The Company's foreign operations are integrated and are translated using the temporal method. Under this method, the Company translates monetary assets and liabilities denominated in foreign currencies at period-end rates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates in effect during the period except for depreciation which is translated at historical rates. The resulting gains or losses are reflected in the operating results in the period of translation.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2006 AND 2005**

*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and accounts receivable. The Company limits its exposure to credit loss by placing its cash with major financial institutions.

***Fair Values of Financial Instruments***

The fair value of the Company's financial instruments consisting of cash, accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of those instruments.

***Income Taxes***

The Company uses the liability method of accounting for future income taxes. Under this method of tax allocation, future income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the consolidated financial statements and their respective tax bases, using substantively enacted tax rates and laws that are expected to be in effect in the periods in which the future income tax assets or liabilities are expected to be settled or realized. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. The amount of future income tax assets recognized is limited to the amount that is more likely than not to be realized.

***Loss Per Share***

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. In years when a loss is incurred, the effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted losses per share are the same. Information regarding securities that could potentially dilute basic earnings per share in the future is presented in Note 4.

***Stock-Based Compensation***

The Company has an employee stock option plan. The Company recognizes an expense arising from stock options granted to both employees and non-employees using the fair value method. The fair value of option grants is generally established at the date of grant using a Black-Scholes option pricing model and the expense is recognized over the vesting period, with offsetting amounts recorded as contributed surplus.

***Variable Interest Entities***

Effective January 1, 2005, the Company adopted Accounting Guideline AcG-15, Consolidation of Variable Interest Entities, which requires consolidation of entities in which the Company expects to receive or absorb the majority of the entity's expected losses, expected residual returns or both. The Company has determined that it has no variable interest entities.

***Deferred Share Issue Costs***

Costs incurred relating to the Company's equity offerings are recorded as deferred share issue costs until completion of the offerings at which time costs related to the offerings are offset against share capital.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2006 AND 2005**

*(Expressed in Canadian Dollars)*

**2. SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Comparative Figures*

Certain of the prior year comparatives have been reclassified to conform with the current year's presentation.

**3. MINERAL PROPERTIES AND DEFERRED COSTS**

	As at March 31, 2006			As at March 31, 2005		
	Acquisition Costs \$	Exploration Costs \$	Total Costs \$	Acquisition Costs \$	Exploration Costs \$	Total Costs \$
Gold Springs	259,371	169,108	428,479	126,736	145,644	272,380
Scraper Springs	54,889	10,802	65,691	14,660	2,170	16,830
Other	26,731	23,068	49,799	15,673	13,824	29,497
	<u>340,991</u>	<u>202,978</u>	<u>543,969</u>	<u>157,069</u>	<u>161,638</u>	<u>318,707</u>

(a) Gold Springs Project

By agreement dated March 17, 2004, and amended November 17, 2004, the Company agreed to option an undivided 100% interest in 127 claims located within the Stateline Mining District along the Nevada-Utah border (collectively the "Gold Springs Project"), on the following basis:

Date	Cash Payments US \$	Expenditures US \$	Share Issuances
Upon signing (paid)	32,500	-	-
Five days after Listing (issued)	-	-	50,000
March 5, 2005 (paid & issued)	30,000	-	12,500
July 31, 2005	-	125,000	-
March 5, 2006 (paid and issued)	55,000	-	50,000
March 5, 2007	65,000	-	50,000
March 5, 2008	75,000	-	100,000
	<u>257,500</u>	<u>125,000</u>	<u>262,500</u>

In addition, for the duration of the option, the Company will pay annual maintenance filing fees of approximately US \$20,000.

The Gold Springs Project will be subject to 3% net smelter royalty ("NSR"). Upon earning the 100% interest, the Company will be required to pay US \$75,000 annually, commencing March 5, 2009, as an advance on the NSR. The Company has the right to purchase a 1.5% NSR (the "NSR Buyback") for US \$1,500,000, less any advance NSR paid by the Company. The NSR obligations terminate upon the purchase of the NSR Buyback.

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*(Expressed in Canadian Dollars)*

**3. UNPROVEN MINERAL INTERESTS** (continued)

(b) Scrapper Springs Claims

By letter agreement dated June 22, 2004, and superseded on November 5, 2004, the Company agreed to lease 33 claims (the "Scrapper Springs Claims") located in Elko County, Nevada, on the following basis:

Date	Cash Payments US \$	Share Issuances
Upon Listing (issued)	-	30,000
June 22, 2004 (paid)	5,000	-
June 22, 2005 (paid and issued)	10,000	7,500
June 22, 2006 (Note 10 (iii))	15,000	35,000
June 22, 2007	20,000	40,000
June 22, 2008	25,000	-
	<u>75,000</u>	<u>112,500</u>

On June 22, 2009, and every year thereafter, the Company shall pay US \$25,000 until production commences, at which time the Scrapper Springs Claims will be subject to a 3% NSR. The Company has the right to purchase up to a 2% NSR at US \$1 million for each 1% NSR.

For the duration of the agreement the Company will pay annual holding fees of approximately US \$5,600.

(c) See also Note 10 (a).

**4. SHARE CAPITAL**

Authorized - unlimited common shares without par value

Issued -	Number of Shares	\$
Balance, February 12, 2004	-	-
Issued	<u>1</u>	<u>1</u>
Balance, March 31, 2004	1	1
Issued pursuant to private placements (d)	2,045,943	538,377
Issued for mineral properties	12,500	15,000
Less share issuance costs	<u>-</u>	<u>(5,068)</u>
Balance, March 31, 2005	2,058,444	548,310
Issued pursuant to private placements (b)	4,375,000	360,000
Issued for mineral properties	137,500	67,500
Initial public offering (c)	4,312,500	1,725,000
For agent's fees (c)	150,000	60,000
Less share issuance costs	<u>-</u>	<u>(510,552)</u>
Balance, March 31, 2006	<u>11,033,444</u>	<u>2,250,258</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2006 AND 2005**

*(Expressed in Canadian Dollars)*

**4. SHARE CAPITAL** (continued)

(a) On January 17, 2006, the Company completed a consolidation of its share capital on the basis of one new share for four old shares. All share amounts and loss per share have been adjusted to reflect the share consolidation.

(b) During fiscal 2006, the Company completed the following private placements:

	<b># of Shares Issued</b>	<b>Proceeds \$</b>
Private placement at \$1.20 per share	75,000	90,000
Private placement at \$0.02 per share	2,000,000	40,000
Private placement at \$0.10 per share	2,300,000	230,000
Total	4,375,000	360,000

During fiscal 2005 the Company received share subscriptions of \$85,500 for the \$1.20 per share private placement. The remaining balance of \$4,500 was received during fiscal 2006 for the total amount of the financing of \$90,000.

(c) During fiscal 2006 the Company completed the initial public offering (“the Offering”) of 4,312,500 units, at \$0.40 per unit, for proceeds of \$1,352,329, net of \$120,750 agent’s commission and \$251,921 of related Offering costs. Each unit was comprised of one common share of the Company and one-half non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at a price of \$0.50 per share on or before February 27, 2007. In addition to the cash commission the underwriters were granted as commission 431,250 agents’ warrants, representing 10% of the number of units issued. Each agents’ warrant is exercisable for one share at a price of \$0.40, for a period of one year, expiring February 27, 2007. The agents’ warrants were valued using the Black-Scholes option pricing model at \$0.16 per warrant for a total value of \$68,078 and have been recorded as share issuance costs with a corresponding increase to contributed surplus. At March 31, 2006 no agent’s warrants had been exercised. The Company also issued 150,000 units as corporate finance fee having the same terms as the units sold under the Offering. The shares issued for the corporate finance fee were valued at \$0.40 per share and recorded as share capital with a corresponding increase in share issuance costs. Warrants issued in relation to the corporate finance fees were valued using the Black-Scholes option pricing model at \$0.13 per warrant for a total of \$9,803 and have been recorded as share issuance costs with a corresponding increase to contributed surplus. At March 31, 2006 no warrants issued for corporate finance fee had been exercised.

(d) During fiscal 2005, the Company completed the following private placements:

	<b># of Shares Issued</b>	<b>Proceeds \$</b>
Private placement at \$0.08 per share	1,000,000	80,000
Private Placement at \$0.40 per share	945,943	378,377
Private Placement at \$0.80 per share	100,000	80,000
Total	2,045,943	538,377

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2006 AND 2005**  
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**4. SHARE CAPITAL** (continued)

(e) Stock options and stock based compensation

The Company grants stock options in accordance with the policies of the TSXV. The stock options granted during fiscal 2006 are exercisable for a period of three years.

During fiscal 2006, the Company granted stock options at \$0.40 per share to its directors, employees and consultants for a period of three years and expiring March 1, 2009, to acquire 1,000,000 common shares of the Company, and recorded compensation expense of \$190,033. No stock options were granted during fiscal 2005 or 2004.

The fair value of stock options granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for the grants made during fiscal 2006:

Risk-free interest rate	3.8%
Estimated volatility	100%
Expected life	1.5 years
Expected dividend yield	0%

The fair value per share of stock options granted during fiscal 2006 calculated using the Black-Scholes option pricing model was \$0.19 per option.

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.

(f) Warrants

A summary of the number of common shares reserved pursuant to the Company's outstanding warrants as at March 31, 2006, and the changes for the fiscal 2006, is as follows:

	<b>Number</b>
Balance, beginning of year	-
Granted	<u>2,662,500</u>
Balance, end of year	<u><u>2,662,500</u></u>

Common shares reserved pursuant to warrants outstanding at March 31, 2006 are as follows:

<b>Number</b>	<b>Exercise Price</b> \$	<b>Expiry Date</b>
2,231,250	0.50	February 27, 2007
<u>431,250</u>	0.40	February 27, 2007
<u><u>2,662,500</u></u>		

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**4. SHARE CAPITAL** (continued)

(g) As at March 31, 2006, 2,314,125 common shares are held in escrow and are released every six months, ending September 1, 2007. A total of 3,139,500 shares are restricted and will be released at various dates ending March 1, 2009.

(h) See also Note 10.

**5. CONTRIBUTED SURPLUS**

A continuity summary of contributed surplus is presented below:

	<b>Year Ended March 31, 2006 \$</b>
Balance, beginning of year	-
Contributed surplus as a result of stock options granted (Note 4 (e))	190,033
Contributed surplus as a result of brokers' warrants issued (Note 4 (c))	<u>77,881</u>
Balance, end of year	<u><u>267,914</u></u>

**6. RELATED PARTY TRANSACTIONS**

(a) During fiscal 2006 the Company incurred fees of \$23,047 (2005 - \$12,250) for accounting, management and administration services from a company controlled by a director of the Company. \$12,000 (2005 - \$12,250) of these fees are included in accounting and administrative expenses and the remaining \$11,047 (2005 - \$Nil) are included in share issuance costs.

(b) The President of the Company provides his services on a full-time basis under a contract with a private company controlled by the President. During fiscal 2006 the President was paid an amount of \$60,000 (2005 - \$Nil).

Effective May 1, 2006, the Company entered into a new agreement with the President of the Company for his services. Under the new contract the President is paid an annual amount of \$90,000.

(c) During fiscal 2006, the Company received advances of \$68,000 from a shareholder and \$29,000 from a company owned by a director of the Company. The advances bear interest at a rate of 12% per annum and was repayable on demand. These advances were repaid in fiscal 2006. The Company has recorded \$2,859 interest expense which was outstanding at March 31, 2006 and included in accrued liabilities. This interest was repaid in full subsequent to March 31, 2006.

(d) The Company entered into a services agreement dated April 15, 2005 with Grosso Group Management Ltd. ("the Grosso Group"). During fiscal 2006 the Company incurred \$40,250 (2005 - \$Nil) of fees from the Grosso Group, which were allocated to rent, salaries and office expenses.

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

Effective April 1, 2006, an Administration Services Agreement among the Company and the Grosso Group was executed. The Company engaged the Grosso Group to provide services and facilities to the Company. The Grosso Group is a private company owned by the Company, IMA Exploration Inc., Golden Arrow Resources Corporation, Amera Resources Corporation and Gold Point Energy Corp., each of which owns one share of the Grosso Group. The Grosso Group provides its shareholder companies with geological, corporate development, administrative and management services. The shareholder companies pay monthly fees to the Grosso Group. The fee is based upon a reasonable pro-rating of the Grosso Group's costs including its staff and overhead costs among each shareholder company with regard to the mutually agreed average annual level of services provided to each shareholder company.

**7. INCOME TAXES**

The recovery of income taxes shown in the consolidated statements of operations and deficit differ from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	<b>2006</b>	<b>2005</b>
	\$	\$
Combined federal and provincial statutory tax rate	<u>34.12%</u>	<u>35.62%</u>
Loss for the year	<u>(368,529)</u>	<u>(170,192)</u>
Provision for income taxes based on statutory Canadian combined federal and provincial income tax rates	(125,742)	(60,622)
Losses for which an income tax benefit has not been recognized	<u>125,742</u>	<u>60,622</u>
	<u>-</u>	<u>-</u>

The significant components of the Company's future income tax assets are as follows:

	<b>2006</b>	<b>2005</b>
	\$	\$
Future income tax assets		
Financing costs	140,744	-
Operating loss carryforward	<u>148,810</u>	<u>55,112</u>
	289,554	55,112
Valuation allowance for future income tax asset	<u>(289,554)</u>	<u>(55,112)</u>
	<u>-</u>	<u>-</u>

The Company has Canadian non-capital loss carryforwards of \$329,081 that may be available for tax purposes. The losses expire as follows:

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**7. INCOME TAXES** (continued)

Expiry Date	\$
2014	6,918
2015	50,064
2026	<u>272,099</u>
	<u><u>329,081</u></u>

The Company has US non-capital loss carryforwards of \$107,055 that may be available for tax purposes. The losses expire as follows:

Expiry Date	US\$
2025	97,739
2026	<u>9,316</u>
	<u><u>107,055</u></u>

**8. SEGMENTED INFORMATION**

The Company is involved in mineral exploration and development activities in the western United States. The Company is in the exploration stage and accordingly, has no reportable segment revenues or operating results.

The Company's total assets are segmented geographically as follows:

	<b>March 31, 2006</b>		
	<b>Corporate (Canada)</b>	<b>Mineral Operations (United States)</b>	<b>Total</b>
	\$	\$	\$
Current assets	1,456,145	-	1,456,145
Mineral properties and deferred costs	-	<u>543,969</u>	<u>543,969</u>
	<u>1,456,145</u>	<u>543,969</u>	<u><u>2,000,114</u></u>
	<b>March 31, 2005</b>		
	<b>Corporate (Canada)</b>	<b>Mineral Operations (United States)</b>	<b>Total</b>
	\$	\$	\$
Current assets	109,418	-	109,418
Mineral properties and deferred costs	-	318,707	318,707
Deferred share issuance costs	<u>56,993</u>	-	<u>56,993</u>
	<u>166,411</u>	<u>318,707</u>	<u><u>485,118</u></u>

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**9. SUPPLEMENTARY CASH FLOW INFORMATION**

(a) Non-cash investing and financing activities were conducted by the Company as follows:

	2006	2005	Period from February 12, 2004 (Incorporation) to March 31, 2006
	\$	\$	\$
Investing activity			
Expenditures on mineral properties and deferred costs	(67,500)	(15,000)	(82,500)
Shares issued for mineral properties and deferred costs	67,500	15,000	82,500
	<u>-</u>	<u>-</u>	<u>-</u>
Financing activities			
Agent's fees payable	137,881	-	137,881
Share capital	(60,000)	-	(60,000)
Contributed surplus	(77,881)	-	(77,881)
	<u>-</u>	<u>-</u>	<u>-</u>

**10. SUBSEQUENT EVENTS**

(a) Subsequent to March 31, 2006, the Company:

- i) entered into option agreement with Kootenay Gold Inc. ("Kootenay Gold") to earn a 60% undivided interest in the Jumping Josephine Property located in British Columbia. To fulfill the terms of the option agreement the Company must spend \$2.1 million on exploration, issue 400,000 shares (75,000 shares were issued upon signing the option agreement) and make \$100,000 in option payments over five years;
- ii) completed the private placement of 2,400,000 flow-through units of the Company at a price of \$0.45 per unit, for total proceeds of \$1,028,900, net of \$48,600 agent's commission and \$2,500 of related issuance costs. Each unit was comprised of one flow-through common share of the Company and one-half non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional non-flow-through common share at a price of \$0.60 per share on or before November 26, 2007. In addition to the cash commission the underwriters were granted as commission 192,000 agent's warrants, representing 8% of the number of units issued. Each agent's warrant is exercisable for one share at a price of \$0.60, for a period of eighteen months, expiring February 27, 2007. The Company also issued 35,000 common shares at a fair value of \$15,750 as corporate finance fee;
- iii) issued 35,000 shares pursuant to the letter agreement on the Scraper Springs Claims;

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**10. SUBSEQUENT EVENTS** (continued)

- iv) entered into option agreement with Amera Resources Corporation (“Amera”) to earn up to 80% undivided interest in the Roy and Hills properties in Nevada. An initial 65% interest in the project may be earned by incurring US \$2.5 million in work expenditures over four years and issuing 500,000 shares (100,000 shares were issued upon TSXV approval) to Amera. Upon earning the initial 65%, the Company may then elect to earn an additional 15% interest, by issuing a further 500,000 shares and completing a bankable feasibility study, within three years;
  - v) granted stock options to a consultant at \$0.40 per share to acquire 100,000 common shares on or before April 5, 2007;
  - vi) granted stock options to consultants at \$0.40 per share to acquire 254,000 common shares on or before June 15, 2009;
- (b) See also Notes 4 and 6 (b).