McVICAR RESOURCES INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Wasserman
Ramsay

Chartered Accountants

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AUDITORS' REPORT

To the Shareholders of
McVicar Resources Inc.**:**

We have audited the balance sheet of McVicar Resources Inc. as at December 31, 2006 and 2005 and the statements of operations, deficit and cash flows for the years then ended. 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. These 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 financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2006 and 2005 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Wasserman Ramsay

Thornhill, Ontario
April 26, 2007

Chartered Accountants

McVICAR RESOURCES INC.

BALANCE SHEETS - DECEMBER 31, 2006 AND 2005

	2006	2005 (restated) Note 3
ASSETS		
Current:		
Cash and cash equivalents	$ 1,515,208	$ 2,110,977
Amounts receivable	11,785	39,349
Prepaid expenses and deposits *(Note 9)*	48,023	10,281
	1,575,016	2,160,607
Property, plant and equipment:		
Computer equipment	8,280	3,512
Furniture and fixtures	2,761	2,459
	11,041	5,971
Accumulated depreciation	3,897	2,420
	7,144	3,551
Investments *(Note 4)*	3,669,501	-
Loans receivable from related parties *(Note 5)*	858,352	-
Right to earn an interest in a mineral resource property *(Note 6(a))*	10	10
Mineral resource properties *(Note 6)*	251,783	217,144
	$ 6,361,806	$ 2,381,312
LIABILITIES		
Current:		
Accounts payable	$ 37,507	$ 25,426
SHAREHOLDERS' EQUITY		
Capital Stock *(Note 8)*	7,598,922	3,149,117
Contributed Surplus *(Note 14)*	184,310	35,100
Deficit *(Page 3)*	(1,458,933)	(828,331)
	6,324,299	2,355,886
	$ 6,361,806	$ 2,381,312

See Incorporation and Nature of Operations - Note 1

Approved on behalf of the Board:

"D. James Misener"
D. James Misener, Director

"Gang Chai"
Gang Chai, Director

The accompanying notes form an integral part of these financial statements

McVICAR RESOURCES INC.

STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005 (restated) Note 3
Revenue:		
Interest income	$ 96,145	$ 47,104
Expenses:		
Depreciation *(Note 3)*	1,477	979
Directors fees	8,750	-
Professional fees	94,988	39,193
Management fees *(Note 9)*	96,000	60,000
Consulting *(Note 9)*	37,866	50,810
Office and general *(Note 9)*	95,983	43,766
Rent	33,203	46,888
Foreign exchange loss	(135,763)	-
Stock exchange fees	33,020	15,888
Transfer agents fees	8,738	6,117
Travel and entertainment	67,739	41,736
Stock-based compensation	129,940	-
	471,941	305,377
Net loss for the year before undernoted item	(375,796)	(258,273)
Write-off of interest in mining properties *(Note 7)*	(254,806)	(19,581)
Net loss for the period	$ (630,602)	(277,854)
Net loss per share - basic and diluted	$ (0.04)	$ (0.02)
Weighted average number of shares outstanding - basic and diluted	14,365,485	12,172,456

STATEMENTS OF DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005 (restated) Note 3
Deficit, beginning of period	$ (828,331)	$ (550,477)
Net loss for the period	(630,602)	(277,854)
Deficit, end of period	$ (1,458,933)	$ (828,331)

The accompanying notes form an integral part of these financial statements

McVICAR RESOURCES INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005 (restated) Note 3
Cash was provided by (used in) the following activities:		
Operating activities:		
Net loss for the period	$ (630,602)	$ (277,854)
Add: Item not involving an outlay of cash		
Depreciation	1,477	979
Stock based compensation expense	129,940	-
Write-off of interest in mining properties	254,806	19,581
Net change in non-cash working capital items *(Note 10)*	1,903	(9,105)
	(242,476)	(266,399)
Financing activities:		
Issuance of capital stock for cash	4,677,154	7,118
Contributed surplus	19,270	-
Less: Share issue costs	(227,349)	-
	4,469,075	7,118
Investing activities:		
Expenditures on mining properties	(289,445)	(61,554)
Investments in China	(3,669,501)	-
Loans to related parties	(858,352)	-
Acquisition of property, plant and equipment	(5,070)	(635)
	(4,822,368)	(62,189)
Net change in cash and cash equivalents	(595,769)	(321,470)
Cash and cash equivalents, beginning of period	2,110,977	2,432,447
Cash and cash equivalents, end of period	$ 1,515,208	$ 2,110,977

The accompanying notes form an integral part of these financial statements

1. Incorporation and nature of operations:

The corporation was incorporated under the Business Corporations Act (Ontario) February 19, 2003.

The Company is in the process of exploring its mineral properties, directly and through joint ventures, and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The Company is also expanding its investment to other business sectors such as the Chemical and Electrical industries in China through acquisitions and joint ventures.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

2. Significant accounting policies:

The financial statements of McVicar Resources Inc. [the "Company"] have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

a) Mineral resource properties:

Mining properties are carried at cost.

Deferred exploration and development expenditures incurred in the acquisition and exploration of the Company's mining properties net of option payments and government grants received will be deferred with the intention that the deferred expenditures and the cost of the mining claims and properties be amortized by charges against income from future mining operations. If the mining claims are abandoned, the cost of the mining claims and all associated exploration and development expenditures will be written off.

b) Property, plant and equipment:

Property, plant and equipment are recorded at cost. Depreciation was provided for at rates between 20 and 30% on a declining balance basis. Effective December 31, 2006 the Company adopted the straight line method for depreciation using the same rates, see Note 3.

c) Stock-based compensation plan:

The Company has a stock-based compensation plan that is described in Note 8. The CICA Handbook, Section 3870, establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments for goods and or services. The Section requires that awards of stock be measured at fair value.

d) Earnings per share:

The Company has adopted the recommendations of the CICA Handbook section 3500, Earning per Share ("EPS"). The section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the recommendations require the use of the treasury stock method to compute the dilutive effects of options, warrants and similar instruments as opposed to the previous method used which was the imputed earnings approach. The section also requires the disclosure of a reconciliation of the calculation of basic and diluted EPS be disclosed.

e) Income taxes:

The Company uses the liability method of accounting for income taxes as outlined in the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants. Under this method, current income taxes are recognized for the estimated taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future year for tax purposes that are likely to be realized.

2. Significant accounting policies (continued):

f) Asset retirement obligations:

The Company has adopted the recommendations of CICA 3110 Asset Retirement Obligations. Under this section the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred. When the liability is initially recorded, the cost is capitalized by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased to reflect an interest component (accretion expense) considered in the initial measurement at fair value. The capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, a gain or loss is recorded if the actual costs incurred are different from the liability recorded.

An obligation has not been recorded with respect to asset retirement obligations the Company's exploration properties. This is based on the fact that the mining and processing activities that give rise to the legal obligation have not yet occurred and/or the environmental disturbance which has occurred is not yet significant.

g) Fair value of long-lived assets:

The Company monitors the recoverability of long-lived assets, based on factors such as current market value, future asset utilization, business climate and future undiscounted cash flows expected to result from the use of the related assets. The Company's policy is to record an impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. The impairment loss is calculated as the amount by which the carrying amount of the asset exceeds the undiscounted estimate of future cash flows from the asset.

h) Investments:

Investment are carried at cost and will be written down given a permanent impairment in value. Investments in companies over which the Company has significant influence are accounted for using the equity method of accounting.

i) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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. Actual results may differ from those estimates.

j) Financial instruments:

The Company's financial instruments recognized in the balance sheet consists of amounts receivable and accounts payable. The fair value of these financial instruments approximate their carrying value due to the short maturity or current market rate associated with these instruments.

3. Change in accounting policy:

Effective December 31, 2006 the Company adopted the straight line method of accounting for depreciation. In the prior years the Company had used the declining balance method. The reason for the change was to align the Company's depreciation policy with those of Jite Technologies Inc. which was acquired subsequent to year end (see Note 15 (ii)). This change in accounting policy has been applied retroactively resulting in the restatement of the comparative 2005 figures for depreciation expense from $559 to $979 with the cumulative change reflected in the balance of opening deficit which changed from $552,417 to $550,477.

4. Investments:

Investments consists of the following:

a) Sino Lion Nanjing Ltd.

In March of 2006 the Company acquired a 27% interest in Sino Lion Nanjing Ltd. ("Sino Lion Nanjing"), a subsidiary of Sino Lion (USA) Ltd. ("Sino Lion USA"), that is based in Nanjing, Jiangsu province, China. Sino Lion USA is a developer, manufacturer and marketer of specialized chemicals to personal care, home care, cosmetic, and other related chemical industries in China and worldwide. In return for 27% interest in Sino Lion Nanjing the Company has invested approximately US$1million cash in Sino Lion Nanjing. This cash investment will be use to complete construction of a chemical plant in Nanjing. It is expected that the plant will be operational in 2007.

b) McVicar (Hong Kong) Advanced Materials Co. Ltd.

On October 15, 2006 the Company signed a letter of intent to acquired 51% interest in McVicar (Hong Kong) Advanced Materials Co. Ltd. ("MAM") from Shining Palace Holding Limited. MAM is in the process of completing the purchase of 100% interest in Zhejiang Hongbo Chemical Co. Ltd. ("Hongbo"), China. Hongbo is a developer, manufacturer and supplier of specialized fine chemical products used in the pharmaceutical and cosmetic industry. The Company will pay a total of $4.35 million cash (RMB $30.60 million) with $300,000 due upon signing of agreement and 50% of the remaining balance paid as an advance to MAM as this was required in order to get Chinese government approval for the sale of Hongbo to MAM. The final 50% is due three months after Chinese government approval. As at December 31, 2006 the Company had paid the $300,000 downpayment and had advanced $2.206 million to MAM. Subsequent to the year end approval was granted by the Chinese government for the sale of Hongbo to MAM.

c) Shanghai CPD Construction Products Co. Ltd.

In March of the current year the Company sign a letter of intent to acquired 55.31% interest in Shanghai CPD Construction Products Co. Ltd. ("Shanghai CPD""), a wholly foreign owned company controlled by CPD Canada, a leading chemical supplier based in Toronto, Canada. In return for 55.31% interest of Shanghai CPD, the Company was to invest $10 RMB or approximately $1.5 million cash in Shanghai CPD and issue 500,000 options to CPD Canada as well as 2% royalty on gross sales of all Canadian, USA and Mexico products manufactured and distributed in China by Shanghai CPD. During the year management decided it was not in the best interests of the Company to pursue this investment and terminated the acquisition.

d) Shenzhen Kingcom Chemical Co. Ltd.

On August 8, 2005 the Company agreed to acquired 25% interest in Shenzhen Kingcom Chemical Co. ("Kingcom") Ltd. for $1,086,960, satisfied through the issuance of 2,415,461 common shares of the Company at a deemed price of $0.45 per share. Kingcom through two wholly owned subsidiaries operates a chemical business in the city of Shenzhen, Guangdong province, China. Under the purchase agreement the Company was also granted right to purchase the remaining 75% interest in Kingcom. In January of the current year the Company engaged an independent auditing firm to conduct the 2005 year end financial results of Kingcom subsidiaries. Failed negotiations based on the audit work resulted in the termination of the acquisition.

5. Loans receivable from related parties:

Loans receivable from related parties consist of the following :

a) Sino Lion Nanjing Ltd.

The Company had advanced cash to Sino Lion Nanjing during the year for expenditures incurred by the Company in China, as at December 31, 2006 $35,255 is outstanding. This loan is non-interest bearing, unsecured and due on demand.

b) JITE Industrial (Shenzhen) Co. Ltd. ("JITE Shenzhen")

On December 9, 2006 the Company advanced RMB 5.5 million (approx Cdn $821,153) to JITE Shenzhen. This loan is a demand loan, unsecured and is interest bearing at 7.2% per annum. As at December 31, 2006 interest receivable of $1,944 has been recorded and included in the loan receivable. Subsequent to the year end JITE Shenzhen repaid $400,000 of this loan.

6. Mineral resource properties:

Mineral resource properties consists of the following:

a) Hulugou Property, Sichuan Province, Peoples Republic of China:

On October 21, 2003 the Company entered into an assignment agreement (the "agreement") with Uphill Resources Corporation ("Uphill") to acquire Uphill's interest in a Joint Venture Agreement ("JVA") with China Northwestern Sichuan Province Geological Team ("Geological Team") under which Uphill was granted the option to acquire 55% interest in the Hulugou Property in Sichuan Province of the People's Republic of China upon the expenditure of US$3,000,000 on the property on or before April 12, 2006 (subsequently extended to April 2007). In order to acquire Uphill's interest the Company issued 4,600,000 common shares to Uphill which have been valued at a nominal amount of $10.

On November 10, 2004 the local government of Jiuzaigou county, Sichuan province, refused access by McVicar to its Hulugou gold property located within the county boundaries. The local authorities based their access refusal decision upon the claim that the Hulugou property is located within an ecological preservation area delineated by the forestry department of the Sichuan provincial government. According to the Company's joint venture partner, the Hulugou project is located well outside the boundaries of this ecological preservation area. Prior to entering into the joint venture, the Geological Team had unrestricted access to the project area when it carried out its initial prospecting work following the discovery of the gold mineralization free from interference from any other local or provincial government agencies.

The Hulugou property is held pursuant to a joint venture agreement dated as of April 12, 2004 between McVicar and the Geological Team of Sichuan province. McVicar’s joint venture agreement with the Geological Team was duly approved by the geological bureau of the Sichuan provincial government which has jurisdiction over such projects. The joint venture is pursuing an appeal of the local decision, initially, to the county government, then to the provincial government if a satisfactory resolution is not obtained.

b) Dahemian Property

During the year the Company signed an agreement with Xingang Yitong Mining Corp. ("Yitong") of China, to acquired its 51% interest in the Dahemian Gold Property in West Henan Province, China. Under the agreement the Company will pay RMB1.25 million (Cdn $180,000) cash to Yitong and 1% Net Smelter Royalty ("NSR") once the mine is developed and in production. In addition, the Company can increase its interest in the property to 90% by spending an additional $1 million over a three year period. The Dahemian property is located in the Yiyang county, west of Luoyang City, Henan province. The exploration permit covers an area of 3.9 square kilometres. As at December 31, 2006 the Company had deposited RMB 1 million for a due diligence study on the property.

7. Write-off of mineral resource properties:

a) Three molybdenum properties, Yanbian district, Jilin Province, Peoples Republic of China

In June 2006 the Company entered into an agreement with Sixth Geological Institute of Jilin province to acquire three molybdenum properties in the Yanbian district in the Jilin province. The Company committed to invest $150,000 for initial prospecting and exploration activities in return for 70% interest in the three projects. During the year the Company spend approximately $150,000 on a due diligence study on the properties and decided they did not merit further investigation and therefore wrote-off the expenditure related to these properties.

7. Write-off of mineral resource properties (continued):

b) Kasagiminnus Lake Property, Province of Ontario, Canada:

A gold property in Northwestern Ontario known as the Kasagiminnus Lake Property jointly staked with Asia Now Resources Limited. The property consists of 8 contiguous claims consisting of 125 units. During a prior year the Company had staked further claims in the same area. During the current year the Company had not incurred any material expenditures on the property and decided it did not merit further investigation and therefore all deferred expenditures associated with the property were written-off.

c) Langgai Project, Sichuan Province, Peoples Republic of China:

The Company has signed a letter of intent ("LOI") with Northwest Sichuan Geological Team (the "Geological Team") to acquire three additional gold exploration properties in Northwest Sichuan Province, China. Under the LOI the Company can earn an 80% interest in the property by expending US$1.5 million over a three year period; US$300,000 in the first year; US$900,000 in the second year and US$300,000 in the third year. The signing of a final agreement on the property is contingent upon the Company completing due diligence work on the property. During the current year the Company did not incur any material expenditures on the property and decided it did not merit further investigation. and therefore all deferred expenditures associated with the property were written-off.

d) Shibangou Gold Property in West Henan Province, China.

During the prior year the Company signed a letter of intent ("LOI") with China Henan First Institute of Geological Survey ("HFIGS") to acquire the Shibangou Gold Property in West Henan Province, China. Under the LOI the Company can earn an 80% interest in the property by spending US$500,000 on the property over a three year period. The signing of a final agreement was conditional upon the completion of a due diligence study on the property. During the prior year the Company expended $19,581 on the due diligence study on the property and decided it did not merit further investigation and therefore wrote off all costs associated with this property..

8. Capital stock:

The Company's authorized capital stock consists of an unlimited number of common shares.

Capital stock consists of the following:

	2006	2005
Common shares	$ 7,456,828	$ 3,105,337
Warrants	142,094	43,780
	$ 7,598,922	$ 3,149,117

The Company has issued common shares as follows:

	# shares	$ value
Balance December 1, 2004	11,283,009	$ 3,098,219
Warrants exercised	9,490	7,118
Balance December 31, 2005	11,292,499	3,105,337
Options exercised	30,000	22,500
Agents' options	346,060	259,545
Private placements (i)	4,680,000	4,296,796
Less: Share issue costs		(227,350)
Balance December 31, 2006	16,348,559	$ 7,456,828

8. Capital stock (continued):

The Company has issued warrants as follows:

	$ value
Balance December 1, 2004 and December 31, 2005	$ 43,780
Private placements (i)	98,314
Balance December 31, 2006	$ 142,094

i) During the current year the Company completed two private placements. The first was for 1,900,000 units at a price of $0.85 per unit for gross proceeds of $1,615,000. Each unit consisted of one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder to acquire a further common share at a price of $1.25 per share and expiring March 29, 2008. The Company paid finders' fees of approximate 5% or $81,597 in relation to this Offering. The warrants from this private placement have been valued at $62,734 which amount is reflected in Capital Stock under warrants.

The second private placement was for 2,780,000 units at $1.00 per unit for gross proceeds of $2,780,000. Each unit consisted of one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder to acquire a further common share at a price of $1.50 per share and expiring July 7, 2008. Finder's fees of $139,000 was paid in relation to this offering. The warrants from this private placement have been valued at $35,580 which amount is reflected in Capital Stock under warrants.

The values for the warrants noted above was determined using the Black Scholes model with the following assumptions; dividend yield 0%, risk-free rate of interest 3.5%, expected volatility of 21.85% and expected life of 24 months. Proceeds from the two Offerings will be used for acquisition, exploration and working capital. Legal fees of $6,752 was also paid in relation to the two offerings mentioned above.

ii) Pursuant to an agency agreement dated March 24, 2004 and prospectus filing dated March 26, 2004, the Company completed its initial public offering of 4,383,000 units to the public at a price of $0.75 per unit for gross proceeds of $3,287,250. Each unit consisted of one common share and one-half of one common share purchase warrant with each whole warrant entitling the holder to acquire a further common share at a price of $1.25 per share until expiry six months from closing of the offering. The expiration of the warrants was extended until April 13, 2006.

Stock-based compensation plan:

The Company has established a common share purchase option plan (the "Plan") for directors, officers, employees and consultants. Options are granted at a price no lower than the market price of the common shares at the time of the grant less allowable discounts.

In determining the stock-based compensation expense disclosed in the financial statements, the fair value of the options were estimated using the Black-Scholes option pricing model with the weighted average assumptions used for grants as follows: dividend yield of 0%, expected volatility of 25%, risk-free interest rate of 3.5% and expected life of 24 months.

8. Capital stock (continued):

Options

A summary of the Company's options at December 31, 2006 and 2005 and the changes for the years then ended is presented below:

	Options Outstanding	Weighted-Average Exercise price
At December 31, 2004 and 2005	770,000	$ 0.75
Granted	520,000	0.75
Exercised	(30,000)	0.75
Expired/surrendered	(165,000)	0.75
At December 31, 2006	1,095,000	$ 0.75

The following table summarizes information about the options outstanding at December 31, 2005:

Exercise Price	Options outstanding and exercisable	Remaining contractual life
$ 0.75	770,000	2.66 years

The following table summarizes information about the options outstanding at December 31, 2006:

Exercise Price	Options outstanding and exercisable	Remaining contractual life
$ 0.75	655,000	1.92 years
$ 0.75	440,000	1.03 years
	1,095,000	1.56 years

Agents options:

A summary of the Agent's options (as issued under the Company's IPO as disclosed in (ii) above) as at December 31, 2006 and 2005 and the changes for the years then ended is presented below:

	Agent's Options Outstanding	Weighted-Average Exercise price
At December 31, 2004	438,300	$ 0.75
Exercised	(9,490)	0.75
At December 31, 2005	428,810	0.75
Exercised	(346,060)	0.75
Expired/surrendered	(82,750)	0.75
At December 31, 2006	-	$ 0.75

The following table summarizes information about Agent's options outstanding at December 31, 2005:

Exercise Price	Agent' Options outstanding and exercisable	Remaining contractual life
$ 0.75	428,810	0.28 years

There are no Agent's options outstanding as at December 31, 2006

8. Capital stock (continued):

Warrants:

A summary of the Company's Warrants at December 31, 2006 and 2005 and the changes for the years then ended is presented below:

	Warrants Outstanding	Weighted-Average Exercise price
At December 31, 2004 and 2005	2,191,500	$ 1.25
Issued	2,340,000	1.40
Expired/surrendered	(2,191,500)	1.25
At December 31, 2006	2,340,000	$ 1.40

The following table summarizes information about warrants outstanding at December 31, 2005:

Exercise Price	Warrants outstanding and exercisable	Remaining contractual life
$ 0.75	2,191,500	0.25 years

The following table summarizes information about warrants outstanding at December 31, 2006:

Exercise Price	Warrants outstanding and exercisable	Remaining contractual life
$ 1.25	950,000	1.24 years
$ 1.50	1,390,000	1.52 years
	2,340,000	1.41 years

9. Related party transactions:

Included in prepaid expenses is approximately $16,839 in cash advances to two consultants and a director of the Company for travel and accommodation expense for trips to China. Management fees expense incurred during the year was charged by an individual who is an officer and director of the Company. Included in consulting fees is $12,000 (2005 - $5,000) paid to an individual who is also a director of the Company. Included in office and general is $10,632 paid to an employee who became a director of the Company in the current year.

Of the offerings described in Note 8(i) 41,824 units for gross proceeds of $35,550 was placed with a senior officer and director and 80,000 units for gross proceeds of $68,000 was placed with a Company controlled by a director.

10. Supplementary cash flow information:

Change in non-cash working capital:

	2006	2005
Accounts receivable	$ 27,564	$ (6,303)
Prepaid expenses and deposits	(37,742)	6,954
Accounts payable and accrued liabilities	12,081	(9,756)
	$ 1,903	$ (9,105)

11. Income tax loss:

The Company has incurred tax losses of $1,235,914 which may be used to reduce future taxable income. The potential benefit of these losses, has not been recognized in these financial statements and will expire in the fiscal years ended December 31, if unused, as follows:

2010	$ 40,123
2014	507,614
2015	351,912
2026	336,265
	$ 1,235,914

The following reconciles the effective tax rate to the statutory rate on a percentage basis:

	2006	2005
Statutory tax rate	36.12 %	36.12 %
Tax losses not recognized	(36.12)	(36.12)
Effective tax rate	- %	- %

The Company has the following future income tax assets/(liabilities):

	2006	2005
Non capital losses	$ 446,412	$ 301,300
Exploration and development expenditures	(79,022)	-
Valuation allowance	(367,390)	(301,300)
Benefit recognized in the financial statements	$ -	$ -

12. Segmented information:

The Company currently only has operations in one industry segment, mining exploration and development. All revenues and expenses to date, with the exception of the write-off of interest in mining properties in the current year which was for expenditures incurred in China, were incurred in Canada. Assets held by geographic location are as follows:

	2006	2005
Canada	$ 1,582,160	$ 2,216,732
China	4,779,646	163,060
	$ 6,361,806	$ 2,379,792

13. Commitments:

The Company is committed to the following minimum annual payments for management and consulting services:

2007	$ 120,000

14. Contributed surplus:

Balance January 1, 2005	$ 35,100
Stock-based compensation expense	-
Balance December 31, 2005	35,100
Exchange gain on private placement proceeds	19,270
Stock-based compensation expense	129,940
Balance December 31, 2006	$ 184,310

15 Subsequent events:

i) Subsequent to the year end, McVicar (Hong Kong) Advanced Materials Co. Ltd. ("MAM") completed the purchase of 100% interest in Zhejiang Hongbo Chemical Co. Ltd. ("Hongbo") from Shining Palace Holding Limited with the approval of the Chinese government. The remaining balance due on the acquisition has been paid.

ii) Subsequent to year end the Company reached a private agreement with four major shareholders of Jite Technologies Inc. ("JITE") to acquire 42,500,000 shares of JITE (51.12% of outstanding shares of Jite for total consideration of $5,312,500 to be satisfied by a combination of $1,375,000 cash and 4,375,000 shares of the Company at deemed price of $0.90 per share. A total of $600,000 cash is payable upon closing and remaining $775,000 payable in 6 months following closing. JITE is a TSX Venture Exchange ("TSX") listed company that designs and manufactures electronic connection devices for use in elevators, railways, security and automation systems. The shares of JITE acquired by the Company will be subject to escrow agreements in the form prescribed by the TSX Venture Exchange. Subsequent to the year end this acquisition transaction was approved by the TSX and the initial $600,000 was paid with the remaining balance of $775,000 due on July 18, 2007. The Company also issued the 4,375,000 shares of the Company at deemed price of $0.90 per share. The value of the shares issued was calculated based on the average closing share price for the 20 day period ending two days prior to January 19, 2007.

iii) In January 2007 JITE Shenzhen Tech (China) repaid $400,000 of the $823,097 loan outstanding as at December 31, 2006. In February 2007 the Company made an additional loan of RMB 6 million (approx Cdn$888,914) to JITE Shenzhen with the same terms and conditions as the previous loan.

iv) In April 2007 the Company completed a non-brokered private placement of 2,500,000 shares with three placees resident in the Peoples Republic of China for a gross proceeds of $2.25 million at a price of $0.90 per share. Finders' fees of $112,500 were paid in relation to this offering. Proceeds from the Offering will be used to complete the remaining payment to shareholders of MAM. All shares issued are to be held in escrow pending regulatory approvals. The shares will be subject to a 4 month and one day hold period from the date of closing.

v) Subsequent to year end the Company granted stock options to directors, consultants and employees, entitling them to purchase up to 210,000 common shares at a price of $0.75 per share for a period of two years.