

New Issue

**NO SECURITIES REGULATORY AUTHORITY HAS ASSESSED THE MERITS OF THESE SECURITIES OR REVIEWED THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.
THIS IS A RISKY INVESTMENT – See Item 8**

OFFERING MEMORANDUM – *For Canadian Investors*

C.E.E. FLOW THROUGH

Canada Revenue Agency - 2006 Flow-Through ID #06-35868-9

June 15, 2006. GEMCO MINERALS INC. (the “Company”)

203-20189 56 Avenue, Langley B.C., Canada, V3A 3Y6

Ph. 1-866-848-2940 Fax: (604) 468-3955

Email - info@gemcominerals.net Website: www.gemcominerals.net

Currently listed or quoted? OTC BB Exchange, Trading Symbol GMLL
Reporting Issuer? Yes – Securities Exchange Commission , United States.
SEDAR filer? EDGAR Filer

THE OFFERING

Securities Offered: 200 security units (the “Units”), each Unit consisting of 10,000 common shares, comprised of 7,000 “flow-through” common shares and 3,000 “non-flow-through” common shares. Each Unit has attached 10,000 warrants. Each warrant is convertible into one non-flow-through common share, exercisable within two years at a price of \$0.50 USD per unit share – see Item 5.

Price per Unit: 200 Units at \$2,500.00 USD per Unit - \$0.25USD/share (\$2,875.00 CDN per Unit - \$0.2875CDN /share)

Minimum/Maximum Offering: \$500,000 USD, (\$575,000 CDN) maximum at 200 Units \$0 minimum, You may be the only purchaser.

Payment Terms: Bank draft, certified cheque, personal cheque

Proposed Closing Dates: On or before December 31, 2006, Thereafter dates and prices of units may be amended

Tax Consequences: There are important tax consequences to these securities. See Item 6.

Selling Agent: YES. See Item 7.

RESALE RESTRICTIONS

The securities will be subject to resale restrictions. See Item 10.

PURCHASER’S RIGHTS

You have 2 business days to cancel your agreement to purchase these securities. If there is a misrepresentation in this Offering Memorandum, you have the right to sue either for damages or to cancel the agreement. See Item 11.

ITEM 1 USE OF NET PROCEEDS (US\$)

We are offering up to a maximum of 200 units (the "Units"), each Unit consisting of 7 "flow-through" common shares and 3 "non-flow-through" common shares, at the following Unit prices:

Number of Units Offered	Price per Unit USD	Proposed Closing Date	Gross Proceeds	Maximum Commission ¹
Up to 200	\$2,500.00	On or before December 31, 2006	\$500,000	\$50,000

1.1 Total Net Proceeds (US\$)

		Assuming min. Offering	Assuming max. Offering
A	Amount to be raised by this offering	\$ 0	\$500,000
B	Selling commissions and fees	\$0	\$50,000 ¹
C	Estimated offering cost (e.g. legal, accounting, printing)	\$15,000	\$15,000 ¹
D	Net proceeds: D=A-(B+C)	(\$15,000)	\$435,000

1.2 Use of Net Proceeds (US\$)

Description of intended use of net proceeds in order of priority	Assuming min. offering	Assuming max. offering
Prospecting and Sampling	N/A	\$15,000 ²
Trenching and Gridding	N/A	\$55,000 ²
Deployment of Drill and Accessories	N/A	\$25,000 ²
Drill Equipment Placement and Implementation	N/A	\$25,000 ²
Drilling Program and Works (2 man operation)	N/A	\$160,000 ²
Preliminary Test Works	N/A	\$30,000 ²
Analysis, Assaying and Reporting	N/A	\$40,000 ²
Leases, Fees and Assessments	N/A	\$25,000 ¹
Marketing and Expenses re: Offering	N/A	\$50,000 ¹
General Working Capital	N/A	\$75,000 ¹
Total	\$0	\$500,000

¹ This amount will be paid from the proceeds of the Offering attributable to the sale of the Common Shares issued as part of the Units.

² This amount will be paid from the proceeds of the Offering attributable to the sale of the Flow-Through Shares issued as part of the Units.

1.3 Reallocation

We intend to spend the net proceeds as stated above. We will reallocate funds only for sound business reasons.

1.4 Working Capital Deficiency

As at February 28, 2006, the company had a working capital deficiency of \$711,135. This deficiency will be managed with a combination of converting some debts to shares, the sale of certain mineral assets, income from other sources and through ongoing capital funding raising.

ITEM 2 BUSINESS OF THE COMPANY

2.1 Structure

Gemco Minerals Inc. (GMML) was incorporated August 22, 1997 in the State of Florida, United States of America. The corporate name change from Firstline Environmental Solutions Inc. to Gemco Minerals Inc. occurred March 30, 2006. The Company changed its name to Gemco Minerals Inc. to correlate with its focus on developing and mining its mineral assets. The Company is listed on the OTCBB Exchange with the current trading symbol "GMML" in the United States of America. GMML has a wholly owned Canadian Subsidiary, named Firstline Recovery Systems Inc., which was incorporated in British Columbia on June 1, 1998. Both companies are referred to commonly as "Gemco" within this Offering Memorandum.

2.2 Our Business

a) Gemco Minerals Inc. (GMML)

Gemco Minerals Inc. undertook a reverse merger on July 18, 2001 with Firstline Recovery Systems Inc., which is now the wholly owned subsidiary of Gemco. the Company advanced to the OTCBB Exchange effective March 24, 2006. All operating activities have always been conducted in the subsidiary Firstline recovery Systems Inc. 100% of the mining claims were assigned to Gemco, as at May 15, 2005. Gemco is registered in Canada with CCRA and is an extra-provincially registered Company in the province of British Columbia.

b) Firstline Recovery Systems Inc.

Firstline Recovery Systems Inc., a private Company was formed in June 1998 with the express objective of remediating soils contaminated with heavy metals. Utilizing "re-discovered" mining industry techniques FLRS embarked on a two year research and development program to refine the processes and equipment needed to bring their goals to fruition. The results included the unique and patented "Centrifuge Processor". In a benchmark project completed for Canada's Department of National Defence, FLRS and its "Centrifuge Processor" met with critical success cleaning one of the Ministry's lead contaminated shooting ranges in Chilliwack, British Columbia, Canada. With this success FLRS expanded its objectives and developed a mission to bring advanced technologies and methodologies to a broader range of environmental contamination challenges. By 2001 the experience gained in the remediation field provided Firstline the impetus to expand into precious metals recovery and into the exploration of magnetite as an environmentally friendly blast abrasive material as well as the marketing of ancillary products and services to compliment these areas of interest.

2.2.1 Precious Metals – Gemco

Gemco obtained its Miner certificate number 141500 in December 1998, for the purpose of acquiring Hard Rock Mining Claims, for exploration and development. Gemco acquired its first Gold property shortly thereafter called the Burns Group Mineral Claims, (The Burns Group) which encompasses 3,274 Acres (1,325 hectares) of Mineral Hard Rock Claims.

The Gemco Burns Mountain property is 45 miles east of Quesnel, British Columbia, along highway 26 to Barkerville Historic Gold Town. Based on its diligent research, Gemco acquired another key property at Burns Mountain in 2000, adding another 6,475 acres (2,622 hectares) of Mineral hard Rock property ,to total of 9,749 Acres (3,947 hectares) of prime exploration property. In January 2005, the Burns Group was converted to cells; this resulted in the property size being changed to 3,947 hectares with 158 cells. The new tenure numbers are 506325, 506328, 506333, 506335, 506336, 506337. Gemco acquired another 1,089 hectares of strategic contiguous mineral claims on Burns Mountain and now holds a over of 5,000 hectares or (12,441 acres) in the gold rush Cariboo Region. Gemco also has two placer properties in the same region, namely the Hawk placer property and the Joytown LPM (lease of placer minerals) which is near the head of Cunningham Creek.

With extremely good access, Gemco has conducted preliminary works at Burns Mountain including exploration of existing adits and shafts. The longest explored adit tunnel being 2,350 feet into the mountain. The property offers good assay results from many locations tested, with 70% of the property still unexplored. Further, earlier records showed the creeks draining Mountain Burns contained very coarse gold of high fineness. In 1990 our president, Tom Hatton, discovered an 8.5 ounce gold nugget at Burns Creek, which was recorded and published in the B.C. mining records.

Tom Hatton and our field people have lived and worked in the area for many years and are very familiar with Burns Mountain property. As at March 23 2005, Gemco received its report from Geologist, Robert Reid, P.GEO. Mr. Reid was responsible for the Bonanza Ledge gold discovery, a major gold find for International Wayside Ltd., one of the biggest players in the area. BC mining reports indicate that more occurrences of the Bonanza ledge formation are likely to occur and may exist within the Burns Mountain area. Gemco is well positioned to conduct an extensive exploration program on Burns Mountain as Mr. Reid's report has identified some specific target areas. Further, Gemco is committed on the work program recommended by Mr. Reid for 2006 and onward.

The Company and its directors will disclose information as required under the guidelines of National Instrument 43-101 *Standards of Disclosure for Mineral Projects* (NI 43-101) with respect to the technical report prepared and submitted to the Company by its Geologist, Robert E. (Ned) Reid, P.Geo.

2.2.2 Natural Mineral Products - Firstline

Recent environmental regulations throughout North America have restricted the use of traditional abrasives like silica-sand and some slags. This is particularly true in the blast cleaning (sand blasting) market where 5 million tons of abrasives are used each year. Magnetite has emerged as a less health damaging and more environmentally friendly alternative to the traditional non-recyclable abrasives. The specific particle size of natural magnetite product performs optimally in blast cleaning applications and can be recycled

As Firstline Recovery Systems Inc. searched for environmentally friendly products to expand into the Blast Abrasive industry research lead us to a large deposit of magnetite on the Tulameen River on a property owned by Golden Spike Exploration. The magnetite that was discovered had been tested as a blast abrasive and showed very promising results. Development of this resource had to be taken to the next level and Gemco entered into a partnership with Golden Spike to do larger sampling, bulk testing and ultimately take the project to production levels.

In late 2002 bulk production tests were done to establish the best onsite recovery methods and to develop large samples for testing in the marketplace.

2003 was spent testing these samples and establishing market acceptance for Firstline brand name "Eco-Blast" product. "Eco-Blast" meets the requirements that the industry has for an environmentally friendly product that has excellent cutting rate and can be priced competitively. Preparations to go into full production were instituted in February of 2004 but were delayed due to start-up capital requirements.

2.2.3 Soil Remediation - FLRS

The Canadian Ministry of Defence called on Firstline and the "Centrifuge Processor" technology to assist them with the clean up of contaminated soil at a military base in Chilliwack, British Columbia, Canada. Firstline was able to meet all the requirements set out for them, removing lead bullets or slugs & lead and copper fines to 300 ppm as well as brass casings in accordance with established guidelines.

From the Ministries own estimates, a minimum of \$261,000 savings was realized through the use of Firstline's technology.

The Firstline "Centrifuge Processor" is a proprietary machine that removes lead and other heavy metals from affected soils. With its roots in the mining industry the "Centrifuge Processor" is versatile, yet rugged enough to handle the most demanding projects. It has been designed to maximize throughput while minimizing environmental concerns. With on-board screens and concentrators the "Centrifuge Processor" uses water that is continually recycled, eliminating environmental degradation from spills and greatly reducing the use of fresh water.

2.3 Development of the Business

Firstline has recently completed an initial geologist report for its Burns Mountain gold mining property as outlined in Section 2.2.1. The Company is focusing on the exploration and development of Burns Mountain as recommended by the geology report. During the last three years Firstline has developed its environmentally friendly mineral product, magnetite, for use in the commercial and industrial blast abrasive industry. As well, this natural mineral magnetite product is also being introduced for hydro-culture plant industry. Further, Firstline has received \$82,000.00 of scientific research funds for the development of its patent "Centrifuge Processor" for the purpose of cleaning contaminated sites. Firstline was awarded its first contract with the Department of National Defense, for the remediation of their contaminated site at the Chilliwack Military Base, Chilliwack, B.C.

2.4 Long Term Objectives

The long-term objective of the Company is to further its exploration and development of its mining properties, specifically Burns Mountain, for extraction of precious metals recovering mainly gold and silver. Its goal in the environmental remediation field, is to source out contaminated sites whereby Gemco can joint venture with the property owner and upon completion of site cleanup, Gemco will recover its costs and share in percentage of the profits from land disposition.

2.5 Short Term Objectives

The Company's objectives for the ensuing 12 months are to focus on the exploration and development of Burns Mountain as recommended by Gemco's geologist as outlined below.

What we must do and How we will do it	Target Completion Date, or if not known, number of months to complete	Our Cost to Complete US\$
Operational field work over the initial 3 months to continue exploration and development at the Burns Mountain gold property	Months 1 to 3	\$105,000
Conduct the first and second phase preliminary drilling program on the Burns Mountain mineral claims	Months 4 to 8	\$160,000
Continue geotech and field work on the balance of the mineral claims	Months 9 to 12	\$85,000
Total Distributions of Net Proceeds		\$350,000³

³ This amount assumes that the maximum offering is sold and will be paid out of the proceeds of the Offering attributable to the sale of the Flow-Through Shares issued as part of the Units (70% of \$500,000 = \$350,000USD or 70% of \$575,000CDN = \$402,500CDN).

2.6 Insufficient Proceeds

The proceeds of this offering may not be sufficient to accomplish all of our business objectives for the next 12 months and, as a result, the Company may require additional financing. There is no assurance that additional financing will be available, either for initial testing and implementation or for the exploration and development of the Gemco Burns mineral claims.

2.7 Material Agreements

As of the date of this Offering Memorandum the Company has not entered into any material contracts other than contracts entered into in the ordinary course of business, and the contracts outlined below:

a) Gemco, is a co-party with its subsidiary FLRS, to a Consulting Agreement with Pro-Act Management, a company controlled by Dorlyn Evancic, whereby Gemco retained Pro-Act on March 1, 2005, for management and consulting services on a one year renewable term which renewed in March 2006. Remuneration is comprised of shares as disclosed in Item 3.1 and \$3,000 per month on a cash and accrual payment basis through FLRS, which increased to \$5,000 per month as of March 24, 2006.

b) Gemco, has entered into an Option to Purchase Agreement with Georgia International Mining Corporation dated July 30, 2005, whereby the Company has optioned to Georgia three out of the six mineral properties that Gemco holds in the Burns Mountain claim. The option purchase price is \$285,000.00 CDN of which \$35,000.00 has been received as a non-refundable deposit and the balance of \$250,000.00 is to be paid by way of two payments of \$125,000.00 each commencing June 15, 2007 and ending June 15, 2008. On March 6, 2006, the Company entered into an Amendment to the Option Agreement whereby the payment dates were extended by one year to June 30, 2007 and June 30, 2008 respectively. Georgia has further agreed under the Option Agreement to fund the first phase of the work program to establish grids, radiometric surveys, along with geological mapping and sampling on the optioned property.

ITEM 3 DIRECTORS, MANAGEMENT, PROMOTERS AND PRINCIPAL HOLDERS

3.1 Compensation and Securities Held

The following table sets out information about each director, officer and promoter of the Company and each person who, directly or indirectly, beneficially owns or controls 10% or more of any class of voting securities of the Company (a "principal shareholder").

Name and municipality of principal residence	Positions held and date of obtaining that position	Compensation paid by Company since inception and the compensation anticipated to be paid in the current financial year	Number, type and percentage of securities* of the Company held after completion of minimum offering	Number, type and percentage of securities* of the Company held after completion of maximum Offering
Tom Hatton <i>Wells, BC</i>	Director President February 2, 2005	Nil	850,000 common shares or 4.19%	850,000 common shares or 3.50%
Evan Brett <i>Langley, BC</i>	Director Secretary February 10, 2005	Nil	578,638 common shares or 2.85%	578,638 common shares or 2.38%
Dorlyn Evancic <i>Port Coquitlam, BC</i>	Director Treasurer March 1, 2005	Nil	1,650,000 common shares or 8.13%	1,650,000 common shares or 6.79%
Fu Kwai Enterprises Ltd. ⁴ <i>Vancouver, BC</i>	Principal Shareholder June 14, 2005	Nil	2,524,833 common shares or 12.45%	2,524,833 common shares or 10.40%
Great West Management Corp ⁵ <i>Langley, BC</i>	Principal Shareholder June 23, 2005	Nil	4,675,632 common shares or 23.05%	4,675,632 common shares or 19.25%

* Common shares are presented on a fully diluted basis (including unexercised options and warrants)

⁴ More than 50% of the voting rights of this Principal Shareholder are controlled by Robert Vaughan

⁵ More than 50% of the voting rights of this Principal Shareholder are controlled by Gino Mollica

3.2 Management Experience

Name	Principal occupation and related experience
<p>Tom Hatton <i>Director, President</i></p>	<p>Mr. Hatton has extensive experience in all facets of the minerals and mining industry. With over twenty five years of stewardship in the field with multiple properties, he has undertaken management and operations roles including the following: placer mining operations, design and development of mineral processing plants, purchasing and placement of heavy equipment, government permitting, coordinating research and development activities, human resources, working closely with geologists, engineers and equipment operators. His knowledge and expertise in the mining industry will be instrumental to the company.</p>
<p>Evan Brett, <i>Director, Secretary</i></p>	<p>Evan has been in commercial real estate for the past 33 years selling and leasing commercial and investment properties and businesses. During that time he has also been active in numerous other businesses and organizations such as 9 years as a director of the Fraser Valley Real Estate Board chairing various committees, 5 years as a director of Homewood Mortgage Investment Corp. and more recently 3 years as a director of VWR Mortgage Investment Corp. Aside from his involvement in Gemco, he has become an owner and director of two public companies. He is a contributing author and editor of a soon to be published manual entitled a Guidebook to Commercial Real Estate. He is a graduate of both U.B.C. and Simon Fraser Universities in B.C.</p>
<p>Dorlyn Evancic, CGA <i>Director, Treasurer</i></p>	<p>Mr. Evancic has over 19 years of experience in business finance, management and operations in various corporations and industries. He has held executive positions in financial management and as a consultant with many private and public organizations. In these capacities he has coordinated a wide range of corporate activities including, business planning and development, financial analysis, treasury management, due diligence, systems design and implementation. His diverse background and business acumen will enhance our corporate management.</p>

3.3 Penalties, Sanctions and Bankruptcy

No director, senior officer or control person of the Company has, within the ten years prior to the date of this Offering Memorandum, been subject to any penalties or sanctions or been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

No director, senior officer or control person of the Company is, or within the 10 years prior to the date of this Offering Memorandum, has been a director, senior officer or control person of any other issuer that, while that person was acting in such capacity was the subject to any penalties or sanctions or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that issuer.

ITEM 4 CAPITAL STRUCTURE

4.1 Share Capital

Description of Security	Number authorized to be Issued	Number outstanding as at May31, 2006	Number Outstanding assuming completion of min. offering	Number Outstanding assuming completion of max. offering
Common Shares	50,000,000	18,486,815	18,486,815	20,486,815
Options		1,800,000	1,800,000	1,800,000
Warrants				2,000,000
Total	50,000,000	20,286,815	20,286,815	24,286,815

As of the date of this Offering Memorandum there were no warrants outstanding, 1,800,000 options outstanding and no other securities convertible into shares of the Company. The existing options carry an exercise value of \$270,000.00 USD and have an expiry date of April 30, 2009. The new warrants will be issued on a one to one basis with each new share issued (10,000 warrants per Unit). Each warrant is convertible into one non-flow-through common share at an exercise price of \$0.50 USD within a two year period with an expedited exercise provision stating that if, for thirty consecutive trading days, the closing price of the listed shares of the Company exceeds \$0.50 USD then the exercise period of the warrants will be condensed to a period of 60 days. Upon completion of the maximum offering, the total number of warrants outstanding will be 2,000,000 for a total exercise value of \$1,000,000 USD.

4.2 Long Term Debt

The Company has no long-term debt.

4.3 Prior Sales

The following table lists all common shares and securities convertible or exchangeable into common shares, issued within the last 12 months:

Date of issuance	Type of Securities Issued	Number of Securities Issued	Price per Security USD\$	Total Value Received
June 14, 2005	Common Shares	2,147,471	\$0.1587	\$340,907
April 20, 2006	Common Shares	980,000	\$0.1500	\$147,000
TOTAL		3,127,471		\$487,907

ITEM 5 SECURITIES OFFERED

5.1 Terms of Securities

This Offering consists of up to a maximum of 200 Units, each Unit consisting of 7 Flow-Through Shares and 3 Common Shares, at the following prices:

Number of Units	Price Per Unit
200	\$2,500 USD (\$2,875 CDN)

Each of the Flow-Through Shares and Common Shares (together the "Shares") of the Company is entitled to one vote at a meeting of shareholders. The Shares are not convertible into shares of any other class and are not redeemable or retractable. We have no present intention of paying dividends. Future dividends, if any, will be determined by our directors.

Save as described under the heading "Flow-Through Shares" below, there are no special rights or restrictions of any nature attached to any of the Shares and all Shares rank equally with each other as to all benefits which might accrue to the holders of the Shares.

Each Unit has attached 10,000 warrants. Each warrant is convertible into one non-flow-through common share at an exercise price of \$0.50 USD within a two year period with an expedited exercise provision stating that if, for thirty consecutive trading days, the closing price of the listed shares of the Company exceeds \$0.50 USD then the exercise period of the warrants will be condensed to a period of 60 days.

Flow-Through Shares

The Company has agreed to expend an amount equal to the gross proceeds received from purchasers for each Flow-Through Share issued as part of a Unit to incur expenditures that qualify as Canadian Exploration Expense ("CEE") and renounce such expenditures in favour of the purchasers for Flow-Through Shares. The renunciation will entitle the purchasers to claim certain deductions for income tax purposes. See Item 6 "Income Tax Consequences and RRSP Eligibility". Subscriptions for Units will be made pursuant to subscription agreements to be entered into between the Company and purchasers in substantially the form attached to this Offering Memorandum (the "Subscription Agreement").

100% percent of the purchase price for each Flow-Through Share comprising part of a Unit, shall be recorded separate from the Company's other funds (collectively the "CEE Fund"). Assuming the maximum Offering is sold, a total of \$350,000 will be recorded into the CEE Fund. Any interest income accruing on this amount will be solely for the benefit of the Company and will be added to general working capital.

The Company will, pursuant to the terms of the Subscription Agreement, use the CEE Fund to incur expenditures that qualify as CEE. The Company will renounce to purchasers of Flow-Through Shares such CEE incurred by it from expenditures of the CEE Fund as soon as it is reasonably practicable. The Company intends to expend the CEE Fund to incur CEE in carrying out site selection, pre-feasibility and engineering work, feasibility studies and other eligible expenditures as more particularly described under Item 1 "Use of Net Proceeds" such that purchasers will be entitled to claim certain deductions from income for income tax purposes for the 2006 taxation year. In the event the Company is unable to renounce CEE in the amount of the entire Exploration Fund for the 2006 taxation year the Company will renounce CEE in the amount of the balance of the Exploration Fund for the 2007 taxation year. In such event the amount of deductions that purchasers will be able to claim for income tax purposes for the 2006 taxation year will be correspondingly reduced. See Item 6 "Income Tax Consequences and RRSP Eligibility" and Item 8 "Risk Factors" below.

5.2 Subscription Procedure

You may subscribe for Flow-Through Shares by returning to us at:

203-20189 56 Avenue, Langley B.C., Canada, V3A 3Y6.,
the following:

1. a completed Subscription Agreement substantially in the form accompanying this Offering Memorandum;
2. a completed Risk Acknowledgement in the form attached to the Subscription Agreement (Form 45-106F3) - you should keep a signed copy of this form; and
3. a certified cheque, bank draft or an authorized transfer from a qualified RRSP/RRIF account in the amount of your investment payable to "Gemco Minerals Inc."

We will hold your subscription funds in trust until midnight on the second business day after the day on which we received your signed subscription agreement.

We reserve the right to accept or reject subscriptions in whole or in part at our sole and absolute discretion and to close the subscription books at any time without notice. Any subscription funds for subscriptions that we do not accept will be returned promptly after we have determined not to accept the funds.

This Offering commenced on April 18, 2006 and shall remain in effect until December 31, 2006 or until such earlier date as the maximum Offering has been sold. Notwithstanding the foregoing, the Company may in its sole discretion elect to extend the period of this Offering if the board of directors determines that the proposed business plan of the Company would not be jeopardized by such delay or, alternatively, close this Offering after the sale of any number of Units. It is the present intention of the Company to have closings of this Offering from time to time as sufficient numbers of Units are sold to warrant such a closing. As this Offering is not subject to any minimum subscription level it may be completed upon the sale of such number of Units as the Company, in its sole discretion, determines.

At the closing of the Offering we will deliver to you certificates representing fully paid and non-assessable Shares, provided the subscription price has been paid in full.

ITEM 6 INCOME TAX CONSEQUENCES AND RRSP ELIGIBILITY

6.1 You should consult your own professional advisers to obtain advice on the tax consequences that apply to you. This investment is NOT RRSP eligible.

6.2 Canadian Exploration Expenses "CEE"

This summary is of a general nature only and is not exhaustive of all Canadian federal income tax considerations. This summary is not intended to be, and should not be construed to be, legal or tax advice to any prospective purchaser and no representation is made with respect to the tax consequences to any particular purchaser. Accordingly, prospective purchasers should consult their own legal and tax advisors to determine the particular tax consequences to them having regard to their own particular circumstances.

The following has been prepared by management of the Company and is a summary of the principal Canadian federal income tax considerations applicable to purchasers who acquire Flow-Through Shares pursuant to this Offering Memorandum, who are resident in Canada, who deal at arm's length with the Company and who hold the Flow-Through Shares as capital property, all within the meaning of the *Income Tax Act* (Canada) (the "Tax Act"). The Flow-Through Shares will generally be considered to be a capital property unless the purchaser holds such shares in the course of carrying on a business of trading or dealing in securities or has acquired them in a transaction or transactions considered to be an adventure in the nature of a trade.

This summary does not address purchasers who or which are partnerships, trusts, "principal-business corporations" as that phrase is defined in the Tax Act (being essentially corporations whose main business is the exploitation of natural resources), traders or dealers in natural resource properties, "financial institutions" as that phrase is defined in the Tax Act, persons who deal with the Company on a non-arm's length basis or non-residents of Canada.

This summary is based upon the current provisions of the Tax Act, the regulations thereunder (the "Regulations"), any publicly-announced proposals to amend the Tax Act or Regulations prior to this date and our understanding of the current administrative policies of the Canada Revenue Agency ("CRA").

For the legislative basis of flow-through shares and CEE expenditures, please refer to Sections 66 and 66.1 of the *Tax Act* and to Section 1219 of the *Regulations*.

This summary assumes that the Company will make all the necessary tax filings in respect of the issuance of the Flow-Through Shares and the renunciation of CEE in the manner and within the time required by the Tax Act and the Regulations. This summary assumes that the Company will be a "principal-business corporation" at all material times and that the Flow-Through Shares, when issued, will not be "prescribed shares" within the meaning of the Tax Act.

6.2.1 Flow-Through Shares

A flow-through share (FTS) is a mechanism that allows a principal business corporation to obtain financing for expenditures on mineral exploration and development in Canada. By issuing flow-through shares, a company can renounce, or flow through, certain expenses to the purchaser of the share. These expenses are deemed to be incurred by the investor and not the corporation and reduce income subject to tax in the hands of the investor (which can be an individual or another corporation). The FTS mechanism, therefore, not only allows costs to be claimed sooner than they would have seen if they were retained in the corporation incurring them, but also to be claimed against income subject to higher rates.

A "principal-business corporation" as that phrase is defined in the Tax Act, that incurs Canadian exploration expense in the business ("CEE") with funds received from a purchaser pursuant to an agreement to subscribe for flow-through shares (other than certain prescribed shares described in the Regulations) can renounce such CEE to the purchaser so that the expenses are deemed, for income tax purposes, to have been incurred by the purchaser. Generally, CEE includes any expense incurred by a corporation for the purpose of determining the existence, location, extent, or quality, of a mineral resource, or petroleum or natural gas in Canada, including expenses involved with: prospecting, geological, geophysical or geochemical surveys, drilling (rotary, diamond, percussion or other methods), and/or trenching, digging test pits and preliminary sampling.

CEE also includes expenses incurred for the purpose of bringing a new mine into production, including clearing, removing overburden and stripping, and sinking a mineshaft. These expenses can be described as pre-production development costs.

An exploration expense does not include any expense related to a mine that has come into production in reasonable commercial quantities. It also does not generally include any expense incurred in drilling or completing an oil and gas well, or preparing a site for a well, when that well is brought into production within a specified period of time after incurring the expense, or when the total expense incurred to bring that well into production is less than \$5 million.

There is a 100% deduction available in respect of CEE in the year that the expenditure is incurred. The deduction is optional and in the case of a principal business corporation, it cannot be used to create a non-capital loss. Any unused balance of Canadian Exploration Expenses (CEE) in a particular year can be carried forward indefinitely and claimed in a later year at the election of the taxpayer.

Pursuant to the Subscription Agreement in substantially the form attached to this Offering Memorandum to be entered into between the Company and each purchaser obtaining Flow-Through Shares, the Company will represent that it is, and at all material times will be, a principal-business corporation and that the Flow-Through Shares will not be prescribed shares when they are issued. To effectively renounce the CEE to purchasers, the Company must make certain filings with respect to issuance of the Flow-Through Shares and renunciation of CEE in the manner and within the times required by the Tax Act. The Company will represent to purchasers that it will make such filings and provide purchasers with the necessary information with respect to CEE renounced for purposes of each purchaser's income tax returns. However, the preparation and filing of the income tax returns will be the responsibility of each purchaser.

In general terms, the Company can renounce CEE incurred by it between the date the Subscription Agreement is fully executed by the Company and the purchaser and the end of March of the calendar year following the date which is 24 months from the end of the month that includes that date. The Company will be entitled to renounce the amount of CEE otherwise deductible, less: (i) any previous renunciations with respect to such CEE; (ii) any portion of such CEE that is prescribed under the Regulations as relating to overhead expenses; (iii) any assistance the Company has received or may reasonably be expected to receive that is reasonably related to such CEE; and (iv) any such CEE that is the cost of, or an expense incurred for the use of, certain seismic data as more fully described in the Tax Act. The Company may not renounce to purchasers an amount in excess of the consideration paid by the purchasers for the Flow-Through Shares. Further, the Company will not be entitled to renounce CEE to the extent that such renunciation, if effective, would cause the Company's own cumulative CEE fund to be negative.

Subject to certain restrictions in the Tax Act, it is possible for the Company to renounce to a purchaser within the first 90 days after the end of a particular calendar year in which the purchaser and the Company entered into a Subscription Agreement and the purchaser paid for Flow-Through Shares thereunder, CEE that are "Qualifying Expenses" which the Company either incurred before the end of those 90 days or which it will incur thereafter but before the end of the calendar year in which those 90 days occurs. The renunciation will have retroactive effect to December 31 of the previous year.

6.2.2 Deduction for CEE

CEE deemed to have been incurred by a purchaser will be added to the purchaser's cumulative CEE account. A purchaser may deduct, in computing income from all sources for a taxation year such amount as may be claimed not exceeding 100% of the purchaser's cumulative CEE account.

Any such deductions reduce the purchaser's CEE account by a corresponding amount. Also, a purchaser's CEE account is reduced by the amount of any assistance the purchaser becomes entitled to receive in respect of CEE included in that account.

If a purchaser's CEE account becomes negative at the end of a taxation year, that amount must be included in the purchaser's income for that year, and the resulting balance in the account is nil until the purchaser incurs or is deemed to incur further CEE (This may apply when combining a non-refundable investment tax credit claimed by the purchaser in the previous year.)

To the extent that a purchaser does not deduct the balance of his or her cumulative CEE account at the end of a taxation year, the balance will be carried forward indefinitely and the purchaser will be entitled to claim deductions in respect thereof in subsequent taxation years. A purchaser who disposes of Flow-Through Shares will retain the entitlement to receive renunciations of CEE from the Company as described above as well as the ability to deduct any CEE previously renounced to the purchaser by the Company, and the purchaser of such shares will not be entitled to a renunciation of any CEE or to such deductions.

The Company does not propose to engage counsel to verify the expenses incurred or to be incurred, the amounts of renunciation made or to be made by the Company, nor the effective date of any renunciation.

6.2.3 Disposition of Flow-Through Shares

Any disposition or deemed disposition (other than a disposition to the Company) of Flow-Through Shares may result in the realization of a capital gain or capital loss in the taxation year of the disposition, equal to the amount by which the proceeds of disposition exceed the adjusted cost base of the Flow-Through shares and any costs of disposition.

Flow-Through Shares are deemed by the Tax Act to have been acquired at a cost of nil, notwithstanding the amount actually paid for the shares. However, the "adjusted cost base", as that phrase is defined in the Tax Act, of a flow-through share to a purchaser at any time will be averaged with the adjusted cost base of any other flow-through or flow-through common shares of the Company in the same class of such shares which, are held by the purchaser at that time as capital property.

One-half of any capital gain (i.e., a taxable capital gain) from the disposition of Flow-Through Shares must be included in the purchaser's income for the taxation year in which the disposition occurs. One-half of any capital loss (i.e., an allowable capital loss) may be deducted by the purchaser from taxable capital gains for the year and excess allowable capital losses may generally be carried back three years and forward indefinitely. Allowable capital losses may not generally be used to offset other types of income. In some circumstances, an allowable capital loss will be denied if the loss arises from a disposition to a related person.

6.2.4 Dividends Received on Flow-Through Shares

Dividends received by an individual on the Flow-Through Shares will be eligible for a dividend tax credit. For purposes of calculating the individual's income, dividends received by the individual will be increased by one quarter (the "gross-up") and the total amount is added to the individual's income. The individual will then be entitled to a credit against federal income tax payable equal to two-thirds of the grossed-up amount.

Dividends received by a corporation on the Flow-Through Shares are normally received tax-free under the Tax Act, but may be subject to a special refundable tax under Part IV of the Tax Act.

6.2.5 Alternative Minimum Tax

Under the Tax Act, taxes payable by an individual are the greater of the taxes otherwise determined, and an alternative minimum tax based in part on the amount by which the individual's "adjusted taxable income" as that phrase is defined in the Tax Act, for the year exceeds \$40,000. In calculating adjusted taxable income, certain deductions and credits otherwise available are disallowed and certain amounts not otherwise taxable are included in

income. The disallowed items include deductions claimed by the individual in respect of CEE, to the extent they gave rise to losses from resource-related activities, and in respect of any carrying charges relating to the acquisition of flow-through shares. The non-taxable portion of any capital gain realized by an individual during the year is also added to the individual's adjusted taxable income. Consequently an individual who deducts CEE or disposes of Flow-Through Shares may be subject to alternative minimum tax.

Any additional tax payable by an individual purchaser for a taxation year by virtue of alternative minimum tax may be carried forward and credited against the purchaser's ordinary income tax otherwise payable in the next following seven taxation years. However, such credits can be applied only in any of those seven years if the purchaser's ordinary income tax liability in that year exceeds what would be the purchaser's minimum tax liability for that year.

Whether alternative minimum tax applies in each particular purchaser's case will depend on the amount of such purchaser's income, the source from which it is derived, and the nature and amounts of deductions such purchaser claims. Purchasers should consult their tax advisors to determine whether they will be subject to alternative minimum tax.

6.2.6 Interest

Generally, a purchaser will be entitled to deduct a reasonable amount of interest paid or payable on money borrowed to acquire Flow-Through Shares provided the purchaser continues to own the shares or otherwise uses the borrowed funds to earn income from a business or property.

6.3 RRSP Eligibility

Not all securities are eligible for investment in a registered retirement savings plan ("RRSP"). You should consult your own professional advisers to obtain advice on the RRSP eligibility of these securities. This investment is NOT RRSP eligible.

ITEM 7 COMPENSATION PAID TO SELLERS AND FINDERS

The Units are being offered for sale by the Company directly through directors, officers, employees and other duly authorized agents of the Company in reliance upon exemptions from the registration and prospectus requirements of applicable securities legislation. The Company may also appoint one or more registered dealers to serve, on a non-exclusive basis, as the Company's agents to offer the Units for sale to eligible purchasers on a best efforts basis. As of the date of this Offering Memorandum, the Company has not entered into any agency offering agreement with any person registered to trade in securities pursuant to applicable securities legislation whereby the Units will be offered for sale.

Except where prohibited under applicable securities legislation, a commission of up to 10% of the offering price of the Units will be paid to all dealers and other duly authorized agents, whether registered or otherwise, in respect of any Units sold by such dealers and agents. Directors, officers and employees of the Company may also be eligible to receive this commission in respect of any Units sold by them.

The Company has also allocated \$50,000 out of the net proceeds of this Offering towards the development and implementation of a sales and marketing program for this Offering. See Item 1 "Use of Net Proceeds".

Save and except as disclosed herein, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or company in connection with this Offering.

ITEM 8 RISK FACTORS

This is a speculative offering. The purchase of Units involves a number of significant risk factors and is suitable only for investors who have no immediate need for liquidity. Prospective purchasers of Units should consider the following risks in connection with purchasing Units in addition to the factors set forth elsewhere in this Offering Memorandum. Any, all or a portion of these risks, or other as yet unidentified and unforeseen risks may have a materially adverse effect on all or any of the Company, the Units, the potential tax benefits of an investment in the Units and returns to investors. The Company strongly advises that prospective investors should consult with their own legal, tax and financial advisers with respects to these matters. Subscribers should consider the following:

Investment Risk

Speculative Nature of Investment

This is a highly speculative Offering. There is no assurance of a positive, or any, return on an investment in Units. The purchase of Units involves a number of significant risk factors and is suitable only for investors who are in high marginal income tax brackets, who are aware of the inherent risks in the development of mining and environmental resources, who are able and willing to risk a total loss of their investment and who have no immediate need for liquidity. The Company strongly recommends that prospective investors review this Offering Memorandum in its entirety and consult with their own independent legal, tax, investment and financial advisors to assess the appropriateness of an investment in Units given their particular financial circumstances and investment objectives prior to purchasing any Units.

No Market For Shares

There is no market through which the Shares may be sold and there are no assurances that any market will develop in the future. It may be difficult or impossible to resell the Shares or to pledge the Shares as collateral for a loan. Accordingly, an investment in Shares should only be considered by investors who are able to bear the economic risk of a long-term investment and do not require liquidity. The Shares are also subject to resale restrictions under applicable securities legislation. See Item 10 "Resale Restrictions".

No Review by Regulatory Authorities

This Offering Memorandum constitutes a private offering of the Units by the Company only in those jurisdictions where and to those persons whom, they may be lawfully offered for sale under exemptions in applicable securities legislation. This Offering Memorandum is not, and under no circumstances is to be construed as, a prospectus, advertisement or a public offering of these Units. Purchasers to this Offering Memorandum will not have the benefit of a review of the material by any regulatory authority.

Arbitrary Determination of Price

The offering prices for the Units were arbitrarily determined by the Company and are not based on any specific recognized criteria of value or other practices. Quite specifically, it should be

recognized that, as there is no existing market for the Shares comprising the Units it is impossible, except for the results of the sale of such Shares under this Offering, to determine at what price, if anything, those Shares would sell if a market did exist. In addition, the price per Share paid by purchasers may be less or greater than the per share net asset value of the Company at the time of purchase.

Risks Specific to the Company

Limited History of Sales or Profits

The Company has generally performed research and development activities and has a limited history of operational revenues or earnings. There is no assurance that the Company will be able to successfully complete its financing and development plans or operate profitably over the short or long term. Thus, subscribers will have to rely on the expertise and good faith of management to identify, acquire, develop and operate commercially viable projects. No assurance can be given that the Company's investigations and efforts will result in the acquisition and development of commercially viable resources. If the Company's efforts are unsuccessful over a prolonged period of time, the Company may have insufficient working capital to continue to meet its ongoing obligations and its ability to obtain additional financing necessary to continue operations may also be adversely affected. Even if the Company is successful in developing one or more resources, there is no assurance that production therefrom will be profitable.

Reliance on the Directors and Officers

The Company has a small management and development team and the unexpected loss of any of these individuals would have a serious impact on the business. At present, there is no key-man insurance in place for any members of the management and development team. Subscribers must also rely on the directors' ability to develop the business and make appropriate decisions in respect of the management thereof. Subscribers who are not willing to rely on the sole discretion and judgment of the directors and officers of the Company should not subscribe for Units. The Company also relies on a team of consultants to carry out its business objectives and the unexpected loss of any of these consulting firms could have a serious impact on the business.

Risk of No Return on Investment

There is no assurance that the business of the Company will be operated successfully, or that the business will generate sufficient income to allow Subscribers to recoup their investment. There is no assurance that an investment in the Units will earn a specified rate of return or any return over the life of the Company.

Uncertainty of Additional Financing

This Offering is not subject to any minimum subscription level and there are no assurances that the monies raised hereunder will be sufficient to permit the Company to execute its business plan or objectives as contemplated herein. In addition, the ability of the Company to undertake certain projects and the ability of the Company to pursue such projects will be dependent upon its ability to obtain additional financing. The Company does not have any commitments to obtain additional financing and there can be no assurance that the Company will be able to arrange for such financing, or that such financing will be available on commercially reasonable terms. The failure to obtain such financing on a timely basis or at all

could result in the substantial dilution or forfeiture of its interest in certain projects, missed acquisition opportunities and reduced or terminated operations.

Tax-Related

The Units are most suitable for an investor whose income is subject to the highest marginal income tax rate. **However, regardless of any tax benefits that may be obtained, a decision to purchase Units should be based primarily on an appraisal of the merits of the investment and on a purchaser's ability to bear a possible loss. Purchasers acquiring Units with a view to obtaining potential tax advantages from the Flow-Through Shares comprised therein should obtain independent tax advice from a tax advisor who is knowledgeable in the relevant areas of income tax law.** Federal and provincial income tax legislation may be amended, or their interpretation changed, so as to alter fundamentally the tax consequences of holding or disposing of Flow-Through Shares. There may be disagreements with the CRA with respect to certain tax consequences of an investment in Flow-Through Shares of the Company. The alternative minimum tax could limit tax benefits available to purchasers. If a purchaser finances the subscription price of his Flow-Through Shares with a borrowing or other indebtedness that is, or is deemed under the *Tax Act* to be, a limited recourse financing, the tax benefits of the investment to the Subscriber will be adversely affected. See Item 6 "Income Tax Consequences and RRSP Eligibility".

Conflicts of Interest

The directors and officers of the Company are not in any way limited or affected in their ability to carry on other transactions or business ventures for their own account or for the account of others, and may be engaged in the ownership, acquisition and operation of businesses which compete with the Company. Investment in the Company will not carry with it the right for either the Company or any purchaser to invest in any other property or venture of the directors and officers of the Company, or to any profit therefrom or to any interest therein. The directors and officers have a responsibility to identify and acquire certain projects on behalf of the Company. To the extent that an opportunity arises to enter into such an agreement, the directors of the Company have the discretion to determine whether the Company will avail itself of the investment opportunity and, if it does not, any of the directors and officers of the Company shall be able to decide amongst themselves whether to pursue the opportunity for their respective accounts. If the investment opportunity did not arise solely from their activities on behalf of the Company, the directors and officers of the Company have no obligation to offer an investment opportunity to the Company. Future conflicts of interest will be dealt with in accordance with applicable laws, statutes and regulations.

Industry Risk

Development and Production Risks

An investment in the Units is speculative and involves a high degree of risk due to the nature of the Company's involvement in the development and production of resources and its present stage of development. There is no assurance that the preliminary mineral sites pre-selected and to be selected will be economically feasible, reliable or appropriate for the Company's needs. Furthermore, it is difficult to project the costs of developing resources and markets due to the inherent uncertainties of identifying and securing suitable sites, governmental regulations, environmental controls and other factors beyond the control of the Company. Although the Company has identified certain preliminary sites or prospects the Company has not entered into any binding contracts relating to the acquisition or participation in these or any other properties nor have any letters of intent been executed. Management will evaluate

prospects on an ongoing basis in a manner consistent with industry standards. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially exploit its resources. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. While the Company has established certain internal guidelines with which to evaluate potential prospects, investors are advised that the net proceeds to be raised herein (after deducting the costs of issue) will be spent on properties that may not yet be identified. Future expenditures may involve unprofitable efforts, not only from inadequate site selection, but from projects that are productive but do not produce sufficient net revenues to return a profit after development, operating and other costs. Completion of the project does not assure a profit on the investment or recovery of development, completion and operating costs. In addition, construction hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful development. These conditions include delays in obtaining governmental approvals or consents, shut down or reduced operations of generating plants resulting from extreme weather conditions, fires, floods, freezing, spills and other natural disasters, insufficient storage or transportation capacity or other environmental and mechanical conditions. While close facility supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays, technological obsolescence and declines in production from normal operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Losses resulting from the occurrence of any of these risks could have a materially adverse effect on future results of operations, liquidity and financial condition.

Technical Obsolescence

The market for soil remediation is characterized by rapidly changing technologies which could result in product obsolescence or short product life cycles and moreover, the industry is characterized by continuous development of new environmental products and technology to replace outdated products and technologies.

Competition

The Company will compete for available sites, development leases, licenses and concessions and skilled industry personnel with other mining and environmental companies, many of which have significantly greater financial resources than the Company. In addition to the major environmental companies, the Company's competitors will include major integrated environmental companies, numerous other smaller and independent environmental companies and individual producers and operators. The environmental industry is highly competitive. The Company's competitors for the acquisition, production and development of mining and environmental projects, and for capital to finance such activities, include companies that have greater financial and personnel resources available to them than the Company. The Company's ability to successfully bid on and acquire property rights, to develop and to participate in future opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Insurance

There are certain risks inherent in environmental and mining production that could result in the Company becoming subject to liability for pollution, property damage, personal injury, death or other hazards. Although the Company intends to apply for insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, the Company may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Company. The occurrence of a significant event that the Company is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position, results of operations or prospects.

Environmental Risks

All phases of environmental and mining production present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with production. The legislation also requires that generating facilities and production sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of hazardous substances or other pollutants into the air, soil or water including, but not limited to, damage to fish habitats and other species may give rise to liabilities to governments and third parties and may require the Company to incur costs to remedy such discharge. No assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or acquisition activities or otherwise adversely affect the Company's financial condition, results of operations or prospects.

Government Regulation and Administrative Practices

Environmental and mining production, including property acquisitions and leases, are subject to extensive government regulation. Operations may be affected from time to time in varying degrees by political and environmental developments, such as restrictions on production, price controls, tax increases, expropriation of property, pollution controls and changes in conditions under which its resources may be produced, marketed and sold. There is no assurance that the laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency in Canada will not be changed, applied or interpreted in a manner which will fundamentally alter the ability of the Company to develop, operate, produce or market its products, facilities or operations. This includes the possibility of inter-provincial disputes, changes to regulations, policies or practices relating to prices, royalties, production and exporting of resources, protectionist or other types of duties or tariffs, road access, land use, expropriation, environmental protection, or other protection of lands. The effect of these factors on the Company cannot be accurately predicted but they may have an adverse effect on the return to purchasers. The actions, policies or regulations, or changes thereto, of any government body or regulatory agency, or other special interest group or groups, may have a detrimental effect on the business of the Company. There is also no assurance that native land

claims, heritage claims or expropriation attempts will not be made against the Company or any of its future properties, nor can there be any assurance any claim will not succeed in whole or in part. Any or all of these situations may have a negative impact on the Company's ability to operate and its profitability, and hence the return to purchasers.

Each prospective purchaser for Units should carefully consider the foregoing risk factors and consult his own professional advisors to assess income tax, legal and other aspects of an investment in Units.

ITEM 9 REPORTING OBLIGATIONS

The Company is a publicly trading company on the OTCBB exchange in the United States. The Company is a full reporting issuer as that term is defined in applicable securities legislation. As a result, the Company will be subject to the continuous disclosure requirements of such securities legislation, including, without limitation, requirements relating to the preparation and filing of audited annual financial statements and other financial information, the dissemination of news releases disclosing material changes in the business and affairs of the Company and the filing of material change reports.

As a shareholder of the Company you will have access to audited financial statements annually in accordance with the *British Columbia Companies act*. You will also be given notice of and will be entitled to attend general meetings of the holders of common shares of the Company in accordance with the *reporting requirements of the company*.

ITEM 10 RESALE RESTRICTIONS

10.1 Restrictions Upon Public Resale

The certificates for the Shares purchased in the Offering will bear a legend stating the securities are "restricted securities" as defined by the U.S. Securities and Exchange Commission (SEC) and may only be publicly offered and sold pursuant to an effective registration statement filed with the SEC, as outlined in Item 10.2 below, or pursuant to an exemption from the registration requirements. Generally the exemption from the registration requirements are in accordance with Regulation S and public offer and sale would be pursuant to SEC Rule 144⁶. **The restrictions under Rule 144 will apply until the registration statement described below is declared effective by the SEC, and will not be eligible for free trading for a minimum of 4 months.**

10.2 Registration of Securities

Within sixty days of the closing of the offering period the Company shall file a registration statement with the U.S. Securities and Exchange Commission (SEC) which includes the initial Shares subscribed and issued in this offering and identifies the Purchaser as a Selling Security Holder. As and when the registration statement is declared effective by the SEC, the investors herein may then publicly offer and sell the Shares without restriction.

⁶ The SEC Rule 144 requires a one year holding period from the date of payment for the securities, requires that the sales be made only in market transactions executed by a broker-dealer and limits the amount of securities that may be sold in any ninety day period to one percent (1%) of the outstanding securities. After two years, the restrictive legend may be removed from certificates held by non-affiliates of the Company.

ITEM 11 PURCHASER'S RIGHTS

If you purchase these securities you will have certain rights, some of which are described below. For information about your rights, you should consult a lawyer.

1. **Two-Day Cancellation Right** - You can cancel your agreement to purchase these securities. To do so, you must send a notice to us by midnight on the 2nd business day after you sign the agreement to buy the securities.
2. **Statutory Rights of Action in the Event of a Misrepresentation** - If there is a misrepresentation in this offering memorandum, you have a statutory right to sue:
 - (a) the Company to cancel your agreement to buy these securities, or
 - (b) for damages against the Company, every person who was a director at the date of the offering memorandum and every other person who signed the offering memorandum.

This statutory right to sue is available to you whether or not you relied on the misrepresentation. However, there are various defences available to the persons or companies that you have a right to sue. In particular, they have a defence if you knew of the misrepresentation when you purchased the securities.

ITEM 12.1 AUDITED FINANCIAL STATEMENTS - Firstline Environmental Solutions



Cinnamon Jang Willoughby & Company

Chartered Accountants

A Partnership of Incorporated Professionals

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders of **Firstline Environmental Solutions Inc.**
(An Exploration Stage Corporation):

We have audited the consolidated balance sheet of Firstline Environmental Solutions Inc. as at May 31, 2005 and 2004 and the consolidated statements of stockholders' operations and changes in stockholders' equity and cash flows for the years ended May 31, 2005 and 2004. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether these 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.

These consolidated financial statements have been prepared assuming the company will continue as a going concern. As discussed in Note B to the consolidated financial statements, the company has incurred recurring net losses and a net capital deficiency. These factors raise substantial doubt about the company's ability to continue as a going concern. Management's plans to rectify the capital deficiency and losses are outlined in Note B. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In our opinion, except as stated above, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at May 31, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles in the United States.

"Cinnamon Jang Willoughby & Company"

Burnaby, B.C.
August 15, 2005

Chartered Accountants

FIRSTLINE ENVIRONMENTAL SOLUTIONS INC.
(An Exploration Stage Company)

CONSOLIDATED INDEX TO FINANCIAL STATEMENTS

Auditors' Report

Consolidated Balance Sheet	Exhibit "A"
Consolidated Statement of Operations	Exhibit "B"
Consolidated Statement of Cash Flows	Exhibit "C"
Consolidated Statement of Changes in Shareholders' Deficiency	Exhibit "D"
Notes to Consolidated Financial Statements	Exhibit "E"

All funds Stated in U.S. Dollars

"Exhibit "A"

FIRSTLINE ENVIRONMENTAL SOLUTIONS INC.

(An Exploration Stage Company)

CONSOLIDATED BALANCE SHEET

May 31, 2005

	<u>2005</u>	<u>2004</u>
Asset		
Current:		
Cash	\$ 77	\$ -
Subscription receivable	<u>100,000</u>	<u>-</u>
	<u>100,077</u>	<u>-</u>
Long-term:		
Investments (Note D)	14,615	65,765
Mineral Claims (Note E)	<u>81,242</u>	<u>48,113</u>
	95,857	113,878
Equipment (Note F)	<u>152,219</u>	<u>181,567</u>
	<u>348,153</u>	<u>295,445</u>
Liabilities		
Current:		
Bank indebtedness	\$ -	\$ 2,850
Accounts payable	183,733	181,567
Due to shareholders (Note G)	343,934	167,750
Short term notes (Note H)	<u>354,042</u>	<u>262,552</u>
	<u>881,709</u>	<u>614,720</u>
Shareholders' Deficiency		
Share Capital:		
Authorized - 50,000,000 Common shares with par value of \$0.001		
Issued and Outstanding - 14,859,344 Common shares (Note I)	14,859	12,859
Additional paid-in capital	<u>908,959</u>	<u>810,959</u>
	923,818	823,818
Deficit, accumulated during the development phase	<u>(1,457,374)</u>	<u>(1,143,093)</u>
	<u>(533,556)</u>	<u>(319,275)</u>
Subsequent Event (Note M)	<u>\$ 348,153</u>	<u>\$ 295,445</u>

On behalf of the Board:



"Evan Brett"
Director, Secretary



"Dorlyn Evancic"
Director, Treasurer

All funds Stated in U.S. Dollars

"Exhibit "B"

FIRSTLINE ENVIRONMENTAL SOLUTIONS INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENT OF OPERATIONS

Years ended May 31, 2005, 2004 and

Period from August 21, 1997 (date of inception) through May 31, 2005

	<u>2005</u>	<u>2004</u>	<u>Period from August 21, 1997 (date of inception) through May 31, 2005</u>
Revenue	\$ -	\$ -	\$ 61,770
Mineral exploration and development	<u>99,704</u>	<u>31,451</u>	<u>182,477</u>
Operating Expenses			
Accounting and legal fees	13,767	20,430	51,400
Advertising and promotion	796	1,848	25,923
Amortization	38,041	41,356	208,016
Auto expense	2,342	3,809	14,386
Bank charges and interest	68,402	181,037	385,920
Consulting fees	7,943	31,288	49,564
Contract work	-	1,415	22,329
Foreign exchange	15,208	(43,099)	117,166
Insurance	-	322	5,073
Management fees	22,325	31,278	116,395
Office and miscellaneous	182	14,813	172,078
Rent	1,665	4,924	14,775
Repairs and maintenance	-	380	11,852
Telephone and utilities	591	4,718	10,220
Travel	1,036	11,209	18,145
Total operating exp.	<u>172,298</u>	<u>305,730</u>	<u>1,223,241</u>
(Gain) loss on disposal of investment	42,279	(9,309)	47,209
Writedown of assets	-	64,532	64,532
Loss on Disposal of Shares	-	-	1,685
Net Loss	<u>\$ 314,281</u>	<u>\$ 392,404</u>	<u>\$ 1,457,374</u>
Net loss per weighted-average share -			
Basic and fully diluted	\$ <u>0.023</u>	\$ <u>0.037</u>	\$ <u>0.117</u>
Weighted-average number of shares	13,939,945	10,650,374	12,482,160

All funds Stated in U.S. Dollars

"Exhibit "C"

FIRSTLINE ENVIRONMENTAL SOLUTIONS INC.

(An Exploration Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31, 2005, 2004 and

Period from August 21, 1997 (date of inception) through May 31, 2005

	<u>2005</u>	<u>2004</u>	<u>Period from August 21, 1997 (date of inception) through May 31, 2005</u>
Operating Activities			
Net loss	\$ (314,281)	\$ (392,404)	\$ (1,457,374)
Adjustments for			
Amortization	38,041	41,356	208,016
Foreign exchange	15,208	(43,099)	(60,591)
Write down of assets	26,575	60,408	111,741
Changes in non-cash working capital			
(Increase) in subscription receivable	(100,000)	-	(100,000)
(Increase) in amount due from related parties		50,697	
Increase in accounts payable	2,166	(13,305)	183,733
Increase in short term notes	91,489	(190,746)	354,042
Increase in due to shareholders	176,184	(109,535)	343,934
Net cash used in operating activities	<u>(64,618)</u>	<u>(596,628)</u>	<u>(416,499)</u>
Investing Activities			
Acquisition of mineral claims	(23,819)		(81,242)
Investments		(6,120)	(65,765)
Acquisition of equipment	(8,636)	(17,937)	(360,235)
Net cash used in investing activities	<u>(32,455)</u>	<u>(24,057)</u>	<u>(507,242)</u>
Financing Activities			
Proceeds from sales of common shares	100,000	626,724	923,818
Net cash from financing activities	<u>100,000</u>	<u>626,724</u>	<u>923,818</u>
Net Increase in Cash	2,927	6,039	77
Cash, beginning	<u>(2,850)</u>	<u>(8,889)</u>	<u>-</u>
Cash, ending	<u>\$ 77</u>	<u>\$ (2,850)</u>	<u>\$ 77</u>

All funds Stated in U.S. Dollars

"Exhibit "D"

FIRSTLINE ENVIRONMENTAL SOLUTIONS INC.
 (An Exploration Stage Company)
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' DEFICIENCY
 Period from August 21, 1997 (date of inception) through May 31, 2005

	Common Shares		Additional paid-in capital	Deficit accumulated during the exploration phase	Total
	Shares	Amount			
Balances at May 31, 2002	17,685,000	17,685	59,000	(274,113)	(197,428)
Surrender and cancellation of common shares	(16,000,000)	(16,000)	(59,000)		(75,000)
Sale of common shares	7,633,500	7,634	187,776		195,410
Net loss for the year				(476,576)	(476,576)
Balances at May 31, 2003	9,318,500	9,319	187,776	(750,689)	(553,595)
Sale of common shares	3,540,844	3,541	623,183		626,724
Net loss for the year				(392,404)	(392,404)
Balance at May 31, 2004	12,859,344	12,859	810,959	(1,143,093)	(319,275)
Sale of common shares	2,000,000	2,000	98,000		100,000
Net loss for the year				(314,281)	(314,281)
Balance at May 31, 2005	<u>14,859,344</u>	<u>14,859</u>	<u>908,959</u>	<u>(1,457,374)</u>	<u>(533,556)</u>

Firstline Environmental Solutions Inc.
(A Development Stage Company)
Notes to Consolidated Financial Statements
May 31, 2005

Note A - Organization and Description of Business

These consolidated financial statements include the accounts of Firstline Environmental Solutions Inc. (Company) which was incorporated on August 21, 1997 in accordance with the laws of the State of Florida and its wholly owned subsidiary Firstline Recovery Systems Inc. which was incorporated June 1, 1998 under the laws of British Columbia.

The Company is an Exploration Stage Company, as defined by Statement of Financial Accounting Standard ("SFAS") No.7, "Accounting and Reporting by Development Stage Enterprises". The Company's principle business is the acquisition and exploration of mineral resources. The Company has generated no significant operating revenues and has incurred cumulative operating losses of approximately \$1,457,374 (2004 - \$1,143,093).

Note B - Going Concern

The Company is fully dependent upon either, future sale of shares or its current management and/or advances or loans from controlling shareholders or corporate officers to provide sufficient working capital to preserve the integrity of the corporate entity during the development phase.

There is no assurance that the Company will be able to obtain additional funding through the sales of additional shares or, that such funding, if available, will be obtained on terms favorable to or affordable by the Company. It is the intent of management and controlling shareholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity.

Management has developed a business plan to address the company's net capital deficiency. This includes raising capital through its current Offering Memorandum and optioning some of the company's mineral claims to other exploration companies (refer to Note M) The Company is a publicly trading company on the Pink Sheets Exchange in the United States. Firstline Environmental Solutions Inc. is currently preparing documentation and disclosure statements for filing with the Securities Exchange Commission (SEC) to become a full reporting issuer on the OTC BB Exchange in the United States

Note C - Summary of Significant Accounting Policies

1. Basis of Presentation

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. The Company's fiscal year end is May 31.

2. Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Firstline Environmental Solutions Inc.
(A Development Stage Company)
Notes to Financial Statements
May 31, 2005

Note C - Summary of Significant Accounting Policies (Continued)

3. Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128 "Earnings per Share". SFAS No. 128 requires presentation of both basic and diluted earnings per share (EPS) on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury method and convertible preferred shares using the if-converted method. In computing diluted EPS, the average shares price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As of May 31, 2005 and 2004, respectively, the Company's outstanding warrants are anti-dilutive due to operating losses.

4. Comprehensive Income (Loss)

SFAS No. 130 "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at May 31, 2005, the company has no items that represent a Comprehensive loss in the financial statements.

5. Cash and Cash Equivalents

The Company considers all highly-liquid investments with maturities of three months or less, at the time of issuance, to be cash and cash equivalents.

6. Organization Costs

The Company has adopted the provisions of AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" whereby all organization and initial costs incurred with the incorporation and initial capitalization of the Company were charged to operations as incurred.

Firstline Environmental Solutions Inc.
(A Development Stage Company)
Notes to Financial Statements
May 31, 2005

Note C - Summary of Significant Accounting Policies (continued)

7. Financial Instruments

i) Fair Values

The fair values of cash, subscriptions receivable, accounts payable, short-term notes and amounts due to shareholders approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

ii) Currency Risk

The company is exposed to currency risk from transactions undertaken in Canadian dollars. At May 31, 2005, substantially all of the company's liabilities are denominated in Canadian dollars

8. Mineral Properties

Costs of exploration, carrying and retaining unproven mineral properties are expensed as incurred

9. Advertising Expenses

Advertising and marketing expenses are charged to operations as incurred.

10. Income Taxes

The asset and liability method is used when accounting for income taxes. The deferred tax asset and deferred tax liability accounts, as recorded when material, are entirely the result of temporary differences. Temporary differences represent differences in the recognition of assets and liabilities for tax and financial reporting purposes, comprising primarily of accumulated amortization and unutilized non-capital losses. The deferred tax asset is related solely to the Company's net operating loss carry forwards' and is fully reserved.

11. Foreign Currency Translation

The functional and reporting foreign currency is the United States dollar. Foreign currency transactions are occasionally undertaken in Canadian dollars and are translated into United States dollars using exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-measured at each balance sheet date at the exchange rate prevailing at the balance sheet date. Foreign currency exchange gains and losses are charged to operations. The Company has not entered into derivative instruments to offset the impact of foreign currency fluctuations.

Firstline Environmental Solutions Inc
(A Development Stage Company)
Notes to Financial Statements
May 31, 2005

12. Recent Accounting Pronouncements

- a. In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 153 "Exchange of Non-monetary Assets – An Amendment of APB Opinion No. 29". The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary 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 non-monetary 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.
- b. In December 2004, the FASB issued SFAS No. 123R "Share Based Payment" ("FAS123R") which 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 transaction in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entities equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R focuses primarily on accounting for transaction in which an entity obtains employee services in share based payment transactions with parties other than employees provided in SFAS 123 as originally issued and 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 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 instrument issued. 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. The adoption of this standard is not expected to have material effect on the Company's results of operations or financial position.
- c. In March 2005, the SEC staff issued Staff Accounting Bulletin No. 107 ("SAB 107") to give guidance on the implementation of SFAS 123R. The Company will consider SAB 107 during implementation of SFAS 123R.

Firstline Environmental Solutions Inc
(A Development Stage Company)
Notes to Financial Statements
May 31, 2004

Note D – Investments

Investments consist of:

On March 26, 2002, the company paid \$14,615 (\$Cdn 20,000) to purchase an option to acquire 49% of the outstanding shares of Slate Creek Mining Company Ltd. For \$Cdn 1,000,000. The option expires March 26, 2007.

The company purchased a subscription to purchase 70,000 Class D Preferred shares of Fu Kwai Enterprises Ltd. For \$51,150 (\$Cdn 70,000). During 2005 this subscription was applied against balance due to Fu Kwai Enterprises Ltd.

Note E- Mineral claims

On May 15, 2005, the company's subsidiary Firstline Recovery Systems Inc. assigned to the company its interest in certain mineral claims in the province of British Columbia more particularly known and described from the BC Mining Title Office as Tenure numbers Mineral titles 506235, 506328, 506333, 506335, 506336, 506337 for Burns Mountain, and Placer titles 374389, 514918 for Hawks Placer claim and Joytown Placer Claim in exchange for \$81,242 (\$Cdn 102,002).

US GAAP requires that mineral exploration expenditures be charged to the Statement of Operations in the period incurred. Cumulative exploration costs on these mineral claims are \$182,477 (2004 - \$82,773).

Note F- Equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2005 Net</u>	<u>2004 Net</u>
Equipment	\$360,235	\$208,016	\$152,219	\$181,567

Note G – Due to Shareholders:

The amounts due to shareholders are non-interest bearing, due on demand and secured by promissory notes.

Note H – Short-Term Notes

Short-term notes bear interest at rates from 0% to 36% per annum and are expected to be repaid or converted to common stock within one year.

Firstline Environmental Solutions Inc
(A Development Stage Company)
Notes to Financial Statements
May 31, 2004

Note I - Common Share Transactions

On June 25, 2000, the Board of Directors issued an aggregate of 17,685,000 common shares. And, the company surrendered and canceled an aggregate of 5,000,000 common shares issued on October 31, 1999 for incorporation. This action caused the issued and outstanding shares to increase from 5,000,000 to 17,685,000.

On July 18, 2002, the Company surrendered and cancelled an aggregate 16,000,000 common share issued on June 25, 2000.

On November 18, 2002, the officers issued an aggregate of 7,633,500 common shares for gross proceeds of \$195,410 as per Merger and Debt Settlement Agreements with and services provided by shareholders of Firstline Recovery Systems Inc.

On December 31, 2003, the company issued an aggregate of 3,140,844 shares to creditors of Firstline Recovery Systems Inc. as per Debt Settlement Agreements with Firstline Recovery Systems Inc.

On May 17, 2004, an aggregate of 400,000 shares issued as per Debt Extension Bonus and Management Bonus Agreement.

On November 15 and November 16, 2004, the Company issued an aggregate 1,500,000 shares and 500,000 shares, respectively, in accordance with its engagement agreement with Graydon Elliott Capital Corporation dated June 4, 2004.

Note J - Warrants

At May 31, 2005, the company has the following warrants outstanding:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
350,000	\$0.35	October 1, 2005
150,000	0.35	October 6, 2005
40,000	0.35	October 9, 2005
50,000	0.35	October 15, 2005
700,000	0.30	October 15, 2005
12,500	0.35	November 1, 2005
181,066	0.30	November 26, 2005
133,332	0.35	November 28, 2005
114,814	0.35	December 1, 2005
297,000	0.30	December 1, 2005
145,187	0.35	December 17, 2005
33,416	0.35	February 15, 2006
<u>40,000</u>	0.30	April 30, 2006
<u>2,247,315</u>		

Firstline Environmental Solutions Inc
(A Development Stage Company)
Notes to Financial Statements
May 31, 2004

Note K– Related Party Transactions

1. Amounts due from related parties are non-interest bearing and are due on demand.
2. Amounts due to shareholders and loan payable bear interest at rates ranging between 0 to 50% and are due on demand.

3. Transactions during the year:

	<u>2005</u>	<u>2004</u>
Interest	\$ 66,930	\$ 178,812
Management fees	22,325	31,278

Those transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Note L - Income Taxes

As of May 31, 2005, the Company has a net operating loss carryforward of approximately \$1,457,374 to offset future taxable income. Subject to current regulations, these carryforwards will expire in the range of 2006 to 2017. The amount and availability of the net operating loss carryforward may be subject to limitations set forth by the Internal Revenue Service and Canada Revenue Agency. Factors such as whether there is a deemed more than 50 percent change in control.

Note M – Subsequent Event

On July 30, 2005, the company granted Georgia International Mining Company the option to purchase three mineral claims – Tenure Numbers 506335, 506336 and 506337 in exchange for \$227,055 (\$Cdn 285,000) payable as follows: \$27,884 (\$Cdn 35,000) at the date of the agreement, \$99,586 (\$Cdn 125,000) on June 30, 2006 and June 30, 2007

ITEM 12.2 INTERIM FINANCIAL STATEMENTS –

GEMCO MINERALS INC. (formerly Firstline Environmental Solutions Inc.)

FIRSTLINE ENVIRONMENTAL SOLUTIONS INC.

(A Development Stage Company)
CONSOLIDATED BALANCE SHEET
 February 28, 2006 and May 31, 2005

	February 28 2006	May 31, 2005
	(unaudited)	(restated - see Note M)
Asset		
Current:		
Cash	\$ <u>1,382</u>	\$ <u>77</u>
Long-term:		
Investments (Note D)	14,615	14,615
Mineral Claims (Note E)	<u>81,241</u>	<u>81,242</u>
	95,856	95,857
Equipment (Note F)	<u>122,887</u>	<u>152,219</u>
	<u>220,125</u>	<u>248,153</u>
Liabilities		
Current:		
Accounts payable	\$ 290,834	\$ 185,415
Due to shareholders (Note G)	31,890	343,934
Short term notes (Note H)	<u>389,792</u>	<u>354,042</u>
	712,517	883,391
Shareholders' Deficiency		
Share Capital:		
Authorized -		
50,000,000 Common shares with par value of \$0.001		
Issued and Outstanding -		
17,506,815 (May 31, 2005 - 14,859,344) Common shares (Note I)		
Additional paid in capital	17,507	14,860
	<u>1,297,219</u>	<u>908,959</u>
	1,314,726	923,819
Deficit, accumulated during the development phase	(1,730,797)	(1,565,702)
Other accumulated comprehensive loss	<u>(76,320)</u>	<u>6,645</u>
	<u>(492,391)</u>	<u>(635,238)</u>
	\$ <u>220,125</u>	\$ <u>248,153</u>

The accompanying notes are an integral part of these statements

FIRSTLINE ENVIRONMENTAL SOLUTIONS INC.

(A Development Stage Company)

CONSOLIDATED STATEMENT OF OPERATIONS

Nine Months Ended February 28, 2006 and 2005 and for the Years Ended May, 31, 2005 and 2004

And for the Period from August 21, 1997 (date of inception) through February 28, 2006

	Nine Months Ended Feb 28, 2006	Nine Months Ended Feb 28, 2005	Year ended May 31, 2005	Year ended May 31, 2004	Period from August 21, 1997 (date of inception) through February 28, 2006
	(unaudited)	(unaudited)	(restated - see Note M)	(restated - see Note M)	(restated - see Note M)
Revenue	\$ -	-	\$ -	-	\$ -
Mineral exploration and development (recovery)	(20,730)	99,704	99,704	31,451	161,747
Operating Expenses					
Accounting and legal fees	18,001	3,102	13,767	20,430	69,401
Advertising and promotion	-	796	796	1,848	25,921
Amortization	22,839	28,531	38,041	41,356	230,855
Auto expense	-	2,342	2,342	3,809	14,386
Bank charges and interest	57,216	51,315	68,402	181,037	443,136
Consulting fees	55,259	103,150	107,943	31,288	205,023
Contract work	-	-	-	1,415	22,329
Foreign exchange	-	-	-	-	125,495
Insurance	-	-	-	322	5,073
Management fees	29,498	20,609	22,325	31,278	145,893
Office and miscellaneous	2,389	182	182	14,813	174,267
Rent	-	1,665	1,665	4,924	14,775
Repairs and maintenance	-	-	-	380	11,852
Telephone and utilities	184	348	591	4,718	10,404
Travel	439	1,036	1,036	11,209	18,584
Total operating expenses	185,825	213,077	257,090	348,827	1,517,394
	165,095	312,781	356,794	380,278	1,679,141
(Gain) loss on disposal of investment	-	-	42,279	(9,309)	47,209
Writedown of assets	-	-	-	64,532	64,532
Loss on Disposal of Shares	-	-	-	-	1,685
Net Loss	\$ 165,095	312,781	\$ 399,073	435,501	\$ 1,792,567
Net loss per weighted-average share -					
Basic and fully diluted	\$ 0.01	0.02	\$ 0.03	0.03	\$ 0.19
Weighted-average number of shares	17,361,350	12,859,344	14,859,344	12,859,344	9,596,071

The accompanying notes are an integral part of these statements

FIRSTLINE ENVIRONMENTAL SOLUTIONS INC.

(A Development Stage Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

Nine Months Ended February 28, 2006 and 2005 and for the Years Ended May, 31, 2005 and 2004

And for the Period from August 21, 1997 (date of inception) through February 28, 2006

	Nine Months Ended Feb 28, 2006 (unaudited)	Nine Months Ended Feb 28, 2005 (unaudited)	Year ended May 31, 2005 (restated - see Note M)	Year ended May 31, 2004 (restated - see Note M)	Period from August 21, 1997 (date of inception) through February 28, 2006 (restated - see Note M)
Operating Activities					
Net loss	\$ (165,095)	\$ (312,781)	\$ (399,073)	\$ (435,501)	\$ (1,792,567)
Adjustments for:					
Amortization	22,839	28,531	38,041	41,356	215,629
Shares issued for services	50,000	100,000	100,000	-	256,160
Shares issued for settlement of debt	340,907	-	-	626,724	1,058,566
Loss on disposal and write down of assets	-	-	42,279	60,408	111,741
Changes in non-cash working capital					
Increase (decrease) in accounts payable	105,419	5,721	8,999	37,390	204,418
Increase in short term notes	35,750	91,490	91,490	(190,746)	374,357
Increase (decrease) in amount due to shareholders	(312,044)	176,184	176,184	(109,535)	11,625
Net cash used in operating activities	77,777	89,145	57,920	30,096	439,929
Investing Activities					
(Acquisition) disposal of mineral claims	1	(23,895)	(23,895)	-	(81,241)
Proceeds from redemption (acquisition) of investments	-	-	-	(6,120)	(63,509)
Proceeds from disposal (acquisition) of equipment	6,493	(8,217)	(8,693)	(17,937)	(421,441)
Net cash used in investing activities	6,494	(32,112)	(32,588)	(24,057)	(566,191)
Foreign exchange included in other comprehensive loss	(82,965)	-	(22,405)	(43,099)	(26,193)
Net Increase in Cash	1,305	57,033	2,927	(37,060)	(152,455)
Cash and equivalents, beginning	77	(2,850)	(2,850)	(8,889)	-
Cash and cash equivalents, ending	\$ 1,382	\$ 54,183	\$ 77	\$ (45,949)	\$ (152,455)

Cash and cash equivalents consists of cash and short term borrowings (bank overdraft)

Supplemental disclosure of non-cash transactions:

Shares issued for services	\$ 50,000	-	100,000	-	256,160
Shares issued for settlement of debt	\$ 340,907	-	-	626,724	1,058,566

The accompanying notes are an integral part of these statements

FIRSTLINE ENVIRONMENTAL SOLUTIONS INC.
(A Development Stage Company)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIENCY
Period from August 21, 1997 (date of inception) through February 28, 2006

	Common Shares Shares	Amount	Additional paid-in capital	Deficit accumulated during the development phase <small>(restated - see Note M)</small>	Other Comprehensive (Loss) Gain <small>(restated - see Note M)</small>	Total <small>(restated - see Note M)</small>
Balance at August 21, 1997	-	\$ -	-	\$ -	-	-
Common shares issued for incorporation, organizational, and business plan development services	5,000,000	\$ 5,000				5,000
Net loss for the period				(5,000)	-	(5,000)
Balance at May 31, 1999 and 2000	5,000,000	5,000	-	(5,000)	-	-
Surrender and cancellation of common shares	(3,315,000)	(3,315)				(3,315)
Common shares issued to acquire EchoDrive project	16,000,000	16,000	59,000			75,000
Net income for the year				3,315	-	3,315
Balance at May 31, 2001	17,685,000	17,685	59,000	(1,685)	-	75,000
Net loss for the year				(274,113)		(274,113)
Balance at May 31, 2002	17,685,000	17,685	59,000	(275,798)	-	(199,113)
Surrender and cancellation of common shares on cancellation of EchoDrive project	(16,000,000)	(16,000)	(59,000)			(75,000)
Common shares issued to acquire Firstline Recovery Systems Inc.	5,025,000	5,025				5,025
Common shares issued in settlement of debt	951,000	951	89,984			90,935
Common shares issued for services rendered	1,657,500	1,658	97,792			99,450
Translation adjustment					(21,246)	(21,246)
Net loss for the year				(455,330)		(455,330)
Comprehensive loss						(476,576)
Balance at May 31, 2003	9,318,500	\$ 9,319	\$ 187,776	\$ (731,128)	\$ (21,246)	\$ (555,279)
Common shares issued in settlement of debt	3,540,844	3,541	623,183			626,724
Translation adjustment					43,099	43,099
Net loss for the year				(435,501)		(435,501)
Comprehensive loss						(392,402)
Balance at May 31, 2004	12,859,344	12,860	810,959	(1,166,629)	21,853	(320,957)
Common shares issued for services rendered	2,000,000	2,000	98,000			100,000
Translation adjustment					(15,208)	(15,208)
Net loss for the year				(399,073)		(399,073)
Comprehensive loss						(414,281)
Balance at May 31, 2005	14,859,344	14,860	908,959	(1,565,702)	6,645	(635,238)
Common shares issued in settlement of debt	2,147,471	2,147	338,760			340,907
Common shares issued for services rendered	500,000	500	49,500			50,000
Translation adjustment					(82,965)	(82,965)
Net loss for period				(165,095)		(165,095)
Comprehensive loss						(248,060)
Balance at February 28, 2006	17,506,815	\$ 17,507	\$ 1,297,219	\$ (1,730,797)	\$ (76,320)	\$ (492,391)

Firstline Environmental Solutions Inc.
(A Development Stage Company)
Notes to Consolidated Financial Statements
February 28, 2006

Note A - Organization and Description of Business

These consolidated financial statements include the accounts of Firstline Environmental Solutions Inc. ("Company") which was incorporated on August 21, 1997 in accordance with the laws of the State of Florida and its wholly owned subsidiary Firstline Recovery Systems Inc. which was incorporated June 1, 1998 under the laws of British Columbia.

The Company is a Development Stage Company, as defined by Statement of Financial Accounting Standard ("SFAS") No.7, "Accounting and Reporting by Development Stage Enterprises". The Company's principle business is the acquisition and exploration of mineral resources. The Company has generated no significant operating revenues and has incurred cumulative operating losses of approximately \$1,792,567 (May 31, 2005 - \$1,565,702).

Note B - Going Concern

The Company is fully dependent upon either, the future sale of shares or its current management and/or advances or loans from controlling shareholders or corporate officers to provide sufficient working capital to preserve the integrity of the corporate entity during the development phase.

There is no assurance that the Company will be able to obtain additional funding through the sales of additional shares or, that such funding, if available, will be obtained on terms favorable to or affordable by the Company. It is the intent of management and controlling shareholders to provide sufficient working capital necessary to support and preserve the integrity of the corporate entity.

Management has developed a business plan to address the Company's net capital deficiency. This includes raising capital through its current Offering Memorandum and optioning some of the company's mineral claims to other exploration companies. The Company is a publicly trading company on the Pink Sheets Exchange in the United States. Firstline Environmental Solutions Inc. is currently preparing documentation and disclosure statements for filing with the Securities Exchange Commission (SEC) to become a full reporting issuer on the OTC BB Exchange in the United States

Note C - Summary of Significant Accounting Policies

13. Basis of Presentation

These consolidated financial statements and related notes are presented in accordance with accounting principles generally accepted in the United States, and are expressed in US dollars. The Company's fiscal year end is May 31.

14. Use of Estimates

The preparation of financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Firstline Environmental Solutions Inc.
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Note C - Summary of Significant Accounting Policies (Continued)

15. Basic and Diluted Net Income (Loss) Per Share

The Company computes net income (loss) per share in accordance with SFAS No. 128 "Earnings per Share". SFAS No. 128 requires presentation of both basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed by dividing net income (loss) available to common shareholders (numerator) by the weighted average number of shares outstanding (denominator) during the period. Diluted EPS gives effect to all dilutive potential common shares outstanding during the period using the treasury method and convertible preferred shares using the if-converted method. In computing diluted EPS, the average shares price for the period is used in determining the number of shares assumed to be purchased from the exercise of stock options or warrants. Diluted EPS excludes all dilutive potential shares if their effect is anti-dilutive. As of February 28, 2006 and May 31, 2005, respectively, the Company's outstanding warrants are anti-dilutive due to operating losses.

16. Comprehensive Income (Loss)

SFAS No. 130 "Reporting Comprehensive Income," establishes standards for the reporting and display of comprehensive loss and its components in the financial statements. As at February 28, 2006, the company has only foreign exchange adjustments arising from consolidating its wholly owned Canadian subsidiary that represent a comprehensive loss in the financial statements.

17. Cash and Cash Equivalents

The Company considers all highly-liquid investments with maturities of three months or less, at the time of issuance, to be cash and cash equivalents.

18. Organization Costs

The Company has adopted the provisions of AICPA Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" whereby all organization and initial costs incurred with the incorporation and initial capitalization of the Company were charged to operations as incurred.

Firstline Environmental Solutions Inc.
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Note C - Summary of Significant Accounting Policies (continued)

19. Financial Instruments

i) Fair Values

The fair values of cash, subscriptions receivable, accounts payable, bank indebtedness, short-term notes and amounts due to shareholders approximate their carrying values due to the immediate or short-term maturity of these financial instruments.

ii) Currency Risk

The Company is exposed to currency risk from transactions undertaken in Canadian dollars. At February 28, 2006, substantially all of the Company's liabilities are denominated in Canadian dollars

20. Mineral Properties

Costs of exploration, carrying and retaining unproven mineral properties are expensed as incurred

21. Advertising Expenses

Advertising and marketing expenses are charged to operations as incurred.

22. Income Taxes

The asset and liability method is used when accounting for income taxes. The deferred tax asset and deferred tax liability accounts, as recorded when material, are entirely the result of temporary differences. Temporary differences represent differences in the recognition of assets and liabilities for tax and financial reporting purposes, comprising primarily of accumulated amortization and unutilized non-capital losses. The deferred tax asset is related solely to the Company's net operating loss carry forwards' and is fully reserved.

23. Foreign Currency Translation

The Company accounts for foreign currency transactions and translation of foreign currency financial statements under Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation" ("SFAS 52"). Transaction amounts denominated in foreign currencies are translated at exchange rates prevailing at transaction dates. Financial statements of the Company's Canadian subsidiaries (see Note A) are translated into U.S. dollars using the exchange rate at the balance sheet date for assets and liabilities. The Company's investments in the structural capital of the Canadian subsidiary have been recorded at the historical cost in U.S. dollars. The resulting gains or losses are reported as a separate component of stockholders' equity and comprehensive income. The functional currency of the Canadian subsidiaries is the local currency, the Canadian dollar.

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12. Recent Accounting Pronouncements

- a. In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 153 “Exchange of Non-monetary Assets – An Amendment of APB Opinion No. 29”. The guidance in that Opinion, however, included certain exceptions to that principle. SFAS No. 153 amends Opinion No. 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. A non-monetary 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 non-monetary 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.
- b. In December 2004, the FASB issued SFAS No. 123R “Share Based Payment” (“SFAS123R”) which 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 transaction in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entities equity instruments or that may be settled by the issuance of those equity instruments. SFAS 123R focuses primarily on accounting for transaction in which an entity obtains employee services in share based payment transactions with parties other than employees provided in SFAS 123 as originally issued and 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 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 instrument issued. 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. The adoption of this standard is not expected to have material effect on the Company’s results of operations or financial position.
- c. In March 2005, the SEC staff issued Staff Accounting Bulletin No. 107 (“SAB 107”) to give guidance on the implementation of SFAS 123R. The Company will consider SAB 107 during implementation of SFAS 123R.

Firstline Environmental Solutions Inc
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Note D – Investments

Investments consist of:

On March 26, 2002, the Company paid \$14,615 (Cdn \$20,000) to purchase an option to acquire 49% of the outstanding shares of Slate Creek Mining Company Ltd. for Cdn \$1,000,000. The option expires March 26, 2007.

On May 17, 2002 the Company's subsidiary purchased a subscription to purchase 70,000 Class D Preferred shares of Fu Kwai Enterprises Ltd. for \$51,150 (\$Cdn 70,000). Fu Kwai Enterprises Ltd. is also a creditor of the subsidiary. Subsequently, Fu Kwai invoked a penalty clause in the loan canceling the subscription agreement. This resulted in a loss of \$47,209.

Note E- Mineral claims

On May 15, 2005, the Company's subsidiary Firstline Recovery Systems Inc. assigned to the Company its interest in certain mineral claims in the province of British Columbia more particularly known and described from the BC Mining Title Office as Tenure numbers Mineral titles 506235, 506328, 506333, 506335, 506336, 506337 for Burns Mountain, and Placer titles 374389, 514918 for Hawks Placer claim and Joytown Placer Claim in exchange for \$81,242 (Cdn \$102,002). These claims were originally acquired by the Company's subsidiary from various arm's length individuals as follows:

Burns Mountain claims acquired through several transactions between 1998 and 2000 for \$69,395.

Joytown and Hawk claims, acquired November 26, 1999 for \$11,847

The Company has obtained geological evidence indicating that there are probable reserves located on the mineral claims and has capitalized the claims pending further development.

On July 30, 2005, the Company sold an option to Georgia International Mining Corporation ("Georgia") to purchase three mineral claims – Tenure Numbers 506335, 506336 and 506337 in exchange for \$227,055 (Cdn \$285,000) payable as follows: \$27,884 (Cdn \$35,000) which was paid at July 30, 2005, \$99,586 (Cdn \$125,000) payable on June 30, 2006 and \$99,586 (Cdn \$125,000) payable on June 30, 2007. On March 6, 2006, the Company entered into an Amendment to the Option Agreement whereby the payment dates were extended by one year to June 30, 2007 and June 30, 2008 respectively. Additionally, Georgia will complete an exploration program within one year of becoming a publicly trading company. Due to the uncertainty of whether Georgia will be able to meet the terms of the option agreement, the Company will recognize the disposal of these claims when the conditions for certainty are met. Similarly, the Company will recognize revenue from the sale when funds have been received. The Company recognized a reduction of \$1 on the mineral claims in August 2005 for the sale of this option.

US GAAP requires that mineral exploration expenditures be charged to the Statement of Operations in the period incurred. Cumulative exploration costs on these mineral claims are \$161,747 (May 31, 2005 - \$182,477).

Exhibit "E"
Continued

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Note F- Equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	February 2006 <u>Net</u>	May 31 2005 <u>Net</u>
Equipment	\$357,337	\$223,242	\$134,095	\$152,219

At May 31, 2004, the Company discussed with its insurance company the necessary coverage the Company should have over its equipment. The insurance company's representatives indicated that the fair value of the company's equipment was significantly lower than its carrying value. Based upon this, an impairment charge of \$64,532 was recorded at May 31, 2004.

Note G – Due to Shareholders

The amounts due to shareholders are non-interest bearing, due on demand and secured by promissory notes.

Note H – Short-Term Notes

Short-term notes bear interest at rates from 0% to 36% per annum and are expected to be repaid or converted to common stock within one year.

Note I - Common Share Transactions

On October 31, 1999, the Company issued 5,000,000 shares to cover the costs of the development of the Company's EchoDrive business plan. These costs were determined to be worth \$5,000.

On June 25, 2000, the Company canceled an aggregate of 3,315,000 common shares issued on October 31, 1999. The Company then issued 16,000,000 shares to acquire 100% of the outstanding share of EchoDrive Ltd. This transaction was valued at \$75,000 being the book value of EchoDrive. These actions caused the issued and outstanding shares to increase from 5,000,000 to 17,685,000.

On July 18, 2002, the Company sold the EchoDrive subsidiary back to its original shareholders in exchange for the 16,000,000 shares originally issued. The 16,000,000 share were then cancelled.

On November 18, 2002, the Company issued an aggregate of 7,633,500 common shares as follows: 5,025,000 shares to acquire its wholly owned subsidiary Firstline Recovery Systems Inc. valued at \$5,025 being the book value of the subsidiary. 951,000 shares in settlement of the subsidiary's debt of \$90,935 and 1,657,500 shares for services rendered for consulting services and exploration and development services on the Company's mineral claims valued at \$99,450. Values were established through negotiations with the interested parties based upon an estimate of the potential value of the company's assets.

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Note I - Common Share Transactions - continued

On December 31, 2003, the Company issued an aggregate of 3,140,844 shares in settlement of the subsidiary's debt in the amount of \$563,877 as per Debt Settlement Agreements with Firstline Recovery Systems Inc. Values were determined through negotiation with the interested parties and were based in part upon the underlying terms of the debt instruments surrendered and an estimate of the potential value of the company's assets.

On May 17, 2004, an aggregate of 400,000 shares valued at \$62,847 issued as per Debt Extension Bonus and Management Bonus Agreement. Values were determined based upon the terms of the debt extensions negotiated and the values established for issuing shares previously.

On November 15 and November 16, 2004, the Company issued an aggregate 1,500,000 shares and 500,000 shares, respectively, in accordance with its engagement agreement with Graydon Elliott Capital Corporation dated June 4, 2004. These shares were valued at \$100,000 which was the expected value of the services Graydon Elliott was to provide based upon their customary fees.

On June 14, 2005, the Company issued 2,147,471 shares in settlement of debt valued at \$340,907. Values were negotiated with the interested parties under the same basis as previous share for debt exchanges.

On June 14, 2005, the Company issued 500,000 shares in exchange for consulting services. The value was determined based upon the fees that would customarily be charged for such services.

Note J - Warrants

At February 28, 2006, the Company has the following warrants outstanding:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
<u>40,000</u> 40,000	0.30	April 30, 2006

Firstline Environmental Solutions Inc
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Note J – Warrants (Continued)

The warrants were issued as inducements for debt holders to extend or convert their debt. The warrants were valued using the Black Scholes Option Pricing Model. Share prices were determined as described in Note I to be in a range between \$0.06 and \$0.25. It is assumed that the interest rate is 3.75%, the dividend rate is nil and the volatility is 70%. As there is not an established market for the Company's shares the volatility of a similar company that is actively traded was used. It was determined that the financing charges represented by issuance of these warrants were not material.

Note K – Related Party Transactions

1. Amounts due from related parties are non-interest bearing and are due on demand.
2. Amounts due to shareholders and loan payable bear interest at rates ranging between 0 to 50% and are due on demand.
3. Transactions during the year:

	February <u>2006</u>	May 31, <u>2005</u>
Interest	\$ 53,892	\$ 66,930
Management fees	50,000	22,325

Those transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

4. During the year ended May 31, 2004, the Company issued 1,228,318 common shares to officers or principal shareholders of the Company in settlement of debt in the amount of \$160,032 and provision of services.

During the nine months ended February 28, 2006, the Company issued 2,647,471 common shares of which, 2,147,471 were issued in settlement of debt in the amount of \$340,907 and 500,000 were issued for the provision of services valued at \$50,000.

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Note L - Income Taxes

As of May 31, 2005, the Company has a net operating loss carry-forward of approximately \$1,605,260 to offset future taxable income. Subject to current regulations, these loss carry-forwards will expire between 2006 to 2017. The amount and availability of the net operating loss carry-forward may be subject to limitations set forth by the Internal Revenue Service and Canada Revenue Agency. Factors include various circumstances such as whether there is a deemed more than 50 percent change in control.

The Company has determined that it is more likely than not, that the tax benefit of approximately \$578,000 from these losses carried will not be realized. As a result the company has taken a 100% valuation reserve against recording the deferred tax asset arising from these loss carryforwards

The Company is intending to sell Flow-Through shares, whereby the company renounces its exploration expenses to its investors. The renunciation of the exploration expenses provides a tax benefit to the Company's investors. At issuance, the Flow-Through shares will be valued at fair value. The excess of proceeds received over fair value will be recorded as a tax benefit liability. When the exploration expenses are renounced, the tax benefit liability will be allocated between deferred income taxes and deferred income tax liability at the prevailing corporate tax rate.

Note M – Restatement of financial statements

In November 2004 the company issued 2,000,000 common shares for management services. In January 2005 the company terminated the agreement because of perceived non-performance by the other party. These shares were then recorded as a subscription receivable as the Company intended for the other party to pay for the shares at the determined value of \$100,000. In August 2005 the company readdressed the original issuance of these shares and determined that the other party had rendered sufficient services in consideration for these shares and directed the amount recorded as a subscription receivable be charged to consulting fees.

In August 2005 the Company also realized that it had made an error in the application of the translation methods to the subsidiaries foreign financial statements. Originally, during the years ended May 31, 2005 and May 31, 2004 the Company translated the foreign subsidiaries financial statements assuming that the functional currency of the subsidiary was the United States dollar. The Company changed its method of translation so that the functional currency of the foreign subsidiary was the Canadian dollar, effective as of June 1, 2005, which it should be. However, the functional currency of the foreign subsidiary should have been the Canadian dollar since fiscal 2002. Accordingly, the amounts previously recorded on the May 31, 2004 and 2005 financial statements as a foreign currency item on the income statement has now been changed to be a separate component of shareholders' deficiency and also a component of other comprehensive income. The consolidated balance sheets, consolidated statements of operations, changes in shareholders' equity and cash flows have been restated to effect these changes.

Firstline Environmental Solutions Inc
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Notes to Financial Statements
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Note M – Restatement of financial statements (continued)

The following presents the effect on the Company's previously issued financial statements for the years ended May 31, 2005 and 2004:

Balance sheet as at May 31, 2005 -

	Previously	Increase	
	Reported	(Decrease)	Restated
Subscription receivable	\$ 100,000	\$ (100,000)	\$ 0
Accounts payable	183,733	1,684	185,415
Deficit	(1,457,373)	(108,329)	(1,565,702)
Accumulated comprehensive loss	0	6,645	6,645

Statement of operations for the year ended May 31, 2005 -

	Previously	Increase	
	Reported	(Decrease)	Restated
Foreign exchange	\$ 15,208	(\$ 15,208)	\$ 0
Consulting fees	7,943	100,000	107,943
Total operating expenses	172,298	84,792	257,090
Net Loss	(314,281)	(84,792)	(399,073)
Net loss per share	(0.023)	(0.007)	(0.03)

Statement of cash flows for the year ended May 31, 2005 -

	Previously	Increase	
	<u>Reported</u>	<u>(Decrease)</u>	<u>Restated</u>
Net loss	(\$ 314,281)	(\$ 84,792)	(\$ 399,073)
Increase in subscription receivable	100,000	(100,000)	0
Net cash used in operating activities	(64,618)	122,538	57,920
Foreign exchange	15,208	(37,613)	(22,405)

Statement of changes in shareholders' deficiency for the year ended May 31, 2005 -

	Previously	Increase	
	<u>Reported</u>	<u>(Decrease)</u>	<u>Restated</u>
Net loss for the year	(\$314,281)	(84,792)	(\$399,073)
Translation adjustment	0	(15,208)	(15,208)
Deficit as at May 31, 2005	(1,457,374)	(108,328)	(1,565,702)
Other comprehensive loss	0	6,645	6,645
Total – May 31, 2005	(533,556)	(101,682)	(635,238)

Firstline Environmental Solutions Inc
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Notes to Financial Statements
February 28, 2006

Note M – Restatement of financial statements (continued)

Balance sheet as at May 31, 2004 -

	Previously	Increase	
	Reported	(Decrease)	Restated
Accounts payable	\$ 181,567	1684	183,251
Deficit	(1,143,093)	(23,536)	(1,166,629)
Accumulated comprehensive loss	0	21,853	21,853

Statement of operations for the year ended May 31, 2004 -

	Previously	Increase	
	Reported	(Decrease)	Restated
Foreign exchange	(\$ 43,099)	\$ 43,099	\$ 0
Total operating expenses	305,728	43,099	348,827
Net Loss	(392,402)	(43,099)	(435,501)
Net loss per share	0.037	0.003	0.04

Statement of cash flows for the year ended May 31, 2004 -

	Previously	Increase	
	<u>Reported</u>	<u>(Decrease)</u>	<u>Restated</u>
Net loss	(\$ 392,402)	(\$ 43,099)	(\$ 435,501)
Foreign exchange	(43,099)	43,099	0
Foreign exchange translation	0	(43,099)	(43,099)

Statement of changes in shareholders' deficiency for the year ended May 31, 2004 -

	Previously	Increase	
	<u>Reported</u>	<u>(Decrease)</u>	<u>Restated</u>
Net loss for the year	(\$392,402)	(\$ 43,099)	(\$435,501)
Translation adjustment	0	(43,099)	(43,099)
Deficit as at May 31, 2004	(1,143,093)	(23,536)	(1,166,629)
Other comprehensive gain	0	21,853	21,853
Total – May 31, 2004	(319,275)	(1,682)	(320,957)

Statement of changes in shareholders' deficiency for the year ended May 31, 2003 -

	Previously	Increase	
	<u>Reported</u>	<u>(Decrease)</u>	<u>Restated</u>
Net loss for the year	(\$476,576)	\$ 21,246	(\$455,330)
Translation adjustment	0	(21,246)	(21,246)
Deficit as at May 31, 2003	(750,689)	19,561	(731,128)
Other comprehensive loss	0	(21,246)	(21,246)
Total – May 31, 2003	(553,595)	(1,684)	(555,279)

ITEM 13 DATE AND CERTIFICATE

Dated: June 15, 2006

The Directors and Officers warrant that to the best of their knowledge, the statements and information contained herein the offering memorandum are true and accurate.

This offering memorandum does not contain a misrepresentation.


Signed: 

Name: Tom Hatton
Title: Director, President and CEO

Signed: 

Name: Dorlyn Evancic
Title: Director, Treasurer and CFO

On Behalf of the Board of Directors


Signed: 

Name: Tom Hatton
Title: Director, President

Signed: 

Name: Evan Brett
Title: Director, Secretary

Promoter


Signed:
Name: Gino Mollica