

Auditors' Report

We have audited the consolidated balance sheets of Marauder Resources East Coast Inc. as at December 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

"signed KPMG LLP"
Chartered Accountants

Calgary, Canada
April 28, 2006

Marauder Resources East Coast Inc.

Consolidated Balance Sheets

December 31

	2005	2004
Assets		
Current		
Cash and cash equivalents	\$ 3,916,927	\$ 14,938,538
Accounts receivable	547,307	102,598
Prepaid expenses and deposits	35,135	33,807
	<u>4,499,369</u>	<u>15,074,943</u>
Property and equipment (note 4)	35,421,053	23,770,944
	<u>\$ 39,920,422</u>	<u>\$ 38,845,887</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 1,428,923	\$ 199,089
Asset retirement obligations (note 6)	16,000	-
	<u>1,444,923</u>	<u>199,089</u>
Shareholders' Equity		
Share capital (note 7)	43,216,368	43,592,272
Warrants (note 7)	1,642,617	344,434
Contributed surplus (note 7)	5,060,272	2,873,759
Deficit	<u>(11,443,758)</u>	<u>(8,163,667)</u>
	<u>38,475,499</u>	<u>38,646,798</u>
Future operations (note 2)		
Commitment (note 7)		
Subsequent event (note 4)		
	<u>\$ 39,920,422</u>	<u>\$ 38,845,887</u>

On behalf of the Board

"Robert Shields"

Director

"Dean Prodan"

Director

Marauder Resources East Coast Inc.
Consolidated Statements of Operations and Deficit
Years ended December 31

	<u>2005</u>	<u>2004</u>
Revenue		
Interest income	\$ 169,985	\$ 111,909
Expenses		
Production	18,484	-
General and administrative	689,019	1,182,874
Interest	671,618	-
Stock-based compensation (note 7)	2,379,040	2,520,754
Depletion and depreciation (note 4)	5,281,240	-
	<u>9,039,401</u>	<u>3,703,628</u>
Loss from continuing operations	8,869,416	3,591,719
Gain on disposal of discontinued operations (note 5(b))	-	(147,108)
Loss from discontinued operations (note 5(b))	-	607,749
	-	460,641
Loss before income taxes	8,869,416	4,052,360
Future income tax reduction (note 8)	<u>(5,589,325)</u>	-
Net loss for the year	3,280,091	4,052,360
Deficit, beginning of year	8,163,667	3,311,298
Redemption of shares pursuant to business combination (note 5)	-	800,009
Deficit, end of year	\$ 11,443,758	\$ 8,163,667
Per share amounts (note 7 (f))		
Basic and diluted – loss from continuing operations	\$ (0.07)	\$ (0.13)
Basic and diluted – net loss	<u>\$ (0.07)</u>	<u>\$ (0.14)</u>

Marauder Resources East Coast Inc.

Consolidated Statements of Cash Flows

Years ended December 31

	2005	2004
Cash provided by (used in):		
Operating activities		
Net loss for the year	\$ (3,280,091)	\$ (3,591,719)
Add back non-cash items:		
Stock-based compensation	2,379,040	2,520,754
Depletion and depreciation	5,281,240	52,596
Future income tax reduction	(5,589,325)	-
	(1,209,136)	(1,018,369)
Changes in non-cash working capital <i>(note 10)</i>	(62,065)	690,529
	(1,271,201)	(327,840)
 Discontinued operations:		
Loss from discontinued operations	-	(607,749)
Changes in non-cash working capital of discontinued operations	-	(108,489)
	-	(716,238)
 Financing activities		
Issue of shares, net of costs	6,127,719	16,445,961
Changes in non-cash working capital <i>(note 10)</i>	666,466	-
	6,794,185	16,445,961
 Investing activities		
Business acquisition <i>(note 5)</i>	250,035	(630,010)
Expenditures on property and equipment	(16,915,349)	(723,958)
Disposition of business <i>(note 5)</i>	-	(69,408)
Proceeds on sale of property and equipment	-	30,000
Changes in non-cash working capital <i>(note 10)</i>	120,719	-
	(16,544,595)	(1,393,376)
 (Decrease) increase in cash and cash equivalents	 (11,021,611)	 14,008,507
Cash and cash equivalents, beginning of year	14,938,538	930,031
Cash and cash equivalents, end of year	\$ 3,916,927	\$ 14,938,538
 Interest income received	 \$ 169,985	 \$ 111,909

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2005

1. Nature of operations

Marauder Resources East Coast Inc. (the "Company") is incorporated under the Business Corporations Act (Alberta). The Company's principle business was the exploration for and the production of petroleum and natural gas reserves in Western Canada until the Plan of Arrangement was approved in June 2004. The Company changed its name from Endless Energy Corp. ("Endless") and all Western Canada interests were disposed of and future exploration is planned for East Coast Canada.

2. Future operations

During 2005, the Company incurred a net loss of \$3,280,091 (2004 - \$4,052,360).

The Company's ability to continue as a going concern is dependent on its ability to attain profitable operations and to obtain sufficient financing to continue the development of the Company's properties.

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The accompanying consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the company be unable to continue in existence.

3. Significant accounting policies

The consolidated financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada. The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty. The effect of changes in such estimates on the financial statements in future periods could be significant.

a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries.

b) Cash and cash equivalents

Cash and cash equivalents include bank balances and highly liquid temporary money market instruments with original maturities of three months or less.

c) Property and equipment

The Company follows the full cost method of accounting for oil and gas operations, whereby all costs of exploring for and developing oil and gas properties and related reserves are capitalized. Capitalized costs include land acquisition costs, cost of drilling both productive and non-productive wells, and geological and geophysical expenses and related overhead.

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2005

3. Significant accounting policies (continued)

c) Property and equipment (continued)

Capitalized costs, excluding costs relating to unproven properties, are depleted using the unit-of-production method based on estimated proven reserves of oil and gas before royalties as determined by independent petroleum engineers. For purposes of the depletion calculation, natural gas reserves and production are converted to equivalent volumes of crude oil based on relative energy content of six thousand cubic feet to one barrel of oil. Costs of acquiring and evaluating unproven properties are excluded from costs subject to depletion until it is determined whether proven reserves are attributable to the properties or impairment occurs.

Proceeds from disposal of properties are deducted from the full cost pool without recognition of a gain or loss unless such a sale would alter the rate of depletion and depreciation by in excess of 20%.

Under the full cost method of accounting, oil and gas assets are evaluated at least annually to determine that the costs are recoverable and do not exceed the fair value of the properties. The costs are assessed to be recoverable if the sum of the undiscounted cash flows expected from the production of proven reserves and the lower of cost and market of unproved properties exceed the carrying value of the oil and gas assets. If the carrying value of the oil and gas assets is not assessed to be recoverable, an impairment loss is recognized to the extent that the carrying value exceeds the sum of the discounted cash flows expected from the production of proven and probable reserves and the lower of cost and market of unproved properties. The cash flows are estimated using the future product prices and costs and are discounted using a risk-free rate.

Office furniture and equipment are recorded at cost and are depreciated on the declining balance basis using rates varying from 20% to 30%.

d) Interest in joint ventures

Certain of the Company's oil and gas exploration and development activities are conducted jointly with others and, accordingly, the consolidated financial statements reflect only the Company's proportionate interest in such activities.

e) Measurement uncertainty

The amounts recorded for depletion and depreciation of property and equipment and the ceiling test are based on estimates of gross reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the impact on the financial statements of changes in such estimates in future periods could be material.

Inherent in the fair value calculation of asset retirement obligations are numerous assumptions and judgments including the ultimate settlement amounts, inflation factors, credit adjusted discount rates, timing of settlement, and changes in the legal and regulatory environments. To the extent future revisions to these assumptions impact the fair value of the existing asset retirement obligation liability, a corresponding adjustment is made to the property and equipment balance.

f) Asset retirement obligations

The Company records a liability for the fair value of legal obligations associated with the retirement of long-lived tangible assets in the period in which they are incurred, normally when the asset is purchased or developed. On recognition of the liability there is a corresponding increase in the carrying amount of the related asset known as the asset retirement cost, which is depleted on a unit-of production basis over the life of the reserves. The liability is adjusted each reporting period to reflect the passage of time, with the accretion charged to earnings, and for revisions to the estimated future cash flows. Actual costs incurred upon settlement of the obligations are charged against the liability and any remaining difference is recognized as a gain or loss to earnings in the period in which settlement occurs.

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2005

3. Significant accounting policies (continued)

g) Income taxes

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

h) Stock-based compensation

Under the Company's stock option plan described in note 7, options to purchase common shares are granted to directors, officers, employees and consultants at current market prices or higher. Stock-based compensation expense is recorded in the statement of operations for all options granted with a corresponding increase recorded as contributed surplus. Compensation expense is based on the estimated fair values on the options at the time of the grant as determined using a Black Scholes option model. The expense is recognized on a straight-line basis over the vesting period of the option. Upon the exercise of the stock options, consideration paid, together with the amount previously recognized in contributed surplus, is recorded as an increase in share capital. In the event that vested options expire, previously recognized compensation expense associated with such stock options is not reversed.

i) Per share information

Basic per share information is calculated on the basis of the weighted average number of common shares outstanding during the year. Diluted per share amounts are calculated using the treasury stock method. Diluted calculations reflect the weighted average incremental common shares that would be issued upon exercise of dilutive options and warrants assuming the proceeds would be used to repurchase shares at average market prices for the year. Anti-dilutive options and warrants are not included in the calculation.

j) Flow-through shares

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Future income tax liabilities are increased and share capital is reduced by the estimated tax cost when the expenditures are renounced.

4. Property and equipment

	December 31, 2005		
	Cost	Accumulated depletion and depreciation	Net
Petroleum and natural gas properties	\$ 40,678,181	\$ 5,279,200	\$ 35,398,981
Office equipment	24,112	2,040	22,072
	<u>\$ 40,702,293</u>	<u>\$ 5,281,240</u>	<u>\$ 35,421,053</u>

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2005

4. Property and equipment (continued)

	December 31, 2004		
	Cost	Accumulated depletion and depreciation	Net
Petroleum and natural gas properties	\$ 23,765,164	\$ -	\$ 23,765,164
Office equipment	5,780	-	5,780
	<u>\$ 23,770,944</u>	<u>\$ -</u>	<u>\$ 23,770,944</u>

At December 31, 2005 petroleum and natural gas properties included undeveloped land of \$nil (2004 - \$23,765,164), which has been excluded from the depletion calculation.

The Company capitalized general and administrative costs during the year ended December 2005 of \$151,298 (2004 - \$nil).

The Company applied the ceiling test to its capitalized assets at December 31, 2005 and determined that there was an impairment of \$5,263,200. This impairment has been included in the depletion and depreciation expense for the year ended December 31, 2005. For the purposes of the December 31, 2005 impairment test the following benchmark prices were used:

	Oil Reference Price \$/bbl
2009	56.80
2010	54.40
2011	54.40
2012	55.00

Subsequent to December 31, 2005, the Company spent approximately \$2.6 million on petroleum and natural gas properties which are impaired and will be included in depletion and depreciation expense during the year ended December 31, 2006.

5. Business combinations

- a) On February 6, 2004, the Company acquired 100% of the common shares of Mistahiya Resources Ltd. ("Mistahiya"). The acquisition was financed by cash and a note payable. The note payable was redeemed for cash immediately after the closing of the acquisition. The acquisition has been accounted for using the purchase method. The fair value of the net assets acquired by the Company are as follows:

Assets acquired and liabilities assumed:	
Current assets	\$ 1,265,372
Petroleum and natural gas properties	610,787
Well abandonment deposits	251,307
Current liabilities	(61,830)
Asset retirement obligations	<u>(323,126)</u>
	\$ <u>1,742,510</u>
Consideration paid:	
Cash	\$ 630,010
Note payable	<u>1,112,500</u>
	\$ <u>1,742,510</u>

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2005

5. Business combinations (continued)

- b) On June 30, 2004, the Company transferred all its Western Canadian assets to Mistahiya. On July 1, 2004, the Company sold 100% of the common shares of Mistahiya to two directors of the company (and companies related to the directors). The fair value of the net assets sold and the consideration received by the Company were as follows:

Assets sold and liabilities disposed:	
Current assets (including cash of \$69,408)	\$ 304,466
Petroleum and natural gas properties	1,249,004
Well abandonment deposits	251,712
Current liabilities	(435,784)
Asset retirement obligations	(404,398)
	<u>965,000</u>
	\$ <u>965,000</u>

Consideration received:	
Shares in the Company returned to treasury	\$ <u>965,000</u>

This transaction resulted in the disposition of all of the Company's Western Canadian oil and gas properties and consequently has been presented as discontinued operations in these consolidated financial statements.

The following table provides additional information with respect to the amounts included in the results of discontinued operations:

	2005	2004
Revenues:		
Petroleum and natural gas, net of royalties	\$ -	\$ 310,055
Miscellaneous income	-	37,986
	<u>-</u>	<u>348,041</u>
Expense:		
Operating expense	-	(144,012)
Selling, general and administrative	-	(105,990)
Depletion	-	(83,227)
Stock-based compensation	-	(622,561)
	<u>-</u>	<u>(955,790)</u>
Loss from discontinued operations	\$ <u>-</u>	\$ <u>(607,749)</u>

- c) On June 28, 2004, pursuant to a Plan of Arrangement, the Company acquired the remaining 51% of the common shares in 1153845 Nova Scotia Ltd. ("NSL") from Marauder Resources Corp in exchange for 19,361,510 shares of the Company. The transaction has been accounted for by the purchase method and the fair value of the net assets acquired by the Company are as follows:

Assets acquired:	
Petroleum and natural gas properties	\$ 23,718,348
Consideration given:	
Common shares	\$ 23,427,427
Transaction costs	290,921
	<u>23,718,348</u>
	\$ <u>23,718,348</u>

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2005

5. Business combinations (continued)

- d) On September 30, 2005, the Company acquired Marauder Resources Corp. ("MRC"), a privately held company holding 19,211,510 shares (approximately 41%) of Marauder Resources East Coast, through a share exchange. All former shareholders of Marauder Resources Corp. exchanged their shares for shares of the Company. As this transaction was with a related party under common control, the assets acquired and liabilities assumed were recorded at their carrying amount. Upon completion of the share exchange and as a result of the share exchange ratio, 54,669 shares of the Company were returned to treasury.

The carrying value of the net assets acquired by the Company are as follows:

Assets acquired and liabilities assumed:

Issuance of common shares	\$	55,545
Current assets (including cash of \$250,036)		271,036
Current liabilities		(79,679)
Asset retirement obligation		(16,000)
Transaction Costs	\$	<u>(218,587)</u>
	\$	<u>12,315</u>

6. Asset retirement obligations

The following table presents the reconciliation of the carrying amount of the obligation associated with the retirement of the Corporation's property and equipment:

	2005	2004
Asset retirement obligations, beginning of year	\$ -	\$ 81,273
Liabilities incurred	16,000	323,125
Liabilities disposed	<u>-</u>	<u>(404,398)</u>
Asset retirement obligations, end of year	\$ <u>16,000</u>	\$ <u>-</u>

The following significant assumptions were used to estimate asset retirement obligations:

	2005
Undiscounted cash flows	\$16,000
Credit adjusted discount rate, adjusted for inflation	8.0%
Expected timing of cash flows	2 years

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2005

7. Share capital

a) Authorized

Unlimited number of common voting shares

Unlimited number of preferred shares, issued in series, of which none have been issued

b) Issued

Common shares	Number of Shares	Amount
Balance – December 31, 2003	15,360,206	\$ 3,958,752
Issued for 51% of shares of NSL	19,361,510	23,427,427
Flow-through shares issued for cash, net of issue costs	8,750,000	15,420,419
Private placements, net of share issue costs	1,582,717	241,018
Shares tendered and cancelled	(606,918)	(164,991)
Issued on exercise of broker warrants	536,229	232,990
Transfer from contributed surplus on exercise of warrants	-	17,101
Issued on exercise of options	740,000	369,000
Transfer from contributed surplus on exercise of options	-	269,556
Share purchase loan	-	(179,000)
Balance – December 31, 2004	45,723,744	43,592,272
Exercise of options	550,000	410,029
Tax effect of flow-through shares	-	(5,589,325)
Private placements (c)	4,349,760	3,847,086
Flow-through common shares (c)	1,000,000	1,150,000
Returned to treasury on corporate acquisition (note 11)	(54,669)	12,315
Exercise of broker warrants	-	898
Share issue costs	-	(206,907)
Balance – December 31, 2005	51,568,835	\$ 43,216,368

c) Private placements

In September 2005, the Company granted 200,870 warrants to brokers in relation to a corporate reorganization whereby the Company acquired Marauder Resources Corp. by issuing 19,156,841 shares to the holders of Marauder Resources Corp. and immediately cancelled the 19,211,510 common shares previously held by Marauder Resources Corp. (note 5(d)).

In November and December 2005, the Company issued 4,349,760 units comprised of one common share and one-half common share purchase warrant priced at \$1.15 per unit, and 1,000,000 flow-through shares at \$1.15 per share for total gross proceeds of \$6.08 million. A finder's fee of 6.5% cash and 6.5% warrants was paid on a portion of the private placement. The tax benefits of the flow-through proceeds will be renounced to investors in 2006. The Company has until December 31, 2006 to incur the related qualifying expenditures of which approximately \$126,000 had been spent as at December 31, 2005.

d) Stock options

The Company has a stock option plan which allows for the issuance of options to purchase shares at specific prices for a specific period of time. The maximum number of shares issuable pursuant to options granted under the plan are limited to 10% of the total issued and outstanding common shares

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2005

7. Share capital (continued)

d) Stock options (continued)

subject to shareholder approval. All directors, officers and certain employees and consultants are eligible to participate in the plan. All options under the plan vest immediately. The option price under the plan will not be less than the market price of the common shares on the date of grant. The expiry date for each option will be set by the Board of Directors at the time of issue of the option but in any event will not be more than five years after the date of grant.

In December 2005, the Company granted 2,250,000 stock options to employees, consultants and directors. The options have an exercise price of \$1.30 per share, expire in December 2010 and vest immediately. The fair value of these options was estimated to be \$2,379,040 using the Black-Scholes option pricing model, all of which has been recorded as stock-based compensation expense in 2005.

The Black-Scholes option pricing model was based on the following assumptions for options granted in 2005:

Volatility	113%
Risk-free interest rate	3.89%
Dividend yield	nil
Expected life of options	5 years

Shares have been reserved for the following outstanding stock options:

	2005		2004	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	3,990,000	\$ 1.26	720,000	\$ 0.30
Exercised	(550,000)	(0.40)	(740,000)	(0.50)
Expired	(600,000)	(1.50)	-	-
Granted	2,250,000	1.30	4,010,000	1.29
Balance, end of year	<u>5,090,000</u>	<u>\$ 1.34</u>	<u>3,990,000</u>	<u>\$ 1.26</u>

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

Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number exercisable
400,000	1.5	0.65	400,000
2,290,000	4.9	1.30	2,290,000
2,400,000	3.3	1.50	2,400,000
<u>5,090,000</u>	<u>3.9</u>	<u>1.34</u>	<u>5,090,000</u>

e) Contributed surplus

	2005	2004
Balance, beginning of year	\$ 2,873,759	\$ -
Stock-based compensation on granted options (<i>note 6(d)</i>)	2,379,040	3,143,315
Transfer to share capital on exercise of options (<i>note 6(d)</i>)	<u>(192,527)</u>	<u>(269,556)</u>
Balance, end of year	<u>\$ 5,060,272</u>	<u>\$ 2,873,759</u>

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2005

7. Share capital (continued)

f) Per share amounts

The basic and diluted weighted average number of common shares outstanding during the year ended December 31, 2005 was 46,623,236 (2004 – 28,059,017).

In computing diluted per share amounts, all of the Corporation's outstanding options and warrants have been excluded as they are anti-dilutive.

g) Warrants

	<u>Number of Warrants</u>		<u>Amount</u>
Balance, December 31, 2003	–	\$	–
Agent warrants	738,426		361,535
Exercise of warrants	(125,926)		(17,101)
Balance, December 31, 2004	612,500		344,434
Agent warrants (<i>note 7(c)</i>)	204,770		143,045
Unit private placement warrants (<i>note 7(c)</i>)	2,174,879		1,155,138
Balance, December 31, 2005	2,992,149	\$	1,642,617

The following table is a continuity of warrants:

	<u>December 31, 2005</u>		<u>December 31, 2004</u>	
	Number of Warrants	Weighted average exercise price	Number of Warrants	Weighted average exercise price
Common share warrants				
Opening	612,500	\$ 1.90	-	\$ -
Issued	2,379,649	1.47	738,426	1.67
Exercised	-	-	(125,926)	(0.54)
Closing	2,992,149	\$ 1.56	612,500	\$ 1.90

The following tables summarize information about warrants outstanding as at December 31, 2005:

Number outstanding and exercisable	Weighted average remaining contractual life (years)	Weighted average exercise Price \$
204,770	1.24	1.15
2,174,879	0.91	1.50
612,500	0.61	1.90
2,992,149	0.87	1.56

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2005

8. Income taxes

The provision for future income taxes differs from the amount computed by applying the combined federal and provincial tax rates to the net loss before taxes. The difference results from the following:

	2005	2004
Expected income tax (recovery) at 37.62% (2004 – 38.62%)	\$ (3,336,674)	\$ (1,387,122)
Resource allowance	42,004	-
Non-deductible items	894,995	975,049
Rate adjustment	3,144,207	-
Other	721	-
Change in valuation allowance	(6,334,578)	412,073
	<u>\$ (5,589,325)</u>	<u>\$ -</u>

The components of the future income tax liability are:

	2005	2004
Non-capital losses	\$ 31,021,006	\$ 34,167,361
Capital losses	258,221	286,121
Property and equipment	(10,536,725)	(7,410,994)
Eligible capital	74,137	-
Asset retirement obligations	5,379	-
Share issue costs	376,612	417,839
Other	-	73,177
Valuation allowance	(21,198,630)	(27,533,504)
	<u>\$ -</u>	<u>\$ -</u>

As at December 31, 2005, the Company had approximately \$ 4.4 million of tax pools and \$92.0 million of non-capital losses which commence expiry in 2009.

9. Financial instruments

a) Fair values of financial assets and liabilities

Financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. At December 31, 2005 there were no significant differences between the carrying amounts reported on the balance sheet and estimated fair values. The Company is exposed to fluctuations in commodity prices, interest rates and exchanges rates. The Company has not entered into any hedging contracts.

b) Credit risk

The majority of the accounts receivable are in respect of oil and natural gas operations. The Company generally extends unsecured credit to these customers, and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit. The Company has not experienced any material credit loss in the collection of receivables to date.

Marauder Resources East Coast Inc.

Notes to Consolidated Financial Statements

December 31, 2005

10. Change in non-cash working capital

	2005	2004
Accounts receivable	\$ (444,709)	\$ (132,903)
Prepaid expenses and deposits	(1,328)	(31,824)
Accounts payable and accrued liabilities	1,171,157	746,767
	<u>\$ 725,120</u>	<u>\$ 582,040</u>

The change in non-cash working capital has been allocated to the following activities:

	2005	2004
Operations	\$ (62,065)	\$ 690,529
Discontinued operations	-	(108,489)
Financing	666,466	-
Investing	120,719	-
	<u>\$ 725,120</u>	<u>\$ 582,040</u>

11. Related party transactions

- a) As part of the Plan of Arrangement, effective July 1, 2004, Endless completed the sale of the Western Canadian Properties to two directors of the Company based on a third party fairness opinion. The purchase price of \$965,000 was settled through the tendering of 606,918 common shares of Endless. On August 10, 2004, those common shares were cancelled.
- b) During the year ended December 31, 2005, the Company was charged \$219,393 (2004 – \$nil) by a legal firm in which an officer of the Company is a partner.
- c) During the year ended December 31, 2005, the Company was charged \$41,184 (2004 - \$nil) for office rent by a corporation controlled by an officer of Marauder.
- d) Included in accounts receivable at December 31, 2005 is \$21,000 due from an officer of the corporation for legal fees related to the September 2005 acquisition of his holdings in MRC paid by the corporation. This amount was collected subsequent to December 31, 2005.

These amounts are recorded at the exchange amounts agreed to by the related parties.