Globestar Mining Corporation
(an exploration company)

Consolidated Financial Statements
December 31, 2006 and 2005

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
Chartered Accountants
Place de la Cité, Tour Cominar
2640 Laurier Boulevard, Suite 1700
Québec, Quebec
Canada G1V 5C2
Telephone +1 (418) 522 7001
Facsimile +1 (418) 522 5663

Auditors' Report

To the Shareholders of
Globestar Mining Corporation

We have audited the consolidated balance sheets of **Globestar Mining Corporation** (an exploration company) as at December 31, 2006 and 2005 and the consolidated statements of earnings, deficit, contributed surplus and cash flows for the years then ended. 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 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, 2006 and 2005 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Quebec, Quebec, Canada
April 18, 2007

Globestar Mining Corporation

(an exploration company)
Consolidated Balance Sheets

	As at December 31,	
	2006	**2005**
	$	**$**
Assets		
Current assets		
Cash and cash equivalents	21,300,021	246,578
Deposit certificate, 7% (10% in 2005)	179,886	46,057
Investment in a public company (quoted market value: $2,117,760 in 2005) (note 12f)	-	1,126,400
Amounts receivable	140,611	28,899
Prepaid expenses	105,183	24,378
	21,725,701	1,472,312
Deferred charges	309,962	-
Deposit on the purchase of a mining property (note 12k)	-	585,650
Property, plant and equipment (note 5)	363,160	157,952
Intangible assets (note 6)	47,073	8,871
Mining properties (note 7)	18,793,038	9,917,973
	41,238,934	12,142,758
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,626,478	188,203
Part XII.6 and Part III.14 tax	30,500	30,500
Deposits on exploration costs payable, non-interest bearing (US$372,440 in 2006; US$300,686 in 2005)	434,414	350,600
Advances from a shareholder, non-interest bearing and with no terms of repayment (US$200,000 in 2005)	-	233,200
Promissory note, bearing interest at 4%, maturing on March 30, 2007 (US$500,000 in 2006)	601,492	-
	2,692,884	802,503
Shareholders' Equity		
Share capital (notes 8 and 9)	43,887,497	16,009,517
Warrants (note 8)	1,500,367	551,355
Stock options (note 9)	1,468,501	808,627
Contributed surplus	836,158	836,158
Deficit	(9,146,473)	(6,865,402)
	38,546,050	11,340,255
	41,238,934	12,142,758

Nature of activities and going concern (note 1)

Agreements, commitments and contingencies (note 12)

Subsequent event (note 17)

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

Approved by the Board of Directors

(Signed) WILLIAM J. FISHER Director (Signed) JOHN A. IANNOZZI, CA Director

Globestar Mining Corporation

(an exploration company)

Consolidated Statements of Deficit

	Years Ended December 31,	
	2006 **$**	**2005** **$**
Balance – Beginning of year	6,865,402	5,302,569
Loss for the year	2,281,071	1,495,769
Redemption of shares (note 8)	-	67,064
Balance – End of year	9,146,473	6,865,402

Consolidated Statements of Contributed Surplus

	Years Ended December 31,	
	2006 **$**	**2005** **$**
Balance – Beginning of year	836,158	3,119
Warrants matured (note 8)	-	836,158
Redemption of shares (note 8)	-	(3,119)
Balance – End of year	836,158	836,158

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

Globestar Mining Corporation

(an exploration company)
Consolidated Statements of Earnings

	Years Ended December 31,	
	2006	**2005**
	$	**$**
Administrative expenses		
Compensation and fringe benefits (note 9)	898,962	206,935
Office expenses	469,124	235,502
Professional and maintenance fees (note 9)	1,614,307	862,031
Travelling	233,497	108,518
Financial revenues	(379,934)	(36,080)
Gain on the sale of a mining property	-	(345,792)
Depreciation of property, plant and equipment	64,738	63,249
Amortization of intangible assets	2,406	6,642
Amortization of deferred charges	951,624	-
Exchange gain	(195,929)	(44,570)
Interest and bank charges	32,524	2,456
Interest on long-term debt	169,942	-
Part XII.6 and Part III.14 tax	-	-
Expenses related to the abandonment of a mining property and to the writeoff of mining properties (notes 7 and 12g)	-	440,208
Gain on the sale of investments in public companies	(1,580,190)	(3,330)
Loss for the year	2,281,071	1,495,769
Basic and diluted loss per share (note 14)	0.039	0.034

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

Globestar Mining Corporation

(an exploration company)
Consolidated Statements of Cash Flows

	Years Ended December 31,	
	2006 **$**	**2005** **$**
Cash flows from operating activities		
Loss for the year	(2,281,071)	(1,495,769)
Items not affecting cash and cash equivalents		
Depreciation of property, plant and equipment	64,738	63,249
Amortization of intangible assets	2,406	6,642
Amortization of deferred charges	951,624	-
Stock options (note 9)	734,141	85,385
Capitalized interest	18,293	(7,150)
Unrealized exchange gain	-	(20,425)
Gain on the sale of investments in public companies	(1,580,190)	(3,330)
Expenses related to the abandonment of a mining property settled through the issuance of shares	-	25,000,
Gain on the sale of a mining property	-	(349,250)
Loss on writeoff of mining properties	-	390,543
	(2,090,059)	(1,305,105)
Change in non-cash working capital items		
Amounts receivable	(111,712)	47,972
Grants and tax credit receivable	-	41,439
Prepaid expenses	(80,805)	(22,675)
Accounts payable and accrued liabilities	1,438,275	(41,974)
Part XII.6 tax and Part III.14 tax	-	(27,500)
	1,245,758	(2,738)
	(844,301)	(1,307,843)
Cash flows from financing activities		
Variation in deferred charges	(703,640)	-
Repayment of advances from a shareholder	(233,200)	(17,734)
Issuance of a promissory note	583,199	-
Issuance of share capital and warrants, net of issue expenses	28,194,779	3,040,757
Redemption of shares	-	(145,344)
	27,841,138	2,877,679
Cash flows from investing activities		
Purchase of a deposit certificate	(133,829)	-
Additions to property, plant and equipment	(269,946)	(124,153)
Acquisition of intangible assets	(40,608)	(7,960)
Deposit on the purchase of a mining property	-	(585,650)
Proceeds from the sale of mutual funds	-	530,620
Proceeds from the sale of shares of public companies	2,706,590	5,730
Acquisition of mining properties	(8,418,060)	(1,629,237)
Deposits on exploration costs payable	212,459	82,667
	(5,943,394)	(1,727,983)
Net change in cash and cash equivalents	21,053,443	(158,147)
Cash and cash equivalents – Beginning of year	246,578	404,725
Cash and cash equivalents – End of year	21,300,021	246,578

Additional information (note 10)

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

1 Nature of activities and going concern

The company, through its subsidiaries, is in the business of acquiring and exploring mining properties. It has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mining properties is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposal of properties.

For the year ended December 31, 2006, the company recorded a loss of $2,281,071 and has accumulated a significant deficit. In addition to ongoing working capital requirements, the company must secure sufficient funding for meeting its existing commitments for exploration and development programs and general and administration costs.

Management is periodically seeking additional forms of financing through the issuance of new equity instruments, debts from third parties and advances from a shareholder to continue its operations, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without such funding being available, the company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

Although management has taken steps to verify title to mining properties in which the company has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

These financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, and do not reflect the adjustments to the carrying values of assets and liabilities, the reported revenue and expenses and balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

2 Reorganization

Effective December 6, 2002, a newly formed Canadian corporation, Globestar Mining Corporation ("Globestar") incorporated under the Canada Business Corporations Act and a corporation previously known under the corporate name of TGW Corp. Inc. ("TGW") participated in a plan of arrangement approved by the shareholders (the "Arrangement"). As a result of the Arrangement, TGW and its subsidiaries became direct and indirect subsidiaries, respectively, of Globestar, Globestar's common shares began to trade publicly on the TSX Venture Exchange under the symbol "GMI", and 100% of TGW's common shares were acquired by Globestar and ceased to be publicly traded.

The aggregate number of Globestar's common shares issued in the Arrangement was the same as the aggregate number of TGW's common shares outstanding immediately prior to the Arrangement. The consolidated assets and liabilities of Globestar and its subsidiaries immediately after the Arrangement were the same as those of TGW and its subsidiaries immediately prior to the Arrangement. All of the business and operations conducted by TGW and its subsidiaries immediately prior to the effective date of the Arrangement continued to be conducted by TGW and its subsidiaries as subsidiaries of Globestar immediately after the Arrangement.

3 Summary of significant accounting policies

Basis of consolidation

These consolidated financial statements include the accounts of the company and those of its wholly-owned subsidiaries, TGW Corp. Inc. ("TGW"), Sarmin Exploration Corp. ("Sarmin"), Corporación Minera Dominicana S.A. ("CMD") and Great Northern Diamond Corporation Inc. (wound up in 2005).

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and all highly liquid short-term investments with original maturities of three months or less at the acquisition date.

Investment in a public company

The investment in a public company is valued at the lower of cost and market value.

Foreign currency translation

Foreign currency transactions

Transactions denominated in currencies other than the functional currency are translated into the functional currency as follows: monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date and revenues and expenses are translated at the monthly average rate. Non-monetary assets and liabilities are translated at historical rates. Exchange gains and losses arising from such translation are reflected in the statements of earnings.

Foreign subsidiary

CMD is considered to be an integrated foreign operation. As a result, the foreign subsidiary's accounts are remeasured into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are remeasured at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are remeasured at historical rates. Revenues and expenses are remeasured at the average rate for the year. Gains and losses resulting from remeasurement are reflected in the statements of earnings.

Property, plant and equipment and depreciation

Property, plant and equipment are recorded at cost and are depreciated using the straight-line method over the periods mentioned in note 5.

Intangible assets

Web site development costs are recorded at cost and are amortized using the declining balance method at an annual rate of 30%.

Software is recorded at cost and is amortized using the straight-line method over the period mentioned in note 6.

Mining properties

The company records its interests in mining properties and areas of geological interest at cost less option payments received and other recoveries. Exploration and development costs relating to these interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or allowed to lapse. Management reviews the carrying values of mining properties on a regular basis to determine whether any writedowns are necessary. These costs will be amortized over the estimated useful life of the mining properties following commencement of production or written off if the mining properties or projects are sold or allowed to lapse. General exploration expenditures not related to specific mining properties are expensed as incurred.

Deposits on exploration costs payable

Deposits on exploration costs payable represent the excess of cash received by the company from a third party over the exploration costs incurred by the company.

Share capital

Share capital issued for non-monetary consideration is generally recorded at the quoted market price of the shares over a reasonable period of time before and after the agreement to issue the shares was announced.

The shares issued pursuant to flow-through share financing agreements are recorded at their fair value. Upon the acquisition of mining properties, the carrying value may exceed the tax basis since the company renounces the deductions in favour of the investors concerned. The company also issues flow-through shares without any premium or discount regarding the renunciation of the tax benefits in favour of investors.

Share issue expenses have been applied against share capital.

Credit on duties refundable for loss and refundable tax credit for resources

The company is entitled to a credit on duties refundable for loss on mining exploration expenses incurred in the Province of Quebec. This tax credit has been applied against the costs incurred (note 7).

Furthermore, the company is entitled to the refundable tax credit for resources on qualified expenditures incurred after March 29, 2001. The refundable tax credit may reach 38.75% of qualified expenditures incurred. This tax credit has been applied against the costs incurred (note 7).

Government grants

Government grants are accounted for when the company has reasonable assurance that it has complied and will continue to comply with all the conditions related to the grant. Grants related to working capital are included in earnings when the related expenses are incurred. Grants related to exploration costs are deducted from the related mining properties.

Income taxes

The company provides for income taxes using the liability method of tax allocation. Under this method, future income tax assets and liabilities are determined based on deductible or taxable temporary differences between financial statement values and tax values of assets and liabilities using enacted or substantively enacted income tax rates expected to be in effect for the year in which the differences are expected to reverse.

The company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

Basic and diluted earnings per share

Basic earnings per share are determined using the weighted average number of participating shares outstanding during the year.

Diluted earnings per share are determined using the weighted average number of participating shares outstanding during the year, plus the effects of dilutive potential participating shares outstanding during the year. The calculation of diluted earnings per share is made using the treasury stock method, as if all dilutive potential shares had been exercised at the later of the beginning of the year or the date of issuance, as the case may be, and that the funds obtained thereby be used to purchase participating shares of the company at the average market value of the participating shares during the year.

Stock-based compensation plan

The company maintains a stock option plan, which is described in note 9. In accordance with Canadian generally accepted accounting principles, the company uses the fair value method to account for options granted to employees. Accordingly, all stock-based compensation awards are expensed in the financial statements. Any consideration received from plan participants upon the exercise of stock options is credited to share capital.

4 Grants and tax credit receivable

For the year ended December 31, 2006, the company received no amount ($24,290 in 2005) as a refundable tax credit for resources.

5 Property, plant and equipment

			2006		2005
	Depreciation period (years)	**Cost $**	**Accumulated depreciation $**	**Cost $**	**Accumulated depreciation $**
Computer equipment	3	64,885	24,506	31,722	12,852
Office equipment	5	35,922	17,479	23,642	8,317
Automotive equipment	5	472,811	241,556	235,071	209,889
Equipment	4	101,375	28,524	101,375	3,175
Leasehold improvements	5	2,532	2,300	2,532	2,157
		677,525	314,365	394,342	236,390
Less: Accumulated depreciation		314,365		236,390	
Net amount		363,160		157,952	

6 Intangible assets

			2006		2005
	Amortization rate and period	**Cost $**	**Accumulated amortization $**	**Cost $**	**Accumulated amortization $**
Web site development costs	30%	3,098	2,144	3,349	1,982
Software	4 years	51,272	5,153	7,960	456
		54,370	7,297	11,309	2,438
Less: Accumulated amortization		7,297		2,438	
Net amount		47,073		8,871	

7 Mining properties

(a) December 31, 2006

For the year ended December 31, 2006, all mining properties are 100% owned by the company through claims.

Canada	**Balance as at January 1, 2006** $	**Costs incurred** $	**Option payments, grants and tax credits** $	**Loss on writeoff and disposal** $	**Balance as at December 31, 2006** $
Moblan (note 12e)					
Mining property	10,347	-	-	-	10,347
Exploration costs	118,523	21,181		-	139,704
	128,870	21,181	-	-	150,051
Dominican Republic					
Maimón and Cerro de Maimón (notes 12a and c and 17a and b)					
Mining properties	1,882,038	6,093,110	-	-	7,975,148
Exploration costs	3,684,859	2,670,672	-	-	6,355,531
	5,566,897	8,763,782	-	-	14,330,679
Managua (note 12a and f)					
Exploration costs	3,112,885		-	-	3,112,885
Trinidad (note 12a, b and f)					
Exploration costs	659,388	2,090	-	-	661,478
Rincón Abajo (note 12a and f)					
Exploration costs	257,485	2,270	-	-	259,755
Cuance (note 12i)					
Mining property	36		-	-	36
Exploration costs	90,767	33,474	(124,277)	-	(36)
	90,803	33,474	(124,277)	-	-
(forward)	9,687,458	8,801,616	(124,277)	-	18,364,797

Dominican Republic	**Balance as at January 1, 2006 $**	**Costs incurred $**	**Option payments, grants and tax credits $**	**Loss on writeoff and disposal $**	**Balance as at December 31, 2006 $**
(brought forward)	9,687,458	8,801,616	(124,277)	-	18,364,797
Loma de Payabo (note 12i)					
Mining property	-	-	-	-	-
Exploration costs	-	-	-	-	-
	-	-	-	-	-
Los Hojanchos (note 12i)					
Exploration costs	61,224	19,257	(6,118)	-	74,363
El Anón					
Mining property	32	-	-	-	32
Exploration costs	7,496	385	-	-	7,881
	7,528	385	-	-	7,913
Jatubey (note 12a)					
Exploration costs	1,486	-	-	-	1,486
Barbuito					
Exploration costs	6,411	-	-	-	6,411
Laterita Cerro de Maimón					
Exploration costs	17,834	134,387	-	-	152,221
Other					
Exploration costs	7,162	38,197	(9,563)	-	35,796
	9,789,103	8,993,842	(139,958)	-	18,642,987
Total mining properties	9,917,973	9,015,023	(139,958)	-	18,793,038

(b) December 31, 2005

For the year ended December 31, 2005, all mining properties are 100% owned by the company through claims.

Canada	**Balance as at January 1, 2005 $**	**Costs incurred $**	**Option payments, grants and tax credits $**	**Loss on writeoff and disposal $**	**Balance as at December 31, 2005 $**
Moblan (note 12e)					
Mining property	10,347	-	-	-	10,347
Exploration costs	80,658	44,451	(6,586)	-	118,523
	91,005	44,451	(6,586)	-	128,870
Poste Lemoyne Extension (note 12d)					
Mining property	8,481	-	-	(8,481)	-
Exploration costs	657,152	5,129	-	(662,281)	-
	665,633	5,129	-	(670,762)	-
Wemindji					
Mining property	77,330	-	-	(77,330)	-
Exploration costs	1,069	-	-	(1,069)	-
	78,399	-	-	(78,399)	-
Roussillon Area					
Mining property	73,800	1,235	-	(75,035)	-
Exploration costs	228,924	-	(17,704)	(211,220)	-
	302,724	1,235	(17,704)	(286,255)	-
	1,137,761	50,815	(24,290)	(1,035,416)	128,870

Dominican Republic	**Balance as at January 1, 2005 $**	**Costs incurred $**	**Option payments, grants and tax credits $**	**Loss on writeoff and disposal $**	**Balance as at December 31, 2005 $**
Maimón and Cerro de Maimón (note 12a and c)					
Mining properties	1,386,034	496,004	-	-	1,882,038
Exploration costs	2,718,286	966,573	-	-	3,684,859
	4,104,320	1,462,577	-	-	5,566,897
Managua (note 12a and f)					
Exploration costs	3,112,885	-	-	-	3,112,885
Trinidad (note 12a, b and f)					
Exploration costs	640,880	18,508	-	-	659,388
Rincón Abajo (note 12a and f)					
Exploration costs	251,001	16,994	(10,510)	-	257,485
Cuance (note 12i)					
Mining property	36	-	-	-	36
Exploration costs	23,207	171,227	(103,667)	-	90,767
	23,243	171,227	(103,667)	-	90,803
Loma de Payabo (note 12i)					
Mining property	50	-	-	(50)	-
Exploration costs	8,871	19,411	(2,443)	(25,839)	-
	8,921	19,411	(2,443)	(25,889)	-
Los Hojanchos (note 12i)					
Exploration costs	51,308	18,471	(8,555)	-	61,224
(forward)	8,192,558	1,707,188	(125,175)	(25,889)	9,748,682

Dominican Republic	**Balance as at January 1, 2005 $**	**Costs incurred $**	**Option payments, grants and tax credits $**	**Loss on writeoff and disposal $**	**Balance as at December 31, 2005 $**
(brought forward)	8,192,558	1,707,188	(125,175)	(25,889)	9,748,682
El Anón					
Mining property	32	-	-	-	32
Exploration costs	6,663	833	-	-	7,496
	6,695	833	-	-	7,528
Jatubey (note 12a)					
Exploration costs	1,486	-	-	-	1,486
Barbuito					
Exploration costs	6,411	-	-	-	6,411
Laterita Cerro de Maimón					
Exploration costs	-	17,834	-	-	17,834
Other					
Exploration costs	-	15,069	(7,907)	-	7,162
	8,207,150	1,740,924	(133,082)	(25,889)	9,789,103
Total mining properties	9,344,911	1,791,739	(157,372)	(1,061,305)	9,917,973

8 Share capital

Authorized

Unlimited number of common shares, without par value, voting and participating

Issued

	As at December 31,	
	2006 $	**2005 $**
77,734,050 shares (50,365,900 in 2005)	43,887,497	16,009,517

Variation of issued share capital:

	Years Ended December 31,			
	2006		2005	
	Number	$	Number	$
Balance – Beginning of year	50,365,900	16,009,517	41,797,400	13,570,276
Redemption of shares (i)	-	-	(231,500)	(75,161)
Private placement (ii)	-	-	8,750,000	2,493,480
Shares issued following the abandonment of a mining property (iii)	-	-	50,000	20,922
Options and warrants exercised (iv) (v)	1,281,250	812,237	-	-
New shares issued (vi)	26,086,900	27,065,743	-	-
Balance – End of year	77,734,050	43,887,497	50,365,900	16,009,517

(i) In January and February 2005, the company redeemed 231,500 shares for a total redemption price of $145,344. The difference between the redemption price and the carrying value amounts to $70,183. Of that sum, an amount of $3,119 has been applied against the contributed surplus and the balance of $67,064 has been allocated to the statement of deficit.

(ii) In August 2005, the company issued 8,750,000 units for total gross proceeds of $3,500,000. Each unit consists of one common share and one-half warrant. Issue expenses amount to $545,074 for net proceeds of $2,954,926, which have been shared out between the share capital ($2,493,480) and warrants ($461,446). The amount allocated to the share capital has been determined based on the difference between the net proceeds and the fair value of warrants (note 8b). These expenses include an amount of $89,909 related to the fair value of the 700,000 warrants granted as a commission.

(iii) In November 2005, the company issued 50,000 shares for an amount of $25,000 (note 12g). Issue expenses amount to $4,078 for net proceeds of $20,922.

(iv) During 2006, 1,031,250 warrants were exercised for a total exercise price of $445,623 (note 8b). The fair value of these warrants, in the amount of $124,847, has been credited to share capital.

(v) During 2006, 250,000 options were exercised for a total exercise price of $167,500 (note 9). The fair value of these options, in the amount of $74,267, has been credited to share capital.

(vi) On September 22, 2006, the company issued 26,086,900 new common shares at a price of $1.15 per share. Issue expenses of $2,418,279 have been applied against issue gross proceeds. An amount of $515,913 has been recorded as an increase of the warrants included in shareholders' equity.

(b) The following table presents the warrant activity and summarizes information about outstanding warrants as at December 31:

	2006		2005	
	Number	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Outstanding – Beginning of year	5,075,000	0.49	6,067,672	1.25
Granted	3,721,002	0.86	5,075,000	0.49
Exercised	(1,031,250)	0.41	-	-
Matured	-	-	(6,067,672)	1.25
Outstanding and exercisable – End of year	7,764,752	0.65	5,075,000	0.49

The following table summarizes the maturity date of outstanding warrants:

- 4,043,750 warrants at $0.50 mature in August 2007;
- 1,695,649 warrants at $1.15 mature in January 2008;
- 2,025,353 warrants at $0.61 mature in March 2009. The exercise price will be $0.67 for the period from March 2008 to March 2009.

Warrants are recorded at their fair value, which was determined using the Black-Scholes model. The fair value of warrants that matured during the year ended December 31, 2005, for an amount of $836,158, has been accounted for as contributed surplus.

9 Stock option plans

(a) The company established a stock option plan under which key employees, officers, directors and service suppliers of the company and its subsidiaries may be granted stock options for shares of the company. A maximum of 10% of the shares issued and outstanding may be granted (maximum of 5% in favour of one person).

Options granted under the plan expire after a maximum period of ten years following the date of grant and vest over variable periods determined by the Board of Directors upon granting.

The following tables present the stock option activity:

	2006		2005	
	Number	**Weighted average exercise price $**	**Number**	**Weighted average exercise price $**
Outstanding – Beginning of year	4,153,131	0.61	3,478,131	0.61
Granted	2,605,000	1.03	725,000	0.64
Exercised	(250,000)	0.67		
Cancelled	(235,000)	0.47	(50,000)	0.58
Outstanding – End of year	6,273,131	0.78	4,153,131	0.61
Exercisable – End of year	4,355,965	0.69	3,528,131	0.60

Holders	**Options outstanding and exercisable as at December 31, 2006**	**Remaining contractual life (years)**	**Exercise price $**
Key employees	275,000	4.33	0.70
Key employees	400,000	4.59	1.07
Key employees	150,000	4.78	1.07
Service suppliers	2,443	0.12	3.77
Service suppliers	80,000	1.09	0.76
Service suppliers	200,000	4.59	1.07
Service suppliers	200,000	4.78	1.07
Directors and officers	200,000	3.13	0.70
Directors and officers	1,450,000	1.19	0.90
Directors and officers	1,735,688	0.62	0.36
Directors and officers	200,000	3.81	0.55
Directors and officers	300,000	4.33	0.70
Directors and officers	530,000	4.49	1.25
Directors and officers	200,000	4.59	1.07
Directors and officers	350,000	4.78	1.07
Outstanding – End of year	6,273,131	2.58	0.78
Exercisable – End of year	4,355,965	1.75	0.69

(b) As part of the acquisition of CMD by Sarmin in 2000, TGW granted Falconbridge International (Investissement) Limitée ("Falcon"), under a private stock option plan, the option to acquire 750,026 shares at a unit exercise price equal to the average quoted market value of shares of TGW between December 19, 2000 and December 19, 2001.

This option is exercisable within 90 days of receipt of a feasibility study with respect to any property to be brought into production (note 12a).

Accounting for the stock-based compensation plan

The fair value of options granted for the year ended December 31, 2006 was estimated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2006
Number of options	2,605,000
Risk-free interest rate	4.25%
Expected volatility	60%
Dividend yield	zero
Weighted average expected life	5 years
Weighted average fair value of options granted	$0.6328

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the stock options granted to key employees, officers and directors have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide an accurate single measure of the fair value of stock options granted to key employees, officers and directors.

The company recognizes, as compensation costs arising from awards to key employees, officers and directors, the fair value of stock options at the date of grant. The fair value of stock options granted during the year ended December 31, 2006 is $734,141 of which an amount of $164,250 has been included in the statement of earnings under the item "Professional and maintenance fees" and $569,891 under the item "Compensation and fringe benefits". For the year ended December 31, 2005, an amount of $85,385 has been included in Shareholders' Equity under the item "Stock options" and the balance of $75,277 will be recognized as the stock options become exercisable.

10 Statements of cash flows

Additional information

	Years Ended December 31,	
	2006	**2005**
	$	**$**
Items not affecting cash and cash equivalents related to operating, financing and investing activities		
Acquisition of mining properties applied against:		
Deposit on the purchase of a mining property	585,560	-
Deposits on exploration costs	-	5,130
Deposits on exploration costs payable applied against mining properties	128,645	133,083
Interest paid	183,804	-
Shares received in consideration of the sale of a mining property	-	1,028,800
Warrants exercised and transferred to share capital	124,847	-
Warrants matured and transferred to the contributed surplus	-	836,158
Warrants issued as financing expenses	557,946	89,909
Options exercised and transferred to share capital	74,267	-
Expenses related to the abandonment of a mining property settled through the issuance of shares	-	25,000
Deposit on exploration costs applied against a mining property	-	8,788

11 Income taxes

As at December 31, 2006, the company and certain Canadian subsidiaries have accumulated losses for income tax purposes totalling approximately $5,071,000 ($3,535,000 in 2005) at the federal level and $4,513,000 ($3,367,000 in 2005) at the provincial level. The company and its subsidiaries consider that it is not more likely than not that the future income tax asset resulting from these tax losses will be realized and have therefore recorded a valuation allowance corresponding to the full amount of this future income tax asset. These losses can be carried forward against future years' taxable income and will expire during the following years:

	Federal	**Provincial**
	$	**$**
2007	168,000	168,000
2008	317,000	317,000
2009	455,000	455,000
2010	923,000	923,000
2014	866,000	808,000
2015	338,000	228,000
2026	2,056,000	1,657,000

- CMD has available loss carry forwards in Dominican Republic totalling approximately $1,094,000, which may be carried forward until 2008.

The reconciliation of the income tax provision, calculated using the statutory income tax rates of the federal government and provinces concerned (Canada), to the income tax provision per the financial statements is as follows:

	Years Ended December 31,	
	2006 **$**	**2005** **$**
Loss for the year	(2,281,071)	(1,495,769)
Income taxes at the combined statutory tax rate of the Canadian federal government and the provinces concerned (38.12% in 2006 and 40.12% in 2005)	(870,000)	(600,000)
Non-deductible resource loss	138,000	97,000
Change in valuation allowance	104,000	784,000
Expiry of tax losses	178,000	186,000
Non-deductible expenses (non-taxable revenues)	99,000	81,000
Share issue expenses not affecting earnings	(923,000)	(220,000)
Adjustment of the foreign subsidiary's tax losses for inflation purposes	832,000	(234,000)
Exchange rate variation on the foreign subsidiary's future income tax assets	(12,000)	118,000
Effect of translation of the foreign subsidiary's accounts into Canadian dollars	140,000	(436,000)
Difference of rate applicable to foreign subsidiary	4,000	153,000
Change in tax rate	355,000	76,000
Other	(45,000)	(5,000)
	-	-

Significant components of the company's future income tax assets and liabilities are as follows:

	2006 **$**	**2005** **$**
Mining properties	1,547,000	1,591,000
Property, plant and equipment	33,000	19,000
Non-capital and capital losses	2,153,000	2,574,000
Share issue expenses	775,000	220,000
Other items	7,000	7,000
Valuation allowance	(4,515,000)	(4,411,000)
Future income taxes	-	-

12 Agreements, commitments and contingencies

(a) Pursuant to the acquisition of CMD by Sarmin, which occurred in 2000, CMD granted Falcon a net smelter royalty ("NSR") upon the first three properties among the following: Maimón, Managua, Rincón Abajo, Trinidad and Jatubey, which are located either within the concessions held by CMD, or within a prescribed area surrounding such concessions (the "Area of Influence") which are the subject of a production decision whereby CMD elects to develop one or more mines in such Area of Influence. In such case, Falcon retains a NSR of 2% on the first property to go into production, 1.5% on the second property to go into production and 1% on the third property to go into production. Sarmin has the right to repurchase 50% of any NSR at a mutually agreed price between the parties, and has a first right of refusal upon the remaining 50% NSR held by Falcon.

As part of this agreement, Sarmin also granted Falcon a share purchase option, which is described in note 9b).

Sarmin has committed to making the following future cash payments to Falcon:

- US$200,000 upon the decision to proceed with a feasibility study upon the first property within the Area of Influence; and

- US$500,000 upon Falcon being advised that CMD intends to develop one or more mines on the concessions.

If Sarmin fails to pay the US$200,000 upon the decision to proceed with a feasibility study or pay the US$500,000 upon a production decision to proceed in the Area of Influence being made, then Falcon has the right to rescind the agreement and have the common shares of CMD reconveyed back to Falcon.

(b) On January 21, 2002, TGW and CMD granted Karr Securities, a major shareholder, the option to acquire a 100% interest in the Trinidad property in consideration of $10,000 in cash at the signing of the agreement (already paid) and $190,000 in cash no later than December 31, 2006. This option has not been exercised.

(c) Pursuant to an agreement entered into on March 1, 2002 between Falcon and CMD, the latter will have the right to acquire the 50% interest held by Falcon in the Maimón property.

As part of this agreement, CMD has committed to making the following payments:

(i) US$350,000 payable at the signing of the agreement (this amount has already been paid);

(ii) US$250,000 payable after the twelve-month period following the receipt of a favourable feasibility study by CMD (to be received in 2005 or thereafter), including an environmental impact assessment approved in due and proper form by the government of the Dominican Republic (approved in 2004);

(iii) US$250,000 payable after the twelve-month period following the day when CMD has advised Falcon of its intention to bring the Maimón property into production.

Upon the payment of the amounts mentioned in i) and ii) above, these amounts will be added to the cost of the Maimón property. Falcon will also retain a 2% net smelter return royalty interest which can be halved for US$1,000,000 at anytime.

(d) In October 2005, the company signed an agreement with Virginia Gold Mines Inc. ("Virginia") whereby Virginia acquired the company's 50% interest in the Poste Lemoyne Extension property in consideration of the issuance of 160,000 shares of Virginia to the company. The company will retain a 1% royalty for which Virginia will have a buyback right of 0.5% for a total payment of $500,000. Upon conclusion of the agreement, the quoted market price of Virginia shares amounted to $6.43.

(e) In November 2005, SOQUEM Inc. ("SOQUEM") granted the company the option to acquire a 60% interest in the West Moblan Property in consideration of $150,000 in exploration work on the property to be carried out over a thirty-three month period beginning 90 days from the signing of the agreement. Once the interest will have been acquired, a joint venture will be created. A reduction of a party interest under 10% will automatically involve for this party a withdrawal from the joint venture, and the party concerned shall assign its entire interest to the other party in consideration of a 2% Gross Overriding Royalty. The non-diluted party shall have the right, at any time, to repurchase half of the royalty in consideration of $500,000.

(f) On February 10, 2003, the company granted Everton Resources Inc. ("Everton") the option to acquire a 50% interest in the Managua, Rincón Abajo and Trinidad properties in consideration of a cash payment of US$50,000 at the signing of the agreement (received), of US$1,500,000 in exploration work over a two-year period, of which a minimum amount of US$500,000 in the first year, and of the issuance of 750,000 shares of its share capital, of which 250,000 at the signing of the agreement (received), 250,000 at the agreement's first anniversary (received) and 250,000 no later than the agreement's second anniversary (not received). Once Everton will have acquired a 50% interest, a joint venture will be established. This agreement expired in February 2005 and was not renewed.

(g) In 2003, the company received a notice of default in connection with an option and joint venture contract entered into with a third party regarding the non-fulfilment of certain commitments related to the Fenton property. In November 2005, an agreement was entered into between both parties for an amount of $15,000 and 50,000 common shares. The total value of $40,000 and the related legal fees have been recorded as expenses related to the abandonment of a mining property.

(h) In November 2004, the company was authorized to redeem and cancel thereafter a maximum number of 2,093,870 common shares between October 28, 2004 and October 27, 2005. Therefore, redemptions of shares occurred in December 2004 as well as in January and February 2005 (note 8a)(i).

(i) Further to the completion of a financing by Everton, the company granted Everton the option to acquire a 50% interest in the Cuance, Los Hojanchos and Loma de Payabo properties in consideration of US$1,170,000 exploration work over a three-year period, this amount shall be allocated among these three properties during fiscal 2004, 2005 and 2006. Once Everton will have acquired a 50% interest, a joint venture will be created.

(j) The company entered into operating leases totalling $46,186 for its premises and office equipment. The minimum instalments payable under these leases in each of next three years amount to $31,863 in 2007, $8,185 in 2008 and $6,138 in 2009.

(k) In February 2006, the company entered into an agreement, which represents an amendment to the August 2005 agreement, for the acquisition of the 50% Net Profit Interest of Cerro de Maimón owned by 4Star Group, giving to the company a 100% outright ownership. As at December 31, 2006, the acquisition is fully completed and therefore has been recognized as an acquisition during the year. In exchange, the company made a payment of US$4,200,000 on the closing date, being March 30, 2006, and a promissory note of US$500,000 maturing on March 31, 2007 and bearing interest at 4% was issued. A deposit of US$500,000 ($585,650) was paid. It has been included in the balance sheet as at December 31, 2005 as "Deposit on the purchase of a mining property" and has been applied against that acquisition during the current year.

(l) A secured medium-term note of US$4,250,000, contracted during the quarter ended June 30, 2006, was repaid during the quarter ended September 30, 2006. This note bore interest at LIBOR rate plus 4% and was maturing on December 31, 2008; interest was capitalizable or payable quarterly. The capitalized interest was convertible into common shares at the lender's option, 2,025,353. Also, warrants were issued to the lender on the date of the loan as financing expenses in addition to an amount of $266,685 paid in cash. This debt was secured by a general security agreement.

(m) In May 2006, the company received the approval for a senior debt of up to US$35,000,000 for the development of the Cerro de Maimón project. The debt has a five-year term and bears interest at LIBOR rate plus 3.5% for the period prior to completion of the project and at LIBOR rate plus 3% for the period following completion of the project. Principal and interest will become payable at the earlier of three months after the completion of the project and a fixed date of March 31, 2009. Interest may be payable earlier if the company is able to pay interest. As at December 31, 2006, this credit facility is unused.

(n) In May 2006, the company entered into an agreement with Everton Resources Inc. ("Everton") to acquire the 50% beneficial interest in the Corozal and Cercadillo concessions owned by Everton, giving the company an undivided 100% beneficial interest in both concessions in consideration of its 100% interest and property title in the Mireya concession. Concurrently, Everton transferred its property title in the Cercadillo concession to the company, which already owns the property title in the Corozal concession. Everton retained a 1% net smelter return interest in both Corozal and Cercadillo concessions and the company retained a 2% net smelter return interest in the Mireya concession, which can be halved anytime in consideration of an amount of US$500,000.

(o) In May 2006, the company signed an agreement with Energold Drilling Corporation ("Energold") to earn up to a 100% interest in any nickel laterite deposits within the Elsa 1, Loma Cambronal, La Parcela and Loma Bambara concessions. The company may earn an initial 75% interest by completing a US$900,000 work program and making payments of US$50,000 per year for three years. The company has the right to purchase Energold's remaining 25% interest for a cash consideration of US$500,000, thus converting its interest into a 2% smelter return which can be halved anytime in consideration of an amount of US$1,000,000. Payments may be made in cash or in shares.

(p) The company announced that it has signed a letter of intent for the engagement of Met-Chem Canada Inc. ("Met-Chem") as the Lead Engineer for the Cerro de Maimón Project in the Dominican Republic. Met-Chem will be assisted by RSW International Consulting Engineers ("RSW") and Micon International Ltd. ("Micon") to perform the "EPCM" Service Contract for basic and detailed engineering, procurement and construction management of the construction of a processing plant and related facilities for the Cerro de Maimón Project.

(q) Golder and Associates have been retained to complete the geotechnical and environmental studies, including designing the waste and tailings facilities, the water management plan and to prepare the environmental management plan complementing the Met-Chem EPCM group.

13 Related party transactions

The company entered into the following transactions with related parties:

	2006	**2005**
	$	**$**
Companies owned by a shareholder		
Management fees	60,000	120,000
Professional fees	40,000	20,000
Rent	40,000	20,000
Office expenses	35,000	20,000
Director		
Management fees	390,000	116,000
Compensation	214,000	60,000

Furthermore, the agreement described in note 12b) was entered into with a related party.

These 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.

14 Earnings per share

The following table summarizes the reconciliation of the basic weighted average number of shares outstanding and the diluted weighted average number of shares outstanding used in the diluted earnings per share calculations:

	2006	**2005**
Basic weighted average number of shares outstanding	58,066,349	44,510,188
Stock options	1,537,707	514,337
Warrants	2,571,279	58,421
Diluted weighted average number of shares outstanding	62,175,335	45,082,946
Items excluded from the calculation of diluted loss per share because the exercise price was greater than the average market price of the common shares		
Stock options	2,032,443	2,232,443
Warrants	1,695,649	-

For the years ended December 31, 2006 and 2005, the diluted loss per share was the same as the basic loss per share since the dilutive effect of stock options and warrants was not included in the calculation; otherwise, the effect would have been anti-dilutive. Accordingly, the diluted loss per share for those years was calculated using the basic weighted average number of shares outstanding.

15 Financial instruments

Fair value

Cash and cash equivalents, deposit certificate, amounts receivable, deposit on the purchase of a mining property, accounts payable and accrued liabilities, deposits on exploration costs payable, advances from a shareholder and promissory note are financial instruments whose fair value approximates their carrying value due to their short-term maturity or to current market rates. The fair value of the investment in a public company amounts to nil ($2,117,760 in 2005).

Interest rate risk

As at December 31, 2006, the company's exposure to interest rate risk is as follows:

Cash and cash equivalents	Variable interest rate 4%, 4.9% and 5%
Deposit certificate	7%
Amounts receivable	Non-interest bearing
Accounts payable and accrued liabilities	Non-interest bearing
Deposits on exploration costs payable	Non-interest bearing
Advances from a shareholder	Non-interest bearing
Promissory note	4%

Foreign exchange risk

The company is subject to a variety of currency risks, including the risks that currencies will not be convertible at satisfactory rates, that the official conversion rates between the different currencies in which the company operates may not accurately reflect the relative value of goods and services available or required in the foreign jurisdictions in which the company operates and that inflation will lead to the devaluation of the currencies in the foreign countries in which the company has operations.

16 Consolidated segment information by geographic region

The company is organized under two geographic regions, which are Canada and the Dominican Republic. The accounting policies used for these reportable segments are consistent with those described in the summary of significant accounting policies. The principal financial information for each of these segments is detailed as follows:

For the year ended December 31, 2006

	Dominican Republic $	Canada $	Total $
Compensation and fringe benefits	13,228	885,734	898,962
Office expenses	57,400	411,724	469,124
Professional and maintenance fees	26,981	1,587,326	1,614,307
Travelling	5,520	227,977	233,497
Financial revenues	(4,743)	(375,191)	(379,934)
Depreciation of property, plant and equipment	22,196	42,542	64,738
Amortization of intangible assets	-	2,406	2,406
Amortization of deferred charges	-	951,624	951,624
Exchange gain	324,826	(520,755)	(195,929)
Interest and bank charges	1,712	30,812	32,524
Interest on long-term debt	-	169,942	169,942
Gain on the sale of investments in public companies	(6,926)	(1,573,264)	(1,580,190)
Loss for the year	440,194	1,840,877	2,281,071
Segment assets	18,642,989	22,595,945	41,238,934
Additions to property, plant and equipment	224,505	45,441	269,946
Acquisition of intangible assets	-	40,608	40,608
Additions to mining properties	8,993,842	21,181	9,015,023

For the year ended December 31, 2005

	Dominican Republic $	**Canada** $	**Total** $
Compensation and fringe benefits	22,055	184,880	206,935
Office expenses	47,833	187,669	235,502
Professional and maintenance fees	45,306	816,725	862,031
Travelling	2,533	105,985	108,518
Financial revenues	(16,420)	(19,660)	(36,080)
Gain on the sale of a mining property	-	(345,792)	(345,792)
Depreciation of property, plant and equipment	56,277	6,972	63,249
Amortization of intangible assets	-	6,642	6,642
Exchange loss (gain)	(234,195)	189,625	(44,570)
Interest and bank charges	-	2,456	2,456
Expenses related to the abandonment of a mining property and to the writeoff of mining properties	25,889	414,319	440,208
Gain on the sale of investments in public companies	(3,330)	-	(3,330)
Loss (earnings) for the year	(54,052)	1,549,821	1,495,769
Segment assets	9,936,234	2,206,524	12,142,758
Additions to property, plant and equipment	3,746	120,407	124,153
Acquisition of intangible assets	-	7,960	7,960
Additions to mining properties	1,740,924	50,815	1,791,739

17 Subsequent event

The Toronto Stock Exchange ("TSX") has issued a bulletin confirming that the company's application has been granted for listing of GlobeStar outstanding common shares on the TSX. Commencing at market opening on Wednesday, January 10, 2007 the common shares of GlobeStar were traded on the TSX under the symbol "GMI". On commencement of TSX trading, GlobeStar's shares were delisted from and ceased trading on the TSX Venture ("TSX-V").

18 Comparative figures

Certain comparative figures have been reclassified to conform with the current year presentation.