

## NOTICE TO SHAREHOLDERS

For the nine months ended June 30, 2006.

## HY LAKE GOLD INC.

### **Responsibility for Financial Statements**

The accompanying financial statements for Hy Lake Gold Inc. have been prepared by management in accordance with Canadian Generally Accepted Accounting Principles consistently applied. The most significant of these policies have been set out in the September 31, 2005 audited financial statements. These statements are presented on an accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Corporation is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these financial statements have been fairly stated.

### **Disclosure Required Under National Instrument 51-102 – “Continuous Disclosure Obligations” – Part 4.3(3)(a)**

The auditor of Hy Lake Gold Inc. has not performed a review of the unaudited financial statements for the nine months ended June 30, 2005 and June 30, 2006.

See accompanying notes to financial statements.

**HY LAKE GOLD INC.**  
**BALANCE SHEET**  
**As at June 30, 2006**  
(prepared by management)  
(unaudited)

	June 30, 2006 (unaudited)	September 30, 2005 (audited)
<b>ASSETS</b>		
<b>Current</b>		
Cash	\$ 158,459	\$ -
Accounts Receivable	5,547	2,203
Funds receivable	79,318	-
	243,324	2,203
Office equipment	756	-
Mineral property	40,980	-
	285,060	2,203
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 21,140	\$ 6,823
Advances from officers, directors and shareholders	-	139,831
Loan payable (Note 4)	-	348,575
	21,140	495,229
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	10,573,057	9,784,657
Deficit	(10,309,137)	(10,277,683)
	263,920	(493,026)
	\$ 285,060	\$ 2,203

See accompanying notes to financial statements.

**HY LAKE GOLD INC.**  
**Consolidated Statement of Operations and Deficit**  
**For the Nine Months Ended June 30, 2006**

<i>(Unaudited)</i>	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Nine Months Ended June 30, 2006	Nine Months Ended June 30, 2005
<b>Expenses</b>				
Management and Consulting	\$ 16,000	\$ -	\$ 46,625	\$ -
Interest	40	10,000	7,632	30,000
Professional Fees	-	-	6,854	-
Office and General	9,335	-	20,349	-
Forgiveness of accounts payable	(50,006)	-	(50,006)	-
Depreciation	-	1,349	-	4,047
<b>Net (loss) gain for the period</b>	<b>24,631</b>	<b>(11,349)</b>	<b>(31,454)</b>	<b>(34,047)</b>
<b>Deficit, beginning of period</b>	<b>(10,333,768)</b>	<b>(10,904,887)</b>	<b>(10,277,683)</b>	<b>(10,882,189)</b>
<b>Deficit, end of period</b>	<b>\$(10,309,137)</b>	<b>\$(10,916,236)</b>	<b>\$(10,309,137)</b>	<b>\$(10,916,236)</b>
<b>(Loss) gain per share - basic</b>	<b>\$ 0.01</b>	<b>\$ (0.0004)</b>	<b>\$ (0.01)</b>	<b>\$ (0.001)</b>
<b>Weighted average number of common shares outstanding (in thousands)</b>	<b>11,107</b>	<b>32,230</b>	<b>11,107</b>	<b>32,230</b>

See accompanying notes to financial statements.

**HY LAKE GOLD INC.**  
**Statement of Cash Flows**  
**For the Three Months Ended June 30, 2006**

<b>(Unaudited)</b>	<b>Three Months Ended June 30, 2006</b>	<b>Three Months Ended June 30, 2005</b>	<b>Nine Months Ended June 30, 2006</b>	<b>Nine Months Ended June 30, 2005</b>
<b>Operating activities</b>				
Net (loss) gain for the period	\$ 24,631	\$ (11,349)	\$ (31,454)	\$ (34,047)
<b>Add items not affecting cash</b>				
Depreciation	-	1,349	-	4,047
Change in non-cash working capital	(71,652)	10,000	(118,351)	30,000
Funds used in operations	(47,021)	-	(149,805)	-
<b>Financing activities</b>				
Loan payable	(348,575)	-	(348,575)	-
Advances from officers, directors and shareholders	(89,825)	-	(89,825)	-
Issuable common shares	(173,000)	-	-	-
Common shares	788,400	-	788,400	-
	177,000	-	350,000	-
<b>Investing activities</b>				
Office equipment	(756)	-	(756)	-
Mineral interest	(40,980)	-	(40,980)	-
	(41,736)	-	(41,736)	-
<b>Net (decrease) increase in cash during the period</b>	88,243	-	158,459	-
<b>Cash position, beginning of period</b>	70,216	-	-	-
<b>Cash position, end of period</b>	\$ 158,459	\$ -	\$ 158,459	\$ -

**HY LAKE GOLD INC.**  
**Notes to Financial Statements**  
**June 30, 2006**

**1. Summary of Significant Accounting Policies**

The unaudited financial statements of Hy Lake Gold Inc. have been prepared by management in accordance with Canadian generally accepted accounting principals. These unaudited financial statements have been prepared following the same accounting policies and methods of computation as the audited financial statements for the fiscal year ended September 30, 2005. The disclosures provided below are incremental to those included with the audited annual financial statements. These unaudited financial statements should be read in conjunction with the Company's audited financial statements and notes for the year ended September 30, 2005.

**2. Share Capital**

Authorized:

An unlimited number of common shares

(a) Issued

	<u>Number of Shares</u>	<u>Amount</u>
Balance, September 30, 2005 and 2004	32,230,505	\$9,784,657
January 12, 2006 – 1 for 10 consolidation	3,223,050	9,784,657
Exchange of shares for debt	4,384,010	438,400
Issuance of common shares	3,500,000	350,000
Balance, June 30, 2006	<u>11,107,060</u>	<u>\$10,573,057</u>

On January 12, 2006, shareholders approved a consolidation of one new share for ten old shares, and changed the name of the Company to Hy Lake Gold Inc. Shareholders also approved the exchange of shares for debt.

**3. Income taxes**

At June 30, 2006, the company's income tax expense was nil. No benefits have been recognized in these financial statements.

The future income tax assets and liabilities that may result from differences in tax values and accounting values have not been reflected in these financial statements.

#### **4. Related Party Transactions**

During the period the geological services of \$7,500 were charged by companies that are controlled by directors and officers of the Company.

Transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.