



Exploring for  
**Diamonds, Gold and Molybdenum**  
in Canada

Annual Report



# Dentonia Resources Ltd.



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## ***MESSAGE TO SHAREHOLDERS***

Attached are the Audited Financial Statements for Dentonia Resources Ltd. (“Dentonia”) for the 12 month period expired August 31, 2005, together with a detailed review of Dentonia’s exploration efforts, through its 1/3 equity holding in DHK Diamonds Inc., its direct holdings in the Pellatt Lake claim block, NWT, its direct and optioned holdings in the HY Gold Prospects in the Tintina Gold Belt of Southeast Yukon, and its optioned interest in the Thomlinson Creek molybdenum copper prospect, near Hazelton, Central British Columbia, the Atkinson Gold Prospect, Abitibi Greenstone Belt, Ontario, analyses of Dentonia’s financial position and financings over the last 14 months and current financial requirements, and an outlook for the 2005/2006 exploration season.

On behalf of management and the board of directors, I thank shareholders for their continued support during the past year.

*“Adolf A. Petancic”*

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Adolf A. Petancic  
President & Director



## FORM 51-102F1 ANNUAL MANAGEMENT DISCUSSION AND ANALYSIS

Containing Information up to and including October 26, 2005.

### **GENERAL MATTERS, DESCRIPTION OF BUSINESS AND ANALYSES**

These discussions and analyses should be read in conjunction with the consolidated financial statements dated August 31, 2005, appearing elsewhere herein.

Dentonia Resources Ltd. (“Dentonia” or the “Company”) was incorporated in the Province of British Columbia on May 31, 1979 under the name Rubicon Resources Ltd., changed its name to Dentonia Resources Ltd. on October 19, 1979, became a publicly traded company on the Vancouver Stock Exchange in 1982 and continues to trade on the TSX Venture Exchange (the “Exchange”) under the symbol “DTA”, and is registered as a foreign exempt corporation under section 12g3-2(b), file #82-627, with the Securities & Exchange Commission.

Dentonia was incorporated for the purpose of acquiring, exploring, and developing mineral properties in British Columbia, elsewhere in Canada, and in foreign countries.

In 1992, together with two other junior companies, Dentonia formed and incorporated DHK Diamonds Inc. (“DHK”), under the laws of Northwest Territories (“NWT”), Canada.

DHK, in which Dentonia has 1/3 equity interest, staked approximately 208,000 acres in the Lac de Gras area of the NWT in the winter of 1992 for the purpose of exploring these properties for diamondiferous kimberlites. Two of the claim blocks have now been abandoned and the land holdings in the WO block has been reduced substantially.

In the spring of 1992, DHK entered into an option/joint venture agreement with Kennecott Canada Exploration Inc. (Kennecott), a subsidiary of Rio Tinto, England, which resulted in the discovery of 13 diamondiferous kimberlites on the DHK properties, one of which, the DO27, was bulk sampled in 1993/94. The results of this bulk sampling at DO27 were released on August 4<sup>th</sup>, 1994. A total of 226 macrodiamonds weighing 16.4 carats were recovered from the 1,258 dry tonnes of diatreme material (now referred

to as the precursor hypabyssal sill, separated from the DO27 by a 60m wide granitic raft) which yielded an average grade of 0.013 ct/tonne (Average stone size 0.072 ct). For the pyroclastic phase (no distinction was drawn between various phases within the DO27), 13,888 macrodiamonds weighing 1,079 carats were recovered from 3,003 dry tones processed, for an average grade of 0.359 ct/tonne (Average stone size 0.078ct).

It appears from subsequent data and analyses of the geology and the results of mini bulk test (151 tonnes) that the DO27 kimberlite pipe was inadequately sampled, making no provision for the various phases or vents within the DO27.

Kennecott considered this pipe and other pipes within the WO claim block sub-economic and in 2000 Kennecott entered into an agreement with DHK relinquishing its interest in the properties for a 9.9% interest in DHK, which agreement was modified in September, 2001, by Kennecott abandoning the 9.9% interest in DHK and “surrendering marketing rights”, in return for a 1% gross overriding royalty from diamond production from any kimberlite within the WO claim block.

After Kennecott relinquished its interest in the WO claims, and after various agreements with BHP Billiton (“BHPB”) and Archon Minerals Ltd. (“Archon”), a Falcon™ Survey was carried out over the WO claim block and Archon’s drill core program discovered the WO9 Kimberlite. A letter agreement, dated December 6, 2002, was concluded among the various parties giving BHPB a 38.475%, and Archon a 16.45% interest in the WO claim block including the DO27 and DO18 kimberlites; the letter agreement of December 6, 2002 gave BHPB the option to increase its interest from 38.475% to 54.475% by conducting, at its costs, a 200 tonne bulk sample.

In February 2004, BHPB assigned its interest in the WO Claim Block to Peregrine Diamonds Inc. (“Peregrine”) in which BHPB has an equity interest.

Pursuant to this agreement, as amended, Peregrine conducted a mini-bulk test (151 tonnes) and a core drilling program – \$500,000 – of the DO27, at its cost, during the winter and spring of 2005, to earn a 54.475% interest, the remaining interests within the WO claim block are now held, DHK 20%, Archon 13.28%, Aber 7.35% and SouthernEra 4.9%. These are all contributing interests, subject to dilution for failure to contribute, all interests are also subject to, in total, of a 1.3% royalty.

## **OVERALL PERFORMANCE**

The Company experienced a net loss of \$270,653 or \$0.01 per share during the Fiscal year 2005, compared to a net loss of \$156,306 or \$0.01 per share for the Fiscal year 2004. Of these amounts, general and administrative expenses accounted for \$318,566 in the Fiscal year 2005, compared to \$163,886 in the Fiscal year 2004.

Promotion and investor relations expenses increased by \$34,767 to \$47,259 due to the hiring of an investor relations employees and the commencement of a communications campaign in the first quarter of Fiscal 2005. Investor relations activities generally

consisted of the dissemination of news releases, the mailing of brochures, maintaining a corporate website at [www.dentonia.net](http://www.dentonia.net) and meetings with shareholders, brokers and investors and dissemination of information through publications in Stockwatch and Stockgroup.

Wages, benefits and legal fees increased by \$91,434 during Fiscal 2005 due to an increase of corporate activities and the completion of four private placements.

Amounts capitalized for resource properties during Fiscal 2005 were \$45,000, comprised of stock based option payment of 50,000 shares at a deemed price of \$0.10 for an extension of the Atkinson Gold Prospect Option Agreement, \$20,000 option payment for the acquisition of HY Prospect, and a \$10,000 Option Payment for the acquisition of the Thominson Creek prospect.

## **RESULTS OF OPERATIONS 2004/2005**

### **DIAMONDS**

#### **Appointment of Diamond Consultant**

Dr. Felix V. Kaminsky, Ph.D., M.Sc., was appointed as the Company's Diamond Consultant, who has over 45 years of experience in diamond exploration and geology, both academically and in the field. He has held various teaching positions and was involved in the discovery of kimberlite pipes and dykes in the eastern part of the Siberian Platform, the Archangelsk region, the Far East region of Russia, in northern Africa, the Guaniamo Area of Venezuela and in the Wawa Area of Ontario.

Dr. Kaminsky is familiar with the DO-27 kimberlite having conducted a "nitrogen inclusion study" in 1999 on diamonds from that kimberlite.

He has Master of Science in Geology, from Moscow State University, a Master of Science in Geophysics from the Moscow Oil Institute, a doctorate in geology and mineralogy from the Institute of Ore Deposits, Moscow, and a Doctor of Science in Petrology and Mineralogy from the Institute of Mineral Resources in Moscow. He is a member of the Association of Professional Engineers and Geoscientists of the Province of British Columbia and a Fellow of the Geological Association of Canada.

#### **WO Claim Block – Lac de Gras, NWT, Canada**

##### **DO27**

Peregrine carried out an R.C. (reverse circular) mini bulk test of the Southern Lobe of the DO27 kimberlite in the winter/spring, 2005 and determined that the Southern Lobe consists of two facies, particulars are as follows:

**DO-27 - Pyrope, Chrome Diopside-Rich Facies – (Apple Green Kimberlitic Tuff - Major Vent or Southern Lobe) - PDL-1 Parcel**

Drill Hole	Total Depth (Metres)	Sample Weight (Dry Tonnes)	Total Carat Weight	Carats per Tonne	# Stones > Half Carat	Largest Stones (Carats)
RC 1	209	45.74	47.32	<b>1.03</b>	4	2.93, 1.62
RC 2	124	28.96	27.66	<b>0.96</b>	5	1.85, 0.96, 0.94
RC 4	93.5	12.02	11.99	<b>1.00</b>	1	2.66
RC 5	83	12.20	11.66	<b>0.96</b>	3	0.76
RC 6	77	9.54	7.4	<b>0.78</b>	1	0.5
<b>Total/Average</b>		108.47	106.03	<b>0.98</b>	14	

**DO-27 - Fresh Olivine-Rich Facies – (New Facies or Vent) – PDL-2 Parcel**

Drill Hole	Total Depth (Metres)	Sample Weight (Dry Tonnes)	Total Carat Weight	Carats per Tonne	# Stones > Half Carat	Largest Stones (Carats)
RC 3	190.5	42.80	29.93	<b>0.70</b>	7	0.98

According to the current geological interpretation, RC3 was drilled into a different facies, or vent, from the other 5 RC holes.

Kennecott distinguished, **not initially, but in 1998**, that the main part of the DO27 consists of **2 separate facies or vents**, the North East Subsidiary Vent or Minor Vent, and the Southern Lobe or Major Vent, described in their logs as “black kimberlitic tuff”, and as “apple green kimberlitic tuff”, respectively. **The sample in 1994** extracted kimberlite from the “black kimberlitic tuff”, or North East Subsidiary Vent, and not from the Southern Lobe. The **value given in 1994** was \$21.70 per carat, grade 0.36 ct/tonne in this sample.

The **2005** mini bulk sample, excluding RC3, was 98.92 dry tonnes, total carats 98.63, or say average, 1ct/tonne and the value between US\$58 - \$78 per carat, an increase in grade, 3 fold, and in value 4 fold, or a 12 fold increase in value per tonne from the 1994 bulk sample.

The highest value stone was a 1.85 carat stone, valued between US\$1,591 to US\$2,063.

Note, that RC6, the northern most and shallowest of the 5 RC holes **in 2005** (77m), has the lowest grade and value per carat, however, core drill hole DO27-5, drilled by Kennecott **in 1993**, was described as follows, “53 - 61m black kimberlitic tuff and 62.3 - 137m as apple green tuff”; this hole produced the best micro diamond grade, approaching 4 ct/tonne, and is located north of RC6 (50m?), in other words, RC6 after penetrating the overburden, may have sampled a mixture of “black kimberlitic tuff” and “apple green tuff” and, if drilled deeper, say 140m, may have produced a higher grade.

**(See sketches for drill hole locations and subdivision of the DO27 in the accompanying booklet)**

To quote from Peregrine's press release of this fall:

“The results from PDL-1 are substantially higher than the previous valuations reported by Kennecott Canada Inc. (“Kennecott”), of US\$21.70 per carat, reported in November 1994, for the 1,079 carats collected from pyroclastic kimberlite from the north-east lobe of the DO-27 pipe, a zone now known to have very complex geology that differs from the larger southern lobe of DO-27. One valuator also noted that “the Peregrine samples contain less grey piqued and dark brown stones than the Kennecott sample”. The average grade of Kennecott's underground bulk sample from the north-east lobe of DO-27 was 0.36 carats per tonne compared with the grade of 0.98 carats per tonne from the southern lobe of DO-27, as reported by Peregrine on June 14, 2005.

The values also compare favourably with published data for kimberlite pipes at BHP Billiton's Ekati™ Diamond Mine. The Annual Information Form of Dia Met Minerals, dated June 14, 2000, reported, as part of the feasibility study, an average grade for five of the Ekati™ pipes (Fox, Sable, Panda –underground and open pit, Misery and Koala - underground and open pit) of 1.09 carats per tonne. The average value was US\$84 per carat.

Peregrine and its partners have also completed a program of core drilling of the DO-27 pipe and the DO-18 pipe the latter located 700 meters north of DO-27. The core drilling was necessary for geological and geotechnical information, microdiamond analysis, and as pilot holes to the large diameter RC drilling planned for next winter. All information is being used in a scoping/pre-feasibility study being prepared by SRK Consultants in Vancouver. Results are currently pending on microdiamond values from these holes and three previous core holes drilled during April – May, 2005, one of which reached a maximum depth of 465m below surface and ended in kimberlite are pending and will be announced as soon as available.” The deepest hole into the DO27 to date.

Peregrine and its partners are also in the process of planning the next round of large RC drilling, scheduled to start during January, 2006, which is designed to take a substantially larger sample from that collected during the 2005 program.

The payment schedule for this program, as planned, is as follows:

Company	September	October	November	December	January	February	March	April
<b>Peregrine (54.475%)</b>	\$463,037.50	\$272,375.00		\$1,457,206.25	\$1,045,239.06	\$1,045,239.06	\$1,045,239.06	\$1,045,239.06
<b>Aber (7.35%)</b>	\$62,475.00	\$36,750.00		\$196,612.50	\$141,028.13	\$141,028.13	\$141,028.13	\$141,028.13
<b>Archon (13.28%)</b>	\$112,837.50	\$66,375.00		\$355,106.25	\$254,714.06	\$254,714.06	\$254,714.06	\$254,714.06
<b>DHK (20%)</b>	\$170,000.00 (paid)	\$100,000.00 (paid)		\$535,000.00	\$383,750.00	\$383,750.00	\$383,750.00	\$383,750.00
<b>SouthernEra (4.9%)</b>	\$41,650.00	\$24,500.00		\$131,075.00	\$94,018.75	\$94,018.75	\$94,018.75	\$94,018.75

To reiterate, Dentonia has a 1/3 equity position in DHK and has made its pro rata contribution to DHK for September and October, 2005. Further announcement will follow as details become available.

### **Pellatt Lake Claim Block – NWT, Canada**

The Pellatt Lake claim block is located approximately 40 km to the northeast of the Ekati diamond mine at Lac de Gras and immediately adjacent to the DeBeers Hardy Lake leases.

The Property is the subject of two option agreements, dated May 23, 2003 between Dentonia and Peregrine, and Peregrine and DHK. Under the terms of these agreements, Peregrine has the option to earn up to 75% interest in the Property by completing a Falcon™ Survey, paying for all additional exploration costs, and arranging financing to bring any discovery into production.

The Property consists of 13 mineral claims, or 33,500 acres, 7 claims are owned by Dentonia and 6 are owned by DHK. Dentonia has a 1/3 equity position in DHK.

Dentonia staked 7 claims within this claim block in April 2003, for its own and sole account, after the other 2 shareholders of DHK declined in writing, and being aware of all geochemical and geophysical data at the time, to participate in maintaining these claims.

DHK has now made an application, under the “Canada Mining Regulation” to obtain a 21-year lease, for the three claims surrounding the PL01 kimberlite. This application is pending.

The PL01 kimberlite produced from a 142 kg sample 57 micro and 6 macro diamonds (>.5mm), for a total of 63 diamonds, or 444 diamonds per tonne.

In a report dated February, 2000, Kennecott stated,

“The PL01 kimberlite has a weakly developed mineral train defined by sites with minimal numbers of pyrope grains per site. The maximum pyrope count at any one site was ten kilometers down ice from the pipe.

Proximal to the pipe, the grain counts are very low and anomalous sites very sparse. The somewhat erratic distribution of pyropes in the PL01 dispersion train could be due to the addition of pyropes from an undiscovered source”.

The paucity of kimberlite indicator minerals (garnets, pyropes etc.) may be explained by extensive lake cover and the ratio of Archean bedrock to Quaternary cover, at the WO claim block, it is nearly 1:1, while at Pellatt Lake it is 1 to 4, and may be one explanation for the low kimberlite indicator mineral count at Pellatt Lake.

The highest geophysical priority targets, identified to date, at Pellatt Lake, lie within mineral claims SWB1 and SWB2, both 100% owned by Dentonia, and are described as follows:

“Targets PL5a is assigned a high priority due to its dual EM-magnetic response. The PL5a anomaly is clustered with anomalies; PL5b medium, PL5c low. These occur under a small lake with a fourth anomaly (PL12, low priority) lying nearby, albeit onshore.”

Analytical results from the Falcon™ Survey have become available together with existing geochemical and geophysical have identified 4 targets for possible drilling in 2006.

## **GOLD**

### **Atkinson Gold Prospect, Abitibi Greenstone Belt, Porcupine Mining District, Ontario**

Dentonia has signed a drill contract with Bradley Bros Limited to conduct a 5 hole drill program, about 700m in total, on the Horner Lake and Atkinson West group of claims. Drilling has commenced on Friday, October 28, 2005.

The Atkinson Prospect extends over an area of 8 x 12km, consists of 4 groups of claims, the Lipton, Horner Lake, Nash Lake, and the Atkinson West Group (230 units or 3,680 hectares) and covers known occurrence of gold, (best intersect 10.7 g/t over 9 meters) and a number of untested geophysical anomalies.

The Atkinson Prospect is located within a highly mineralized part of the Abitibi Greenstone Belt in northeastern Ontario, 15 km south of the Detour Lake gold mine, 25 km north of Casa Berardi and 20 km west of the Selbaie base metal mine.

This Prospect overlies Archean volcanic and sedimentary rocks that include numerous known gold and base metal occurrences, many associated with sulphide-rich exhalative horizons. There is excellent potential, on the property, to discover either volcanogenic base metal massive sulphide deposits (VSM) or shear zone hosted gold deposits.

On the Horner Lake block two separate conductive zones are located with coincident magnetic anomalies, represent high priority volcanogenic massive sulphide targets. On the Atkinson West block, numerous conductors define pyritic chemical sediments locally enriched in copper, zinc and gold.

The drilling is to test five priority conductor targets, all with coincident magnetic anomalies, at an estimated cost of \$190,000, \$95,000 have been advanced to date. These funds to be provided from Dentonia's flow-through account, which under the current structure, cannot be used to explore Dentonia's diamonds prospects at Lac de Gras, NWT, and must be expended by year end.

This work will be carried out under the supervision of Paul R. Nicholls, P.Eng. Ontario, an independent consultant.

Dentonia has an option to acquire 100% interest in the Atkinson Prospect subject to a 2% royalty with buyout rights.

In 2004 Noranda (now Falconbridge) staked five claim blocks in the Atkinson Lake Area. Some of Falconbridge's claims are tied onto Dentonia's Atkinson West and Horner Lake claims, and a third block is located between the Nash Lake and Atkinson West group of claims; for additional information refer to Eastmain ("ER") news release of September 14, 2005.

In addition Trade Winds ("TWD") and Pelangio ("PLG") are exploring the general area of the Detour Lake Camp. This mine produced approximately 1,700,000 ounces of gold.

As a general comments, the Abitibi Greenstone Belt hosts some of the most important gold and base metal mining camps in the Canadian Shield such as Timmins, Kirkland Lake, Rouyn-Noranda, Val d' Or, and Mattagami, and has accounted for almost 70% of Canada's gold production and Detour Lake Mine which produced 1,700,000 ounces of gold between 1983 and 1999.

### **HY Gold Prospect, Tintina Gold Belt, Southeastern Yukon**

Dentonia has been advised by Aurum Geological Consultants Inc., Whitehorse, that it completed 3 core drill holes at the HY Gold Prospect with mediocre assay results. An overall assessment of this prospect is expected shortly, before any further commitments are made.

The Tintina/Tombstone Gold Belt is an arc of gold deposits and stretches from southeastern Yukon to southwestern Alaska and hosts a number of gold deposits such as the Donlin Creek (11.4 million oz Au), Fort Knox (7 million oz Au), Pogo (7 million oz Au) at \$0.55 oz/ton (\$18.90 gr/t Au), currently undergoing mine permitting by Tech Cominco-Sumitano, Dublin Gulch (3.18 million oz Au), and Brewery Creek (1.3 million oz Au) and the Hyland Gold Prospect.

Dentonia has an option to earn a 100% interest in the HY Gold Prospect, by making further payments over 7 years, subject to royalties with Dentonia retaining buy-out-rights.

### **Property Description and Access**

The HY Property consists of 56, two-post mineral claims, 48 claims are recorded in the name of Phelps Dodge and 8 claims were staked by the Company and are recorded in the name of a director of the Company about 1,176 hectares, located north of the Hyland River, approximately 185 km north of Watson Lake, within the Tintina Gold Belt, southeastern Yukon, Watson Lake Mining District. All these claims are part of the Option Agreement.

Access to the HY Property is via helicopter from Watson Lake or from the Nahanni Range Road, which lies within 10 km of the HY Property.

Sufficient work was carried out in July and August to comply with the Phelps Dodge Option Agreement.

### **COPPER, MOLYBDENUM**

#### **Thomlinson Creek, near Hazelton, Central British Columbia.**

A prospecting and sampling program at Dentonia's Thomlinson Creek Copper, Molybdenum, Tungsten Prospect, to determine the extend of a large geochemical anomaly and the locations of possible drill holes has now being completed and assay results are pending and some additional claims are being staked.

Permit application to drill up to ten core holes and construct access roads have been granted and a bond of \$15,500, in favour of the Provincial Government of B.C., has been posted.

Drill hole #6, drilled by Noranda in 1981, at the eastern part of this geochemical anomaly intersect 6m of 0.17% Cu and 0.236% Mo, having an approximate gross value of \$200 per tonne, at today's metal prices, (see Mo price chart in the accompanying booklet) makes this prospect an attractive target.

Molybdenum (Mo) has been called the metal of the 21<sup>st</sup> century. It is not only used in stainless steel and other specialty metal alloys (pipe lines), and as a lubricant in specialty situations, but has a potential wide range application as a "Catalyst", in the "Liquefaction" of coal to produce fuel oil (Germany and Japan during 2<sup>nd</sup> World War) and in the processing of heavy oil, as an example from the Alberta Tar Sands, and prices as high as US\$50.00 per pound have been predicted by some analysts. Refer to "Molybdenum --- The Big Secret", Ken Reser, September 30, 2005.

Dentonia has an option to earn 100% in the Thomlinson Creek Prospect, by making further payments over 10 years, subject to royalties with Dentonia retaining buy-out-rights.

The work at the Thomlinson Creek prospect is currently under the supervision of Don MacIntyre, Ph.D., P. Eng., B.C. an independent consultant.

### **SELECTED ANNUAL AND QUARTERLY INFORMATION**

Unless otherwise noted, all currency amounts are stated in Canadian dollars.

The following table summarizes selected financial data for Dentonia for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the consolidated audited financial statements, prepared in accordance with Canadian generally accepted accounting principles, and the related notes thereto.

	<b>August 31, 2005</b>	<b>August 31, 2004</b>	<b>August 31, 2003</b>
Total Revenue	\$4,430	\$7,580	\$7,363
General and administrative expenses	318,566	163,886	119,046
Write off of exploration costs on outside properties and properties abandoned	Nil	Nil	Nil
Income (Loss) from continuing operations:			
- In total	(270,653)	(156,306)	(162,556)
- Basic and diluted loss per Share	(0.01)	(0.01)	(0.01)
Total Assets	1,235,599	305,175	53,258
Total Long Term Financial Liabilities	Nil	Nil	Nil
Cash Dividends Declared per share	Nil	Nil	Nil

### **Summary of Quarterly Results for each of the Eight Most Recently Completed Quarters**

<b><u>Fiscal Year 2005</u></b>				
	<b>Aug. 31, 2005</b>	<b>May 31, 2005</b>	<b>Feb. 28, 2005</b>	<b>Nov. 30, 2004</b>
Total Revenue	\$4,430	\$Nil	\$Nil	\$Nil
General and administrative expenses	74,789	93,655	85,884	64,238
Write off of exploration costs on outside properties and properties abandoned	Nil	Nil	Nil	5,000
Income (Loss) from continuing operations:				
- In total	(26,876)	(93,655)	(85,884)	(64,238)
- Basic and diluted loss per Share	(0.01)	(0.01)	(0.01)	(0.01)
Total Assets	1,235,599	985,142	1,096,540	339,356
Total Long Term Financial Liabilities	Nil	Nil	Nil	Nil
Cash Dividends Declared per share	Nil	Nil	Nil	Nil

<b>Fiscal Year 2004</b>				
	<b>Aug. 31, 2004</b>	<b>May 31, 2004</b>	<b>Feb. 28, 2004</b>	<b>Nov. 30, 2003</b>
Total Revenue	\$Nil	\$7,413	\$Nil	\$167
General and administrative expenses	36,128	55,477	39,971	32,310
Write off of exploration costs on outside properties and properties abandoned	Nil	Nil	Nil	Nil
Income (Loss) from continuing operations:				
- In total	(36,128)	(48,064)	(39,971)	(32,143)
- Basic and diluted loss per Share	(0.01)	(0.01)	(0.01)	(0.01)
Total Assets	305,175	74,938	72,316	46,116
Total Long Term Financial Liabilities	Nil	Nil	Nil	Nil
Cash Dividends Declared per share	Nil	Nil	Nil	Nil

The Company capitalizes all acquisition and exploration costs until the property to which those costs are related is placed into production, sold or abandoned. The decision to abandon a property is largely determined from exploration results and the amount and timing of the Company's write-offs of capitalized resource property costs will vary in a fiscal period from year to year and cannot be predicted in advance. The Company also writes-off general administrative and generative exploration costs quarterly.

Fully diluted loss per share is not being presented.

General and administrative expenses increased in this fiscal period primarily due to greater corporate activities, e.g. optioning the Thomlinson Creek Copper Molybdenum prospect, the retaining of shareholders' relation employees, the paying of finder's fees and legal fees due to the completion of non-brokered and brokered private placements.

## **LIQUIDITY**

All of the Company's properties are at the exploration stage. The Company does not expect to generate any revenues in the near future and will have to continue to rely upon the sales of equity securities to raise capital. Fluctuations in the Company's share price may affect its ability to obtain future financing and the rate of dilution to existing shareholders.

The Company had a working capital of \$674,813 at August 31, 2005 compared to a working capital of \$224,566 at August 31, 2004, and a **working capital of \$839,000 as of October 26, 2005** excluding advances of \$95,000 for the Atkinson Project.

## **CAPITAL RESOURCES**

The Company sees the exercise of stock options and warrants as a source of capital and as of the date of this Report, the stock options and part of the warrants outstanding, are

in-the-money. See Note 6 of the annual financial statement for a list of the stock options and warrants outstanding at August 31, 2005 and elsewhere in this MD&A.

## **RISKS AND UNCERTAINTIES**

The risks and uncertainties affecting the Company remain substantially unchanged from those disclosed in the 2004 Annual MD&A, with the exception of financing. To the date of this report, the Company completed 4 private placements and the exercise of warrants and options provided net proceeds of \$1,434,342 (\$334,000 during September and October, 2005). It is management's opinion that the proceeds from these financings should be sufficient to carry out the Company's planned exploration programs and to meet the Company's ongoing administrative expenses for a period of at least twelve months.

## **CAUTION REGARDING FORWARD LOOKING STATEMENTS**

Statements contained in this document, which are not historical facts, are forward looking statements that involve risks, uncertainties and other factors that could cause actual results to differ material from those expressed or implied by such forward looking statements. Factors that could cause such differences include, but not limited to, are volatility, and sensitivity to market prices for gold, base metals, and diamonds, environmental and safety issues including increased regulatory burdens, changes in government regulations and policies, and significant changes in the supply-demand fundamentals for gold, base metals, and diamonds that could negatively affect prices. Although the Company believes that the assumptions intrinsic in forward looking statements are reasonable, it is recommend that one should not rely heavily on these statements. The Company disclaims any intention or obligation to update or revise any forward looking statements whether as a result of new information, future events, or otherwise.

## **EXCHANGE RATES**

Since all of the Company's operation was carried out in Canada, Exchange rates from Canadian dollars to US dollars were not a significant factor in the Company's current affairs, but may have a bearing in the future if production is achieved from any of its mineral interests.

## **MARKET TRENDS**

### **Diamond Trend**

The gross value of uncut diamonds mined appears to be about US\$7 billion worldwide, with a retail value, of cut and polished diamonds, of about US\$80 billion. The value of diamonds may fluctuate, but from recent press releases diamond prices appear to have increased by about 30% over the last few years.

## **Gold, Molybdenum, Base Metals**

Gold prices have reached an 18 year high, and Molybdenum (Mo), Copper (Cu) have followed suit as graphs on Dentonia's website and the accompanying booklet indicate.

Of particular interest is the 200 year commodity price cycle as prepared by BHP Billiton and reproduced on Dentonia's website and the accompanying booklet indicate, suggesting a general increase in commodities over the next few years.

Dentonia has diversified its exploration portfolio, Atkinson, Thomlinson Creek, HY Gold Prospects, to take advantage of such possibilities.

## **FOURTH QUARTER RESULTS**

The net loss for the fourth quarter ended August 31, 2005 was \$74,789 representing general and administrative expenses of \$74,789. Comparatively, in the same quarter in the preceding year, general and administrative expenses have increased by \$38,661 (2004 - \$36,128). This increase coincides with much higher levels of corporate activity and the hiring of staff at the end of the prior fiscal year.

Promotion and investor relations costs were \$15,406 while in the 4<sup>th</sup> quarter in the prior fiscal year, promotion and investor relations expenses were \$2,292 and consisted only of web-site maintenance and mailing costs. Management consulting and administration fees increased by \$15,250 to \$31,250 (2004 - \$16,000) again due to greater corporate activities.

## **FINANCINGS**

### **Private Placements**

During the fiscal period 2004/2005 expiring on August 31, 2005, the Company completed three non-brokered and one brokered private placements, namely:

- a) On September 7, 2004, 4,535,000 units at \$0.06 per unit netting the Company \$272,000. A unit consisted of one share and one share purchase warrant exercisable over two years, at \$0.10 or \$0.20 per share.
- b) On October 7, 2004, 1,680,000 units at \$0.06 per unit, netting the Company \$100,800, a unit consisted of one share and one share purchase warrant exercisable over 2 years, at \$0.10 or \$0.20 per share.
- c) On December 29, 2004, a third non-brokered private placement of 2,797,666 units was completed, grossing \$247,440 less a finder's fee of 10% or \$24,744, and netting the Company \$146,400 flow-through funds and \$76,296 non-flow through funds. A total of 1,821,666 non-flow-through units and 976,000 flow-through units were issued, respectively, at \$0.15 and \$0.12 per unit.

Each of the flow-through and non-flow through units consisted of one share and one non-transferable warrant. One warrant entitles the holder to purchase an additional share exercisable for a period of one year, to expire on December 29, 2005, at an exercise price of \$0.16 for flow-through, and \$0.13 for the non-flow-through warrants.

- d) On February 28, 2005, the Company completed a brokered private placement, netting the Company \$546,208.54. Research Capital Corporation (the "Agent") was the agent for this financing which raised gross proceeds of \$603,025.50 from the sale of 804,034 units at a price of \$0.75 per unit. Each unit consists of three non-flow through common shares, two flow through common shares (the "Flow-Through Shares") and one non-transferable common share purchase warrant (a "Warrant"). Each warrant entitles the holder to purchase an additional common share of the Company until February 28, 2007, at a price of \$0.20 per common share on or before February 28, 2006, and at a price of \$0.30 per common share on or before February 28, 2007.

The Company paid the Agent a cash commission equal to 7.5% of the gross proceeds or \$45,226.90 raised in this offering. In addition, a total of 104,524 agent's options were issued, each agent's option being exercisable on or before February 28, 2007 at a price of \$0.75 per agent's option to purchase one unit consisting of five non-flow through common shares of the Company and a common share purchase warrant, having the same terms as a Warrant. The company also issued 150,00 common shares to the Agent as a corporate finance fee. A finder's fee of 5% of the gross proceeds derived from the Agent only, but not from other participating brokers, in the amount of \$25,276.28, was paid to Jim Hitchie.

The funds raised by these four private placements and the exercise of warrants and options will be used for general corporate purposes, the financing of the sampling of the Southern Lobe of the DO27, and the flow-through funds in the amount of \$363,846 for "Canadian Exploration Expenditures" on the Atkinson, the HY and the Thomlinson Creek prospects.

## **FINANCIAL CONDITIONS, TRANSACTIONS & SOLVENCY**

For the fiscal period under review, September 1, 2004 to August 31, 2005, and to the date of this MD&A, October 26, 2005, in the aggregate \$1,550,225 (net \$1,434,342) was realized through these private placements and the exercise of options and warrants.

If Dentonia carries out the exploration program as detailed under "Results of Operation 2005", and "Outlook for 2005/2006 and Future Exploration" (the current exploration program) either alone or with joint venture partners, additional funds may be required.

Such funds will be raised through offerings of Dentonia's common share, in which the directors and officers of Dentonia may participate.

### **OUTLOOK FOR 2005/2006 AND FUTURE EXPLORATION**

The current exploration programs as outlined above will be continued into 2006 and will consist of further evaluations of DO27 kimberlite pipe, further evaluations of the Pellatt Lake claim block, prospecting, geological mapping, geophysical exploration, and core drilling at the Thomlinson Creek molybdenum and Atkinson gold prospects.

### **ADMINISTRATION EXPENSES**

Dentonia is reporting a net loss for the fiscal period, expired August 31, 2005, of \$270,653, in administrative expenses and expenditures. Costs of acquiring mineral properties and advances to joint ventures were \$418,110.

### **OUTSTANDING SHARE DATA**

Dentonia's authorized capital consists of unlimited number common shares without par value. As at October 26, 2005, there were 36,314,044 common shares issued and outstanding.

#### **Outstanding Options and Warrants**

**As at October 26, 2004, the following options are outstanding:**

<b>Name</b>	<b>No. of Shares</b>	<b>Exercise Price</b>	<b>Expiration Date</b>
Adolf A. Petancic	145,000	0.10	January 22, 2006
Adolf A. Petancic	300,000	0.10	March 26, 2007
Brian E. Weir	50,000	0.10	January 22, 2006
Brian E. Weir	200,000	0.10	March 26, 2007
Gerald Carlson	200,000	0.10	January 22, 2006
H. Martyn Fowlds	100,000	0.10	January 22, 2006
H. Martyn Fowlds	300,000	0.10	March 26, 2007
Dorothy S.H. Chin	200,000	0.10	January 22, 2006
Max Braden	60,000	0.10	April 22, 2006
Robert Culbert	50,000	0.12	October 1, 2006
Peter Aven	10,000	0.12	October 1, 2006
Ronald McMillan	250,000	0.10	March 26, 2007
Felix Kaminsky	155,000	0.13	Dec. 9, 2007
<b>TOTAL:</b>	<b>2,020,000</b>		

**As of the Date of the Report, the following Agent's options are outstanding:**

<b>Name</b>	<b>No. of Shares</b>	<b>Exercise Price</b>	<b>Expiration Date</b>
Research Capital Corporation	522,620	0.15	February 28, 2007

**As of the date of this Report, the following warrants are outstanding:**

<b>Number of Warrants</b>	<b>Price</b>	<b>Expiry</b>
950,000	\$0.20 per share	September 7, 2006
400,000	\$0.20 per share	October 7, 2006
976,666	\$0.16 per share	December 29, 2005
645,000	\$0.13 per share	December 29, 2005
804,034	\$0.20 per share if exercised on or before February 28, 2006. \$0.30 per share if exercise after February 28, 2006 and on or before February 28, 2007.	February 28, 2007
*104,524	\$0.20 per share if exercised on or before February 28, 2006. \$0.30 per share if exercise after February 28, 2006 and on or before February 28, 2007.	February 28, 2007
<b>TOTAL:</b>	<b>7,645,224</b>	

\*The warrants at the date hereof have not been issued but shall be issued to the Agent, Capital Research, if and when it exercises its Agent's option.

**OFF BALANCE SHEET ARRANGEMENTS – DHK DIAMONDS INC.**

Dentonia's interests in the WO claim block, mineral leases SAS1, 2, 3 and six (6) Pellatt Lake claims, are indirectly held through DHK, a private company incorporated under the laws of NWT, in which Dentonia has a 1/3 equity position.

As of July 31, 2005, latest financial statements available and subsequently to October 26, 2005, the following advances were made, by way of shareholder's loan including \$330,000 between July 31 to October 26, 2005, and for subscription at its common shares, the latter at \$100 per share, by the respective shareholders of DHK:

**Cumulative Shareholders' Advances as of October 26, 2005**

	<b>October 26, 2005</b>	<b>July 31, 2005</b>	<b>January 31, 2005</b>	<b>January 31, 2004</b>
Dentonia Resources Ltd.	\$393,114	\$283,114	\$200,668	\$195,668
Horseshoe Gold Mining Inc.	342,258	232,258	149,812	144,812
Kettle River Resources Ltd.	<u>289,410</u>	<u>179,410</u>	<u>96,964</u>	<u>91,964</u>
	1,024,782	<u>694,782</u>	<u>447,444</u>	<u>432,444</u>

## **Current Shareholdings**

<u>Name of Subscribers</u>	<u>Amount of Subscription</u>	<u>Number of Common Shares Held</u>
Dentonia Resources Ltd.	\$68,200	682
Horseshoe Gold Mining Inc.	\$68,200	682
Kettle River Resources Ltd.	<u>\$68,200</u>	<u>682</u>
	\$204,600	
TOTAL:	<u>1,229,382</u>	<u>2,046</u>

Current cash balance in DHK's bank account is approximately \$154,290 and a payment in full was made to Sub-Arctic Surveys Ltd., to complete a land survey of the PC9, 10, and 13, Pellatt Lake. A rental payment of \$7,822.50 was made for the year 2004-2005 to the Receiver General (Mining Recorder) with respect to the 3 mineral claims containing a diamondiferous dyke, and a similar payment will have to be made for 2005/2006, however, \$162,617 is owed to "Archon" for drill testing the DHK and WI claim blocks in 2001, and the WO claim block in 2003, **these payments are subject to obtaining a "written report", detailing the exploration results; to date no such report has been received. It is also anticipated that Peregrine in the next 10 months will make cash calls to DHK totaling \$2,340,000, of which \$214,194 have been advanced to date.**

## **INVESTOR RELATIONS**

Apart from retaining additional employees, retaining Stockgroup for disseminating of news releases for a period of six months, and the Company disseminating its own news releases, no other investor relations activities were undertaken by the Company during the period under review.

## **APPROVAL**

The Board of Director of Dentonia Resources Ltd. has approved the disclosures contained in this Annual MD&A. A copy of this Annual MD&A will be provided to anyone who requests it.

## **ADDITIONAL INFORMATION**

For press releases and other up-dated information, please contact the Company either by phone (604) 682-1141, fax (604) 682-1144, e-mail at [dentonia@telus.net](mailto:dentonia@telus.net), or refer to the Company's website [www.dentonia.net](http://www.dentonia.net) or refer to SEDAR website [www.sedar.com](http://www.sedar.com).



MANNING ELLIOTT  
CHARTERED ACCOUNTANTS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

Phone: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

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## AUDITORS' REPORT

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To the Shareholders of  
Dentonia Resources Ltd.

We have audited the consolidated balance sheets of Dentonia Resources Ltd. as at August 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 from 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 August 31, 2005 and 2004 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*Manning Elliott LLP*

CHARTERED ACCOUNTANTS

Vancouver, British Columbia

October 12, 2005

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**DENTONIA RESOURCES LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
**AS AT AUGUST 31, 2005 AND 2004**

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	2005 \$	2004 \$
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	674,813	224,566
Accounts receivable	13,885	761
Prepaid expenses	<u>2,760</u>	<u>2,117</u>
	691,458	227,444
INVESTMENTS AND ADVANCES (Note 3)	240,537	-
MINERAL PROPERTIES (Note 4)	295,639	74,995
EQUIPMENT (Note 5)	<u>7,965</u>	<u>2,735</u>
	<u>1,235,599</u>	<u>305,174</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	<u>100,233</u>	<u>6,747</u>
<b>SHAREHOLDERS' EQUITY</b>		
CAPITAL STOCK (Note 6)	8,840,200	7,770,170
CONTRIBUTED SURPLUS (Note 6)	65,762	28,200
DEFICIT	<u>(7,770,596)</u>	<u>(7,499,943)</u>
	<u>1,135,366</u>	<u>298,427</u>
	<u>1,235,599</u>	<u>305,174</u>

APPROVED BY THE BOARD

"Adolf A. Petancic" Director

"H. Martyn Fowlds" Director

**DENTONIA RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT**  
**FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004**

	2005 \$	2004 \$
<b>GENERAL EXPENSES</b>		
Accounting and legal	42,183	8,555
Amortization	1,927	792
Bank charges and interest	390	504
Consulting fees	31,250	5,000
Exchange loss (gain)	65	(64)
Finder's fee	3,500	3,500
Management fees	-	11,000
Office and miscellaneous	20,007	7,516
Rent	12,530	6,497
Shareholder and public relations	47,259	12,492
Stock based compensation	3,750	24,000
Telephone and communications	6,336	3,020
Transfer agent and filing fees	19,718	9,231
Wages and benefits	<u>129,651</u>	<u>71,844</u>
	<u>318,566</u>	<u>163,887</u>
<b>OTHER INCOME (EXPENSES)</b>		
Expense recoveries	392	7,580
Equity income	43,091	-
Interest	<u>4,430</u>	<u>-</u>
	<u>47,913</u>	<u>7,580</u>
<b>NET LOSS FOR THE YEAR</b>	<b>(270,653)</b>	<b>(156,307)</b>
<b>DEFICIT - BEGINNING OF YEAR</b>	<b><u>(7,499,943)</u></b>	<b><u>(7,343,636)</u></b>
<b>DEFICIT - END OF YEAR</b>	<b><u>(7,770,596)</u></b>	<b><u>(7,499,943)</u></b>
<b>BASIC AND DILUTED LOSS PER SHARE (weighted average basis)</b>	<b><u>(0.01)</u></b>	<b><u>(0.01)</u></b>

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**DENTONIA RESOURCES LTD.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004**

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	2005 \$	2004 \$
CASH FROM (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(270,653)	(156,307)
Items not involving cash		
Amortization	1,927	792
Equity income	(43,091)	-
Stock based compensation	<u>7,250</u>	<u>28,200</u>
	(304,567)	(127,315)
Change in non-cash working capital items	<u>79,719</u>	<u>924</u>
	<u>(224,848)</u>	<u>(126,391)</u>
FINANCING ACTIVITIES		
Capital stock issued	1,216,225	365,100
Share issue costs	<u>(115,883)</u>	<u>-</u>
	<u>1,100,342</u>	<u>365,100</u>
INVESTING ACTIVITIES		
Expenditures on mineral property	(220,644)	(45,195)
Acquisition of capital assets	(7,157)	-
Advances to joint venture	<u>(197,446)</u>	<u>-</u>
	<u>(425,247)</u>	<u>(45,195)</u>
INCREASE IN CASH	450,247	193,514
CASH - BEGINNING OF YEAR	<u>224,566</u>	<u>31,052</u>
CASH - END OF YEAR	<u><u>674,813</u></u>	<u><u>224,566</u></u>
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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**DENTONIA RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004**

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1. NATURE OF OPERATIONS

The Company is in the business of acquiring and exploring mineral properties. There has been no determination whether properties held contain mineral reserves which are economically recoverable.

The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, on the assumption that the Company is a going concern. The ability of the Company to continue as a going concern is dependent on its ability to obtain necessary financing to discharge its liabilities as they become due, and upon attaining future profitable operations.

These financial statements have, in management's opinion, been prepared within reasonable limits of materiality using the significant accounting policies noted below:

a) Presentation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Northernera Diamonds Inc.

b) The use of estimates

Because a precise determination of certain assets and liabilities is dependent on future events, the preparation of the financial statements involves the use of estimates based on careful judgement and actual results could differ from such estimates.

c) Investments

The investment in DHK Resources Ltd. is recorded using the equity method of accounting.

d) Amortization

Amortization is recorded over the useful lives of the assets on the declining balance basis at the following annual rates:

Computer	30%
Furniture and fixtures	20%

e) Mineral properties

Costs relating to the acquisition and exploration of mineral properties are deferred until the properties are placed into commercial production, sold, or abandoned. These costs are to be amortized over the estimated useful life of the property following commencement of production, or written off as properties are sold or abandoned.

f) Stock-based compensation

The Company accounts for all stock-based payments to non-employees, and employee awards that are direct awards of stock that call for settlement in cash or other assets, using the fair value based method. Consideration paid by employees on the exercise of stock options is recorded as capital stock.

g) Foreign currency translation

Transactions and balances in currencies other than the Canadian dollar are translated using the temporal method with revenue, expenses and non-monetary balances converted at exchange rates prevailing at the transaction dates and monetary balances converted at rates prevailing at year-end with resulting exchange gains and losses recognized in the determination of income.

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**DENTONIA RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004**

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Loss per share

The Company uses the treasury stock method for the calculation and presentation of both basic and diluted loss per share.

i) Fair market value of financial instruments

The carrying value of cash, accounts receivable and accounts payable approximate fair market value because of the short maturity of those instruments.

j) Impairment of long-lived assets

The Company reviews the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any impairment determined by a comparison of the estimated undiscounted future operating cash flows to be generated by the asset with its net carrying value is written off at the time of impairment.

k) Income taxes

The Company uses the liability method of recording income taxes. Future income tax liabilities or assets are calculated for temporary differences between the tax basis of an asset or liability and its carrying amount on the balance sheet, using tax rates anticipated to apply in the periods that the differences are expected to reverse.

3. INVESTMENTS AND ADVANCES

The Company owns a one-third interest in DHK Resources Ltd. ("DHK"), a Northwest Territories corporation which has various interests in potentially diamond bearing mineral claims in the Lac de Gras area of the Northwest Territories.

4. MINERAL PROPERTIES

	2005	2004
	\$	\$
Tintina Gold Belt - HY property	166,207	7,313
Tintina Gold Belt - ELF property	14,053	13,423
Pellatt Lake	14,800	14,800
Atkinson Gold Prospect	81,992	39,459
Thomlinson Creek Property	<u>18,587</u>	<u>-</u>
	<u>295,639</u>	<u>74,995</u>

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**DENTONIA RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004**

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4. MINERAL PROPERTIES (continued)

Tintina Gold Belt, Yukon Territories

The Company has entered into an option agreement to obtain a 100% interest in 56 two-post mineral claims (the "HY property") recorded in the name of Phelps Dodge Corporation of Canada ("PDCC"), located within the Tintina Gold Belt, southeastern Yukon, Watson Lake Mining District. Pursuant to the agreement, the Company has paid \$10,000 to PDCC and incurred \$71,193 of a \$100,000 work commitment which must be completed by March 18, 2006. The Company must make further payments to PDCC totalling \$90,000 and incur cumulative exploration expenditures on the property totalling \$750,000 in stages over the next 6 years. Additionally, the Company staked 8 more claims (HY80-87) adjacent to and east of the HY property which are held in trust by a director of the Company.

The Company also staked for its own and sole account, 30, two-post mineral claims (the "ELF property") located 175 km northeast of Watson Lake, within the Tintina Gold Belt. Subsequent to year-end, the Company has only renewed its interest in the 6 most viable claims.

Pellatt Lake, Northwest Territories

The Company has staked for its own and sole account 7 mineral claims and holds, indirectly, through its 1/3 equity position in DHK Diamonds Inc., an interest in another 6 mineral claims at Pellatt Lake, Northwest Territories.

Atkinson Gold Prospect

The Company has entered into an option agreement to obtain a 100% interest in 4 claim groups referred to as the Atkinson Gold Prospect, in the Porcupine Mining District, Ontario. Pursuant to the agreement, the Company has issued 150,000 shares and paid \$64,885 in staking costs, engineering fees and other expenditures and must complete a \$350,000 work commitment by May 1, 2006. The Company is also required to make cash payments totalling \$990,000 in stages over the next 10 years.

Thomlinson Creek Property

The Company has entered into an Option Agreement to acquire a 100% interest in certain mineral claims located in the Omineca mining division of British Columbia. Pursuant to the agreement, the Company has paid \$7,228 of a \$30,000 work commitment to be completed by February 25, 2006, must pay to the Optionors a total of \$1,015,000 over the next 10 years (\$10,000 paid).

5. EQUIPMENT

	Cost	Accumulated Amortization	2005 Net Book Value	2004 Net Book Value
	\$	\$	\$	\$
Computer	24,076	17,814	6,262	607
Furniture and fixtures	23,245	21,542	1,703	2,128
	<u>47,321</u>	<u>39,356</u>	<u>7,965</u>	<u>2,735</u>

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**DENTONIA RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004**

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6. CAPITAL STOCK

Authorized:

Unlimited Common shares without par value

Issued:	#	\$
August 31, 2003	17,112,208	7,390,070
Directors' options exercised	930,000	93,000
Acquisition of mineral property	150,000	15,000
Private placement	<u>4,535,000</u>	<u>272,100</u>
August 31, 2004	22,727,208	7,770,170
Private placements	7,521,836	951,725
Agent's commission	150,000	22,500
Warrants exercised	2,575,000	264,500
Less: share issue costs	<u>-</u>	<u>(168,695)</u>
August 31, 2005	<u>32,974,044</u>	<u>8,840,200</u>

a) Private placements:

In 2004, the Company issued 4,535,000 units at \$0.06 per unit for proceeds of \$272,100. Each unit consisted of one common share and one non-transferable share purchase warrant exercisable at \$0.10 per share to September 7, 2005 and at \$0.20 per share after September 7, 2005 to September 7, 2006.

In October 2004, the Company completed a non-brokered private placement of 1,680,000 units at \$0.06 per unit for total proceeds of \$100,800. Each unit consists of one common share and one non-transferable share purchase warrant exercisable at \$0.10 per share to October 7, 2005 and at \$0.20 per share thereafter to October 7, 2006.

In December 2004, the Company completed a non-brokered private placement of 976,666 flow-through units at \$0.15 per unit and 845,000 non-flow-through units at \$0.12 per unit for total proceeds of \$247,900. Each unit consists of one share and one non-transferable share purchase warrant expiring December 29, 2005, exercisable at \$0.16 for the flow-through shares and \$0.13 for the non-flow-through shares.

In December 2004, the Company also completed a brokered private placement of 804,034 units at \$0.75 per unit. Each unit consists of 3 non-flow-through common shares, two flow-through common shares and one non-transferable share purchase warrant exercisable at \$0.20 per share to February 28, 2006 and \$0.30 per share thereafter to February 28, 2007.

In relation to this private placement, the Company paid a 7.5 % commission and a 5% finder's fee on the gross proceeds, issued 150,000 common shares as a finance fee, and issued 104,524 Agent's options which are exercisable at \$0.75 per unit and are comprised of five shares and one share purchase warrant, exercisable at \$0.20 in the first year and \$0.30 in the second year.

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**DENTONIA RESOURCES LTD.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004**

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6. CAPITAL STOCK (continued)

b) Options:

The Company has a stock option plan to grant options, of up to 10% of the issued and outstanding share capital of the Company from time to time, to directors, senior officers, employees, dependent contractors and consultants of the Company at the discretion of the Board. Options granted under the plan will be for a term not to exceed 5 years and will be exercisable at a price not less than the Discounted Market Price.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance, August 31, 2003	1,685,000	\$ 0.10
Granted	910,000	0.10
Exercised	<u>(930,000)</u>	<u>0.10</u>
Balance, August 31, 2004	1,665,000	\$ 0.10
Granted	<u>354,524</u>	<u>0.29</u>
Balance, August 31, 2005	<u>2,019,524</u>	<u>\$ 0.13</u>
Weighted average fair value of options granted		<u>\$ 0.11</u>

Of the options outstanding, 2,019,524 are currently exercisable and have expiry dates ranging from January 22, 2006 to March 27, 2007.

c) Stock-based compensation

During the year, the Company issued 250,000 (2004 - 910,000) stock options to directors and consultants and 104,524 to agents. As a result \$7,250 (2004 - \$28,200) was recorded as stock-based compensation, \$30,312 (2004 - \$Nil) as share issue costs, and \$37,562 (2004 - \$28,200) was credited to contributed surplus. The fair value of options granted was estimated using the Black-Scholes option pricing model and the following assumptions:

Risk-free interest rate	2.77 to 2.89%
Expected life of options	2 - 3 years
Expected volatility	50%
Expected dividend yield	0.0%

d) Warrants

Warrants have been granted and are exercisable in whole or in part until expiry allowing the holders to purchase a maximum of 7,990,700 common shares at exercise prices ranging from \$0.10 to \$0.30 and expiring between September 7, 2005 and February 28, 2007.

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**DENTONIA RESOURCES LTD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED AUGUST 31, 2005 AND 2004**

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**7. RELATED PARTY TRANSACTIONS**

Included in the determination of net loss for the year are salaries and fees to a director recorded at their exchange amounts of \$71,500 (2004 - \$39,000) and stock-based compensation to directors recorded at their fair values of \$3,750 (2004 - \$24,000). Also, included in mineral properties are fees paid to a director recorded at the exchange amount of \$12,250 (2004 - \$Nil).

**8. LOSSES CARRIED FORWARD**

The Company has approximately \$1,056,000 (2004 - \$1,030,000) in non-capital losses which can be applied to reduce future taxes payable by approximately \$376,000 (2004 - \$367,000), expiring as follows:

	\$
2006	201,000
2007	144,000
2008	122,000
2009	105,000
2010	60,000
2014	156,000
2015	268,000

Cumulative Canadian Exploration and Development Expenses of approximately \$2,047,150 (2004 - \$1,826,000) are available to reduce future taxes payable by approximately \$729,000 (2004 - \$650,421).

The Company also has net capital losses of approximately \$304,000 (2004 - \$304,000) which may be carried forward indefinitely to reduce taxes payable on future taxable capital gains by \$108,000 (2004 - \$108,000).

# CORPORATE INFORMATION

## **DIRECTORS AND OFFICERS:**

Adolf A. Petancic, B.Sc., LL.B.  
*President & Director*

H. Martyn Fowlds  
*Vice President & Director*

Dorothy Chin  
*Corporate Secretary*

Gerald G. Carlson, Ph.D., P. Eng.  
*Director*

Brian E. Weir  
*Director*

Ronald H. McMillan, Ph.D., P. Geo.  
*Vice President Exploration & Director*

## **OFFICES:**

Dentonia Resources Ltd.  
Suite 303 - 1039 Richards Street  
Vancouver, B.C. V6B 3E4  
Phone: (604) 682-1141  
Fax: (604) 682-1144  
Email: [dentonia@telus.net](mailto:dentonia@telus.net)  
Website: [www.dentonia.net](http://www.dentonia.net)

## **INCORPORATED:**

May 31, 1979  
Province of British Columbia  
Incorporation #191946

## **FILINGS:**

S.E.C., Section 12g 3-2(b)  
File #82-627, a foreign exempt Corporation  
Tel: (202) 272-7450

Standard & Poor's Corporation, New York, USA  
Tel: (212) 208-8467

## **INTEREST IN OTHER COMPANIES:**

1/3 equity stake in DHK Diamonds Inc.,  
incorporated in the N.W.T.

## **REGISTRAR & TRANSFER AGENT:**

Computershare Trust Company of Canada  
3rd Floor, 510 Burrard Street  
Vancouver, B.C. V6C 3B9  
Tel: (604) 661-9400  
Fax: (604) 661-9401

## **AUDITORS:**

Manning Elliott  
Chartered Accounts  
11th Floor - 1050 West Pender Street  
Vancouver, B.C. V6E 3S7  
Tel: (604) 714-3600  
Fax: (604) 714-3669

## **LISTED:**

TSX Venture Exchange  
Trading Symbol "DTA"  
Cusip No. 249023

## **SHARE CAPITAL:**

Issued & Outstanding: 36,314,044 shares



Additional information relating to the company can be found on its website:

[www.dentonia.net](http://www.dentonia.net)

**Dentonia Resources Ltd.**

