

SENNEN RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS

JANUARY 31, 2006

AUDITORS' REPORT

To the Shareholders of
Sennen Resources Ltd.

We have audited the consolidated balance sheets of Sennen Resources Ltd. as at January 31, 2006 and 2005 and the consolidated statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 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.

“DAVIDSON & COMPANY”

Vancouver, Canada

Chartered Accountants

April 30, 2006

A Member of SC INTERNATIONAL

SENNEN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
YEAR ENDED JANUARY 31

	2006	2005
EXPENSES		
Administration fees	\$ 30,000	\$ 30,000
Amortization	26,467	30,070
Consulting	277,615	246,231
Director's fees	8,333	-
Interest on obligation under capital lease	4,655	5,027
Investigation costs	-	28,951
Management fees	72,000	54,000
Office and miscellaneous	27,078	41,592
Professional fees	49,849	23,001
Rent	48,000	46,161
Transfer agent and filing fees	15,168	12,432
Travel and automotive	<u>17,509</u>	<u>26,854</u>
Loss before other items	<u>(576,674)</u>	<u>(544,319)</u>
OTHER ITEMS		
Interest income	39,164	27,632
Write-off of mineral properties (Note 6)	-	(1,042,969)
Write-off of deferred exploration costs (Note 7)	<u>-</u>	<u>(2,389,708)</u>
	<u>39,164</u>	<u>(3,405,045)</u>
Loss for the year	(537,510)	(3,949,364)
Deficit, beginning of year	<u>(13,408,512)</u>	<u>(9,459,148)</u>
Deficit, end of year	<u>\$(13,946,022)</u>	<u>\$(13,408,512)</u>
Basic and diluted loss per common share	<u>\$ (0.01)</u>	<u>\$ (0.10)</u>
Weighted average number of common shares outstanding	<u>44,317,049</u>	<u>41,536,741</u>

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

SENNEN RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEAR ENDED JANUARY 31

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (537,510)	\$ (3,949,364)
Items not affecting cash:		
Amortization	26,467	30,070
Write-off of mineral properties	-	1,042,969
Write-off of deferred exploration costs	-	2,389,708
Change in non-cash working capital items:		
Increase in receivables	(18,129)	(7,179)
(Increase) decrease in prepaid expenses	(1,150)	20,500
Decrease in accounts payable and accrued liabilities	<u>(11,890)</u>	<u>(1,236)</u>
Net cash used in operating activities	<u>(542,212)</u>	<u>(474,532)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances and deferred exploration costs	-	(1,460,956)
Acquisition of equipment	<u>-</u>	<u>(14,030)</u>
Net cash used in investing activities	<u>-</u>	<u>(1,474,986)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of common shares	1,025,000	533,137
Repayment of obligation under capital lease	<u>(4,946)</u>	<u>(4,573)</u>
Net cash provided by financing activities	<u>1,020,054</u>	<u>528,564</u>
Change in cash and equivalents during the year	477,842	(1,420,954)
Cash and equivalents, beginning of year	<u>1,146,107</u>	<u>2,567,061</u>
Cash and equivalents, end of year	<u>\$ 1,623,949</u>	<u>\$ 1,146,107</u>
Cash and equivalents consists of:		
Cash	\$ 6,210	\$ 605,662
Term deposits	<u>1,617,739</u>	<u>540,445</u>
	<u>\$ 1,623,949</u>	<u>\$ 1,146,107</u>

Supplemental disclosure with respect to cash flows (Note 13)

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

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2006

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company was incorporated under the laws of the Province of British Columbia and its principal business activities include the acquisition and exploration of mineral properties and is considered to be in the exploration stage.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. Continued operations of the Company are dependent on the Company's ability to acquire and develop new mineral properties, receive continued financial support, complete public equity financings, or generate profitable operations in the future. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

	2006	2005
Deficit	\$ (13,946,022)	\$ (13,408,512)
Working capital	1,577,932	1,120,872

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Huisan Inc., Ribfield Pty. Ltd. and Sennen Resources (Barbados) Ltd. All significant inter-company balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Cash and equivalents

Cash and equivalents consist of cash and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value.

Equipment

Equipment is recorded at cost less accumulated amortization. Amortization is calculated using the following rates and methods:

Vehicle	30% declining balance
Computer equipment	30% declining balance
Leasehold improvements	3 years straight-line

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Mineral properties and deferred exploration costs

All costs related to the acquisition, exploration and development of mineral properties are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mining assets and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations. If, after management review, it is determined that the carrying amount of a mineral property is impaired, that property is written down to its estimated net realizable value. A mineral property is reviewed for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

The amounts shown for mineral properties do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

Asset retirement obligations

Effective February 1, 2004, the Company adopted the recommendations of CICA Handbook Section 3110, Asset Retirement Obligations. This new section requires recognition of a legal liability for obligations relating to retirement of property, plant and equipment, and arising from the acquisition, construction, development or normal operation of those assets. Such asset retirement cost must be recognized at fair value in the period in which it is incurred, added to the carrying value of the asset, and amortized into income on a systematic basis over its useful life. Adoption of this standard has not affected the Company's financial statements.

Foreign currency translation

The Company's subsidiaries are integrated foreign operations and are translated into Canadian dollar equivalents using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date and non-monetary items are translated at historical exchange rates. Income and expense items are translated at rates approximating those in effect at the time of the transaction. Translation gains and losses are reflected in the results of operations.

Stock-based compensation

The Company uses the fair value method of accounting for all stock-based compensation. The Company estimates the fair value at the date of grant using the Black-Scholes option pricing model and expenses the fair value over the period of vesting. Any consideration paid by the option holders to purchase shares is credited to capital stock.

Future income taxes

Future income taxes are recorded for using the asset and liability method whereby future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2006

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per common share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. Diluted loss per common share has not been presented separately as this calculation proved to be anti-dilutive.

Basic and diluted loss per common share is calculated using the weighted average number of shares outstanding during the year.

Comparative figures

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

3. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and equivalents, receivables, accounts payable and accrued liabilities and obligation under capital lease. It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Financial risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

4. EQUIPMENT

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Vehicle under capital lease	\$ 96,020	\$ 45,889	\$ 50,131	\$ 96,020	\$ 25,725	\$ 70,295
Leasehold improvements	10,145	6,763	3,382	10,145	3,381	6,764
Computer equipment	<u>3,885</u>	<u>3,885</u>	<u>-</u>	<u>3,885</u>	<u>964</u>	<u>2,921</u>
	<u>\$ 110,050</u>	<u>\$ 56,537</u>	<u>\$ 53,513</u>	<u>\$ 110,050</u>	<u>\$ 30,070</u>	<u>\$ 79,980</u>

The leased vehicle is for use by a director of the Company.

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2006

5. DEPOSITS

Deposits are comprised of amounts paid to the Department of Mines and Energy of Australia as security for the coal deposits in Queensland, Australia.

6. MINERAL PROPERTIES

	Makapa, Guyana	Ownaview/ Middlemount/ Collingwood, Australia	Total
Balance at January 31, 2004	\$ 1,042,969	\$ 1	\$ 1,042,970
Written-off during the year	<u>(1,042,969)</u>	<u>-</u>	<u>(1,042,969)</u>
Balance at January 31, 2005 and 2006	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>

Title to mineral properties involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral properties. The Company has investigated title to all of its mineral properties and, to the best of its knowledge, title to all of its properties are in good standing.

Makapa Gold Project, Guyana

On March 10, 2003, the Company entered into an agreement to acquire an option to purchase the shares of Makapa Mining Inc., a Guyana company that owns certain mineral rights in northwestern Guyana, from Makapa Minex Inc..

The Company paid \$142,969 and issued 3,000,000 common shares valued at \$900,000 for the mineral property.

The Company decided not to pursue an interest in this project and all related costs were written-off to operations during the year ended January 31, 2005.

Ownaview/Middlemount/Collingwood Projects, Queensland, Australia

The Company holds an interest in certain mineral properties located in Queensland, Australia.

During the year ended January 31, 2003, the mineral property costs and related deferred exploration costs were written down to a nominal value of \$1.

During the year ended January 31, 2005, the Company entered into three agreements with DJB Coal PTY Ltd. ("DJB") of Australia whereby DJB acquired an interest of 5% of certain claims (the "Ownaview" deposit) with the right to acquire a further 65% interest, and acquired a 10% interest in Collingwood and Middlemount projects, with the right to earn a further 60% in each of these two projects.

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2006

6. MINERAL PROPERTIES (cont'd...)

Ownaview/Middlemount/Collingwood Projects, Queensland, Australia (cont'd...)

Under the terms of the agreements, DJB will acquire these interests in return for payment of all present and future rental costs due on the Ownaview deposit and on the Collingwood and Middlemount projects, and will conduct all the required engineering work for the completion of bankable feasibility studies at their cost on each deposit within 5 years. In the event that an agreement is reached over the sale of the Middlemount coal property to a third party prior to the completion of a feasibility study, the Company and DJB will each have a 50% interest in the proceeds from the sale.

The agreement is subject to a \$0.50 per tonne coal royalty on the Ownaview deposit and a \$0.25 per tonne coal royalty on the Collingwood and Middlemeount projects payable to the Company.

7. DEFERRED EXPLORATION COSTS

	2006	2005
Balance, beginning of year	\$ -	\$ 788,742
Camp support	-	435,158
Consultants	-	43,007
Contractors	-	34,051
Drilling	-	520,990
Field supplies	-	14,153
Fuel	-	28,742
Geology	-	62,508
Geophysics	-	42,853
Project supervision	-	243,950
Property maintenance	-	54,741
Sampling	-	12,218
Transportation	-	108,595
	<u>-</u>	<u>1,600,966</u>
Written-off during the year	<u>-</u>	<u>(2,389,708)</u>
Balance, end of year	\$ -	\$ -

Deferred exploration costs for the year ended January 31, 2005 relate to the Makapa Gold Project which were written off in fiscal 2005.

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2006

8. RELATED PARTY TRANSACTIONS

During the year ended January 31, 2006, the Company entered into the following transactions with related parties:

- a) Paid or accrued consulting fees of \$179,778 (2005 - \$175,732) to companies with a common and former director.
- b) Paid or accrued consulting fees of \$ Nil (2005 - \$18,000) to a company controlled by an officer of the Company.
- c) Paid or accrued management fees of \$72,000 (2005 - \$54,000) to a company controlled by an officer of the Company.
- d) Paid or accrued rent of \$48,000 (2005 - \$46,161) to companies controlled by a director and former director.
- e) Paid or accrued directors' fees of \$8,333 (2005 - \$ Nil) to a director of the Company.

As at January 31, 2006, accounts payable included \$8,084 (2005 - \$22,524) owed to a director and a company with a common director.

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

9. OBLIGATION UNDER CAPITAL LEASE

	2006	2005
Obligation under capital lease with imputed interest at 7.85 % per annum over a term expiring December 15, 2006, secured by a leased vehicle.	\$ 56,584	\$ 61,530
Less: current portion	<u>(56,584)</u>	<u>(4,633)</u>
Balance of obligation	<u>\$ -</u>	<u>\$ 56,897</u>

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2006

10. CAPITAL STOCK AND CONTRIBUTED SURPLUS

	Capital Stock		Contributed Surplus
	Number of Shares	Amount	
Authorized Unlimited common shares without par value			
Issued			
Balance as at January 31, 2004	41,434,893	\$ 13,083,253	\$ 976,887
Shares returned to treasury	(50,000)	(15,000)	-
Exercise of warrants	<u>1,066,272</u>	<u>535,324</u>	<u>(2,187)</u>
Balance as at January 31, 2005	42,451,165	13,603,577	974,700
Exercise of warrants	<u>2,050,000</u>	<u>1,025,000</u>	<u>-</u>
	<u>44,501,165</u>	<u>\$ 14,628,577</u>	<u>\$ 974,700</u>

11. STOCK OPTIONS AND WARRANTS

The Company has a stock option plan that provides for the issuance of options to its directors, officers, employees and consultants enabling them to acquire up to 20% of the issued and outstanding common stock of the Company. Under the plan, options vest on grant and have a maximum term of five years.

At January 31, 2006, the Company had no incentive stock options and share purchase warrants outstanding.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding as at January 31, 2004	6,010,000	\$ 0.40
Expired/cancelled	<u>(1,460,000)</u>	0.40
Outstanding as at January 31, 2005	4,550,000	0.40
Expired/cancelled	<u>(4,550,000)</u>	0.40
Outstanding as at January 31, 2006	-	\$ -
Exercisable as at January 31, 2006	-	\$ -

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2006

11. STOCK OPTIONS AND WARRANTS (cont'd...)

Warrant transactions were as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance as at January 31, 2004	11,189,506	\$ 0.50
Exercised	<u>(1,066,272)</u>	0.50
Balance as at January 31, 2005	10,123,234	0.50
Expired	(8,073,234)	0.50
Exercised	<u>(2,050,000)</u>	0.50
Balance as at January 31, 2006	-	\$ -

12. COMMITMENTS

a) The Company leases office premises under an operating lease with a company controlled by a director. The lease provides for annual basic lease payments as follows:

2007	\$ 48,000
2008	<u>16,000</u>
	<u>\$ 64,000</u>

b) The Company entered into two management contracts with a company with common directors. The Company has agreed to pay the companies a total of \$18,000 per month until May 31, 2006. The contracts can be terminated by the Company by providing 30 days written notice.

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

	2006	2005
Cash paid for income taxes	\$ -	\$ -
Cash paid for interest	\$ 4,655	\$ 5,027

There were no significant non-cash transactions for the year ended January 31, 2006.

Significant non-cash transactions for the year ended January 31, 2005 consisted of:

a) the exercise of 15,200 finder's warrants with a fair value of \$2,187 reducing contributed surplus.

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2006

13. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS (cont'd...)

- b) subscriptions receivable of \$15,000 were cancelled resulting in the return of 50,000 common shares to treasury valued at \$15,000.
- c) advances to related parties of \$140,000 were used to fund exploration costs incurred on the Makapa Gold Project.

14. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	2006	2005
Loss before income taxes	\$ (537,510)	\$ (3,949,364)
Expected income tax (recovery)	\$ (186,758)	\$ (1,405,974)
Non-deductible expenses	8,208	149,998
Write-down of mineral property and deferred exploration costs	-	1,222,033
Unrecognized benefits of non-capital losses	178,550	33,943
Actual income taxes	\$ -	\$ -

Details of the Company's future income tax assets are as follows:

	2006	2005
Future income tax assets:		
Mineral properties and deferred exploration costs	\$ 2,294,000	\$ 2,395,000
Other items	33,000	51,000
Non-capital loss carryforwards	565,000	440,000
	2,892,000	2,886,000
Valuation allowance	(2,892,000)	(2,886,000)
Net future income tax assets	\$ -	\$ -

The Company has non-capital losses carried forward of approximately \$1,657,000 which expire through to 2016. They may be utilized to offset future taxable income. Subject to certain restrictions, the Company also has resource expenditures of approximately \$6,730,000 available to reduce taxable income in future years. Future tax benefits, which may arise as a result of these losses and resource expenditures have not been recognized in these financial statements and have been offset by a valuation allowance.

SENNEN RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 31, 2006

15. SEGMENTED INFORMATION

The Company operates in one business segment being the acquisition and exploration of mineral properties.

The Company's capital assets are located in the following countries:

	2006		2005
Canada	\$ 53,513	\$	79,980
Australia	<u>1</u>		<u>1</u>
	<u>\$ 53,514</u>	\$	<u>79,981</u>

16. SUBSEQUENT EVENT

Subsequent to January 31, 2006, the Company granted 5,060,000 stock options exercisable into common shares at \$0.20 per share until April 28, 2008.

SENNEN RESOURCES LTD.
Management Discussion and Analysis
For the Year ended January 31, 2006

This discussion and analysis of financial position and results of operations is prepared as at May 15, 2006, and should be read in conjunction with the consolidated financial statements for the years ended January 31, 2006 and 2005 of Sennen Resources Ltd. (the "Company" or "Sennen") with the related notes thereto. Those consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. All dollar amounts included therein and in the following management discussion and analysis ("MD&A") are in Canadian dollars except where noted. This discussion contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated in the statements made.

Description of Business

The Company is an exploration company dedicated to the identification, acquisition and exploration of coal projects in Australia.

Overall Performance

The Company currently holds title to three coal deposits in Queensland, Australia, the Ownaview, Middlemount and Collingwood projects.

In its first quarter of 2005 the Company provided an update on the possible divestment of the MDL 282 (Middlemount) coal project.

A news release dated July 7th 2005 reported that the Company's Australian subsidiary Ribfield Pty Ltd. ("Ribfield") had appointed Ernst & Young, Mergers and Acquisitions ("E&Y"), of Perth, Australia as transaction advisers in relation to the sale of the Middlemount (MDL282) coal property ("Middlemount") in Queensland, Australia. As reported, E&Y's engagement was exclusive for a period of three months unless otherwise extended by mutual agreement. The Company did not extend E&Y's term of engagement. However, the terms of the Engagement Agreement provide for Ribfield to pay a Success Fee to E&Y, for any purchase and sale agreement concluded between Ribfield and clients introduced to the project by E&Y during the engagement period and within twelve months of the termination of the Engagement Agreement, as reported in the July 7th news release. The agreement with E&Y was entered into on June 24, 2005 and as of the date of this report no transactions have been concluded.

The Company has over Cdn\$1.5 million in the Treasury and the joint venture partner is meeting financial commitments on the Queensland coal projects.

SENNEN RESOURCES LTD.
Management Discussion and Analysis
For the Year ended January 31, 2006

Summary of Quarterly Results

	Three Months Ended January 31, 2006	Three Months Ended October 31, 2005	Three Months Ended July 31, 2005	Three Months Ended April 30, 2005
Total assets	\$ 1,760,763	\$ 1,881,073	\$ 2,040,285	\$ 2,199,518
Mineral properties and deferred costs	1	1	1	1
Working capital	1,577,932	1,755,144	1,896,479	2,028,568
Interest Income	11,168	10,716	10,384	6,896
Net Loss	(133,233)	(144,842)	(136,498)	(122,937)
Earnings (loss) per share	(0.01)	(0.01)	(0.01)	(0.01)
Write-off of mineral property	-	-	-	-

	Three Months Ended January 31, 2005	Three Months Ended October 31, 2004	Three Months Ended July 31, 2004	Three Months Ended April 30, 2004
Total assets	\$ 1,290,109	\$ 906,580	\$ 4,575,149	\$ 4,564,906
Mineral properties and deferred costs	1	1	3,036,653	2,377,511
Working capital	1,120,872	692,845	1,205,031	2,016,597
Interest income	3,277	4,600	7,133	12,622
Net Income (loss)	(103,106)	(3,554,225)	(159,247)	(132,786)
Earnings (loss) per share	(0.01)	(0.09)	(0.01)	(0.01)
Write-off of mineral property	-	(3,457,557)	-	-

2005

In the first quarter of 2005, operating costs declined significantly from the prior quarter because no stock based compensation costs were recognized. In the previous quarter \$901,666 was recognized as stock based compensation. Operating costs increased marginally in the second quarter of 2005 due to higher administrative costs related to an increase spent on property investigation costs for new projects for the Company. In the third quarter, costs increased by \$3,554,225. This was due to the \$3,457,557 write-off of the mineral property and deferred exploration costs related to Makapa property in Guyana. Operating expenditures declined in the fourth quarter of 2005 because the significant mineral property write-off was recorded in the prior quarter.

SENNEN RESOURCES LTD.
Management Discussion and Analysis
For the Year ended January 31, 2006

2006

The first quarter of 2006 operating costs increased slightly from the fourth quarter of 2005 as the result of some higher costs in filing and transfer agent fees. In the second quarter of 2006, Sennen's operating expenditures increased again marginally over the first quarter. The main increase in costs was due to professional fees. During the third quarter, operating expenditures increased from the prior quarter as a result of a \$42,000 increase in consulting fees. This was related to hiring of additional consultants on the sale process of the coal projects in Australia. The fourth quarter operating expenses were approximately \$11,000 lower than those in the third quarter. Consulting fees were lower by \$18,000. Professional fees were \$13,000 higher than for the third quarter because they included an accrual for the year-end audit.

Selected Annual Financial Information

The following table provides a brief summary of the Company's financial operations. For more detailed information, refer to the Consolidated Financial Statements.

	Year Ended January 31, 2006	Year Ended January 31, 2005	Year Ended January 31, 2004
Interest income	\$ 39,164	\$ 27,632	\$ 23,267
Net loss	537,510	3,949,364	1,341,717
Basic and diluted loss per share	0.01	0.10	0.05
Total assets	1,760,763	1,290,109	4,712,145
Total long-term liabilities	-	56,897	61,530
Cash dividends	-	-	-
Cash Flows from (Used In):			
Operating	\$ (542,212)	\$ (474,532)	\$ (430,314)
Investing	-	(1,474,986)	(1,071,721)
Financing	1,020,054	528,564	4,074,466
Net Increase (Decrease)	\$ 477,883	\$ (1,420,954)	\$ 2,572,431

In 2004 the Company completed a \$3.2 million financing. During that year, the Company entered into a mineral property acquisition agreement in Guyana, which was the Makapa project. The total value attributed to the Makapa acquisition was \$1,042,969.

In 2005, the Company had a higher level of activity as a result of incurring property development expenditures of over \$1,600,000 on the Makapa property. During 2005, the Company elected not to proceed with the acquisition of this project and consequently all acquisition and deferred exploration costs were written-off to operations. During the year 1,066,272 share purchase warrants were exercised for total proceeds of \$535,324.

In 2006, the Company continued to focus on its coal projects in Australia and also seek new projects of merit. During the year, the Company's working capital position improved through the exercise of 2,050,000 share purchase warrants for total proceeds of \$1,025,000.

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Capital Resources

The Company has sufficient funds to meet its property commitments for 2006 and cover anticipated administrative expenses throughout the year. The Company will continue to focus its development efforts in Queensland, Australia on the Company's coal deposits.

Related Party Transactions

The Company entered into the following transactions with related parties during the period:

- a) Paid or accrued consulting fees of \$179,778 (2005 - \$175,732) to Buccaneer Management Inc. and 1584312 Ontario Inc., companies controlled by Ian Rozier ("Rozier") and Hilbert Shields ("Shields"), a director and former director of the Company respectively and to Paul Ray, a director of the Company.
- b) Paid or accrued rent of \$48,000 (2005 - \$46,161) to 641485 B.C. Ltd., a company controlled by Rozier and 1584312 Ontario Inc., a director and former director of the Company.
- c) Paid or accrued consulting fees of \$Nil (2005 - \$18,000) to Tabo Investments Ltd. ("Tabo"), a company controlled by Barbara Dunfield ("Dunfield"), the Chief Financial Officer of the Company.
- d) Paid or accrued management fees of \$72,000 (2005 - \$54,000) to Tabo.
- e) Paid or accrued director's fees of \$8,333 (2005 - \$Nil) to James Robertson, a director of the Company.

As of January 31, 2006, accounts payable included \$8,084 (2005 - \$22,524) owed to a director and to a company with a common director.

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.

Financial Instruments

- (a) Fair value

The Company's financial instruments consist of cash and equivalents, term deposits, receivables, deposit, accounts payable, and accrued liabilities. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

- (b) Currency risk

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

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Other Risk Factors

The business of mineral deposit exploration and extraction involves a high degree of risk. Few properties that are explored ultimately become producing mines. The main operating risks include: securing adequate funding to maintain and advance exploration properties; ensuring ownership of and access to mineral properties by confirmation that claims and leases are in good standing and obtaining permits for drilling and other exploration activities. The market price for coal can be volatile and there is no assurance that a profitable market will exist for a production decision to be made or the ultimate sale of the coal.

The Company is operating in a country that currently has a stable political environment. Changing political situations may affect the manner in which the Company operates. The Company's equity financings are sourced in Canadian dollars but for the most part it incurs its expenditures in local currencies or in US dollars. At this time there are no currency hedges in place. The Company does not have any employees. All work is carried out through independent consultants and the Company requires that all consultants carry their own insurance to cover potential liabilities as a result of their work on a project.

Subsequent Events

Subsequent to January 31, 2006, the Company granted 5,060,000 stock options exercisable into common shares at \$0.20 per share for a two year period.

Additional Information

As at May 15, 2006, the Company had:

- a) 44,501,165 common shares outstanding.
- b) 5,060,000 stock options outstanding.
- c) Nil share purchase warrants outstanding.

Cautionary Statement on Forward Looking Information

This Management Discussion and Analysis may contain forward-looking statements that involve risks and uncertainties. When used in this Management Discussion and Analysis, the words "believe," "anticipates," "expects" and similar expressions are intended to identify such forward looking statements. The Issuer's actual results may differ significantly from the results discussed in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Issuer undertakes no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Internal Disclosure Controls and Procedures

We have evaluated the effectiveness of our disclosure controls and procedures and have concluded, based on our evaluation, they are sufficiently effective as of January 31, 2006 to provide reasonable assurance

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that material information relating to the Company and its consolidated subsidiaries is made known to management and disclosed in accordance with applicable securities regulations.