

CHAMPION NATURAL HEALTH.COM INC.

FINANCIAL STATEMENTS

MARCH 31, 2006

CHAMPION NATURAL HEALTH.COM INC.

MARCH 31, 2006

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AUDITORS' REPORT

To the Shareholders of
CHAMPION NATURAL HEALTH.COM INC.

We have audited the balance sheet of **CHAMPION NATURAL HEALTH.COM INC.** as at March 31, 2006 and 2005 and the statements of deficit, loss 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 audit.

We conducted our audit 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 financial statements present fairly, in all material respects, the financial position of the company as at March 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.

The firm has changed its name from Kraft, Berger, Grill, Schwartz, Cohen & March LLP to Kraft Berger LLP as of July 6, 2006. The name change is not a result of any merger or acquisition.

Kraft Berger LLP

KRAFT BERGER LLP
(Formerly known as Kraft, Berger, Grill, Schwartz, Cohen & March LLP)
Chartered Accountants

Toronto, Ontario
July 4, 2006, except for Note 9, which is as of July 13, 2006

CHAMPION NATURAL HEALTH.COM INC.

BALANCE SHEET
MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT		
Cash	\$ <u>-</u>	\$ <u>6,085</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 15,597	\$ 14,166
Loan payable (Note 5)	<u>77,120</u>	<u>7,202</u>
	<u>92,717</u>	<u>21,368</u>
CAPITAL DEFICIENCY		
CAPITAL STOCK (Note 6)	3,456,987	3,456,987
CONTRIBUTED SURPLUS (Note 7)	137,800	137,800
DEFICIT	<u>(3,687,504)</u>	<u>(3,610,070)</u>
	<u>(92,717)</u>	<u>(15,283)</u>
	<u>\$ -</u>	<u>\$ 6,085</u>

See accompanying notes to financial statements.

APPROVED ON BEHALF OF THE BOARD:

"signed"_____
Director - Thomas G. Larsen"signed"_____
Director - Paul Ankcorn

CHAMPION NATURAL HEALTH.COM INC.

STATEMENT OF DEFICIT

FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
DEFICIT , beginning of year	\$ (3,610,070)	\$ (3,097,118)
Net loss for the year	<u>(77,434)</u>	<u>(512,952)</u>
DEFICIT , end of year	<u>\$ (3,687,504)</u>	<u>\$ (3,610,070)</u>

See accompanying notes to financial statements.

CHAMPION NATURAL HEALTH.COM INC.

STATEMENT OF LOSS

FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
REVENUE	\$ <u>-</u>	\$ <u>-</u>
EXPENSES		
Officers' remuneration	27,000	36,000
Professional fees	22,390	2,165
General	17,885	20,316
Shareholders' information	6,633	10,699
Transfer agent's fees and expenses	3,526	8,122
Amortization	<u>-</u>	<u>100,000</u>
	<u>77,434</u>	<u>177,302</u>
LOSS BEFORE THE FOLLOWING	(77,434)	(177,302)
Write off of investment in Home Farms (Note 4)	<u>-</u>	<u>(335,650)</u>
NET LOSS FOR THE YEAR	\$ <u>(77,434)</u>	\$ <u>(512,952)</u>
LOSS PER BASIC AND FULLY DILUTED VOTING SHARE	\$ <u>(0.01)</u>	\$ <u>(0.06)</u>

See accompanying notes to financial statements.

CHAMPION NATURAL HEALTH.COM INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2006

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES		
Net loss for the year	\$ (77,434)	\$ (512,952)
Amortization	-	100,000
Write off of investment in Home Farms (Note 4)	-	335,650
	<u>(77,434)</u>	<u>(77,302)</u>
Change in non-cash components of working capital		
Accounts payable and accrued liabilities	<u>1,431</u>	<u>(12,066)</u>
	<u>(76,003)</u>	<u>(89,368)</u>
INVESTING ACTIVITY		
Decrease in loan receivable	<u>-</u>	<u>60,432</u>
FINANCING ACTIVITY		
Increase in loan payable	<u>69,918</u>	<u>7,202</u>
CHANGE IN CASH	(6,085)	(21,734)
CASH, beginning of year	<u>6,085</u>	<u>27,819</u>
CASH, end of year	<u>\$ -</u>	<u>\$ 6,085</u>
NON CASH ACTIVITIES		
Issuance of shares on acquisition of Home Farms (Note 4)	\$ -	\$ 335,650

See accompanying notes to financial statements.

CHAMPION NATURAL HEALTH.COM INC.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

1. DESCRIPTION OF BUSINESS

The Company is a reporting issuer in Ontario and Alberta and is currently inactive. The accounts of a former wholly-owned subsidiary, Home Farms Technologies Asia Sdn. Bhd. ("Home Farms"), have not been consolidated for the period from acquisition on September 2, 2004 to date of abandonment on February 17, 2005. After reviewing the results of the subsidiary's operations, management determined that there might have been misrepresentations with regard to the subsidiary's operating activities. These possible misrepresentations, combined with management's inability to obtain proper financial information led management to abandon its investment. The results of this discontinued operation are included as a write-off of investment in Home Farms.

2. GOING CONCERN

The financial statements are 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 as a going concern. The application of the going concern concept is dependent on the Company's ability to settle its debt and obtain financing in order to continue its operations.

Management is of the opinion that suitable business opportunities will be identified and that external and/or internal financing will be obtained to meet the Company's liabilities and commitments as they become due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Foreign Currency Transactions**

Accounts stated in other currencies are translated as follows:

- monetary assets and liabilities - at year-end rate;
- non-monetary assets - at historical rates;
- revenue and expenses - at average exchange rates in effect during the year.

Exchange gains or losses are included in earnings.

(b) Intangible Assets

The web site acquired in exchange for the shares of the investee corporation is stated at estimated fair market value. Amortization is provided for on a straight-line basis over its estimated useful life of three years.

CHAMPION NATURAL HEALTH.COM INC.
NOTES TO AMENDED FINANCIAL STATEMENTS
MARCH 31, 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Stock-Based Compensation

The Company grants stock options for a fixed number of shares to employees and consultants with an exercise price equal to the fair value of the shares at the date of grant. The Company recognizes compensation expense for the stock-based compensation plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

If stock or stock options are repurchased from employees or consultants, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

(d) Revenue Recognition

The Company currently has no sources of revenue.

(e) Loss Per Share

Loss per share is calculated using the weighted average number of voting shares outstanding during the year of 9,376,061 (2005 - 9,167,728). The outstanding 500,000 share warrants have no dilutive effect on loss per share.

(f) Financial Instruments

The carrying amounts reflected in the balance sheet for accounts payable and accrued liabilities and loan payable approximate fair market value due to the short-term maturities of these instruments.

(g) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

CHAMPION NATURAL HEALTH.COM INC.
NOTES TO AMENDED FINANCIAL STATEMENTS
MARCH 31, 2006

4. ACQUISITION OF COMPANY

On February 27, 2004, the Company signed a share purchase agreement to acquire all of the issued and outstanding shares of Home Farms Technologies Asia Sdn. Bhd. ("Home Farms") in an arm's length transaction for U.S.\$250,000. The purchase price of U.S.\$250,000 was satisfied by issuing 500,000 units of the Company, each unit comprised of one subordinate voting share in the capital of the Company and one subordinate voting share purchase warrant, each warrant entitling the vendors to purchase a subordinate voting share of the Company for an exercise price of U.S.\$0.60 for a period of two years following the closing. Home Farms is a start-up company engaged in animal waste management with energy conservation as a by-product utilizing a solid separator machine in this process. The transaction closed on September 2, 2004.

On February 17, 2005, the Company issued a press release stating that it is writing off its investment in Home Farms because of Home Farms' inability to properly manage itself. On March 17, 2005, the Company has divested its shares of Home Farms for a nominal consideration.

5. LOAN PAYABLE

Loan payable to a corporation controlled by a director of the Company is non-interest bearing and due on demand.

6. CAPITAL STOCK**(a) Authorized**

Unlimited number of subordinate voting shares, entitled to one vote per share
 Unlimited number of multiple voting shares, entitled to 100 votes per share
 Unlimited number of Class "A" shares, issuable in series
 Unlimited number of Class "B" shares, issuable in series

(b) Issued

	<u>Subordinate Voting Shares</u>		<u>Multiple Voting Shares</u>		<u>Total</u>
	<u>#</u>	<u>\$</u>	<u>#</u>	<u>\$</u>	<u>\$</u>
Balance, March 31, 2004	8,658,303	3,029,691	217,758	125,211	3,154,902
Issued on purchase of Home Farms Technologies (Note 4)	500,000	335,650	-	-	335,650
Cost allocated to warrants	-	(33,565)	-	-	(33,565)
Balance, March 31, 2005 and March 31, 2006	<u>9,158,303</u>	<u>3,331,776</u>	<u>217,758</u>	<u>125,211</u>	<u>3,456,987</u>

CHAMPION NATURAL HEALTH.COM INC.
NOTES TO AMENDED FINANCIAL STATEMENTS
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6. CAPITAL STOCK (Continued)

(c) Stock Options

Issued and Outstanding

On August 29, 1994, the Company established a stock option plan (the "Plan") relating to the subordinate voting shares of the Company. On September 28, 2001, the shareholders of the Company approved an increase of the issuable number of subordinate voting shares to a total of 1,500,000. Eligibility for participation in the Plan is restricted to directors, officers, employees and consultants of the Company and its affiliates. The number of shares subject to options granted under the Plan is limited to 1,500,000 subordinate voting shares in the aggregate and with respect to any one optionee, 5% of the number of issued and outstanding subordinate voting shares of the Company at the date of the grant of the option. The exercise price of any option granted under the Plan may not be less than the fair market value of the subordinate voting shares at the time the option is granted. Options issued under the Plan may be exercised during a period determined by the board of directors which cannot exceed ten years and are subject to earlier termination upon the termination of the optionee's employment, upon the optionee ceasing to be a director and/or officer of the Company, or upon the retirement, permanent disability or death of an optionee. The options are non-transferable.

	<u>Option</u>	<u>Option Price</u>
	#	\$
Balance outstanding at March 31, 2005	445,000	0.40
Cancelled during the year	(445,000)	(0.40)
Balance outstanding at March 31, 2006	-	-

(d) Warrants

Issued and Outstanding

500,000 subordinate voting share purchase warrants, each warrant exercisable at a price of U.S.\$0.60 expiring September 2, 2006.

7. CONTRIBUTED SURPLUS

Balance, March 31, 2004	\$ 104,235
Warrants granted (Note 4)	33,565
Balance, March 31, 2005 and March 31, 2006	\$ 137,800

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8. INCOME TAXES

During the year, the Company, for income tax purposes, had a change in control, preventing the future utilization of the losses carry-forwards, excess of tax costs of plant and equipment and exploration and development expenditures.

Future Tax Assets

	<u>2006</u>	<u>2005</u>
Net operating loss carry forward	\$ -	\$ 254,400
Allowable capital loss carry forward	-	738,300
Excess of tax cost over accounting	-	190,000
Exploration and development expenditures	-	48,000
	<u>-</u>	<u>1,230,700</u>
Less: Valuation allowance	<u>-</u>	<u>1,230,700</u>
Net future tax assets	<u>\$ -</u>	<u>\$ -</u>

9. SUBSEQUENT EVENTS

On July 13, 2006, the Company made the following announcements:

- (a) Subject to shareholders approval, the Company is planning to convert each of the outstanding multiple voting shares of the Company into a fixed number of subordinate voting shares, followed by a consolidation on the basis of up to six old shares of the Company for one new common share of the Company.
- (b) The Company had entered into an option agreement (the "Option Agreement") pursuant to which the Company has an option to acquire a 70% interest in a mineral exploration property consisting of a total of 115 claims covering an area of 29 square kilometres situated in the Buchans-Robert's Area Belt, in central Newfoundland, Canada. Under the Option Agreement, the Company is required, on the specified dates over a period of thirty six months, to pay \$50,000 to the vendor, incur exploration expenditures totalling \$1,000,000 and issue to the vendor 600,000 post-consolidated shares.