

CANADIAN EMPIRE EXPLORATION CORP.  
(the "Company")  
INTERIM CONSOLIDATED REPORT  
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005  
(UNAUDITED)



## **Canadian Empire Exploration Corp**

(Formerly Northern Crown Mines Ltd.)

1205 – 675 West Hastings St.

Vancouver, B.C. V6B 1N2

Phone: (604) 687-4951/Fax: (604) 687-4991

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

CANADIAN EMPIRE EXPLORATION CORP.  
CONSOLIDATED BALANCE SHEETS  
AS AT JUNE 30, 2006 AND DECEMBER 31, 2005  
(UNAUDITED)

	JUNE 30, 2006	DECEMBER 31, 2005
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	10,452	17,450
Accounts receivable	3,710	3,330
	<u>14,162</u>	<u>20,780</u>
<b>Reclamation deposits</b>	-	11,300
	<u>14,162</u>	<u>32,080</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	125,146	203,060
Due to related party	8,040	120,534
Convertible promissory note due to related party	150,000	-
	<u>283,186</u>	<u>323,594</u>
<b>SHAREHOLDERS' DEFICIENCY</b>		
<b>Capital stock (note 3)</b>	21,813,128	21,811,752
<b>Contributed surplus</b>	460,853	438,591
<b>Deficit</b>	<u>(22,543,005)</u>	<u>(22,541,857)</u>
	<u>(269,024)</u>	<u>(291,514)</u>
	<u>14,162</u>	<u>32,080</u>

Nature of operations and going concern (note 1)

"John S. Brock"  
John S. Brock

"Wayne J. Roberts"  
Wayne J. Roberts

CANADIAN EMPIRE EXPLORATION CORP.  
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT  
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005  
(UNAUDITED)

	6 MONTHS ENDED JUNE 30, 2006	6 MONTHS ENDED JUNE 30, 2005	3 MONTHS ENDED JUNE 30, 2006	3 MONTHS ENDED JUNE 30, 2005
			\$	\$
<b>Administration expenses</b>				
Bank charges	256	438	123	144
Foreign exchange loss (gain)	35	(102)	69	(42)
Tax penalty on flow-through shares renounced	-	5,813	-	3,331
Consulting	-	125	-	-
Insurance	1,700	12,538	1,700	1,910
Legal and audit	12,627	8,116	8,616	7,643
Office operations and facilities	859	19,140	385	9,039
Management and administrative services	4,110	13,568	1,992	7,331
Shareholder communication	2,455	3,715	1,604	2,247
Transfer agent and regulatory fees	24,855	19,701	18,660	10,558
	<u>46,898</u>	<u>83,052</u>	<u>33,150</u>	<u>42,161</u>
<b>Other Expenses (income)</b>				
General exploration expenditures	969	4,360	(66)	1,541
Write-off of exploration expenditures	219	64,130	219	41
Write-off of mineral property expenditures	954	14,510	954	-
Stock-based compensation	22,263	45,262	-	21,376
Forgiveness of amount due to related party	(70,154)	-	(70,154)	-
Interest income	(0)	(26)	(0)	-
	<u>(45,749)</u>	<u>128,236</u>	<u>(69,047)</u>	<u>22,958</u>
<b>Loss for the period</b>	1,148	211,288	(35,897)	65,119
<b>Deficit - beginning of period</b>	22,541,857	21,076,533	22,578,903	21,222,702
<b>Deficit - end of period</b>	<u>22,543,005</u>	<u>21,287,821</u>	<u>22,543,005</u>	<u>21,287,821</u>
<b>Basic and diluted loss per common share</b>	\$0.00	\$0.01	(\$0.00)	\$0.00
<b>Weighted average number of common shares</b>	36,372,699	35,127,694	36,381,033	36,331,033

CANADIAN EMPIRE EXPLORATION CORP.  
CONSOLIDATED STATEMENTS OF DEFERRED EXPLORATION AND MINERAL PROPERTY EXPENDITURES  
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005  
(UNAUDITED)

	6 MONTHS ENDED JUNE 30, 2006	6 MONTHS ENDED JUNE 30, 2005	3 MONTHS ENDED JUNE 30, 2006 \$	3 MONTHS ENDED JUNE 30, 2005 \$
<b>Exploration and mineral property expenditures during the period</b>				
Accommodation	-	1,556	-	1,556
Assays and geochemical analysis	-	19,504	-	1,054
Consulting	-	20,705	-	4,200
Drilling	-	-	-	-
Expediting	1	40	-	9
Field supplies	-	1,242	-	924
Fuel	-	-	-	-
Maps, printing and drafting	841	8,727	766	7,997
Project management fees	88	7,046	82	2,909
Property acquisition costs	953	4,063	-	3,853
Salaries and wages	259	32,146	259	18,162
Surveys	-	-	-	-
Transportation	-	3,851	-	2,153
<b>Expenditures during the period</b>	2,142	98,880	1,107	42,817
<b>Balance - beginning of period</b>	-	944,932	0	919,577
Less:				
General exploration expenditures	969	4,360	(66)	1,541
Write-off of exploration expenditures	219	64,130	219	41
Write-off of mineral property expenditures	954	14,510	954	-
	2,142	83,000	1,107	1,582
<b>Balance - end of period</b>	0	960,812	0	960,812

CANADIAN EMPIRE EXPLORATION CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005  
(UNAUDITED)

	6 MONTHS ENDED JUNE 30, 2006	6 MONTHS ENDED JUNE 30, 2005	3 MONTHS ENDED JUNE 30, 2006 \$	3 MONTHS ENDED JUNE 30, 2005 \$
<b>Cash flows from operating activities</b>				
Loss for the period	(1,148)	(211,288)	35,897	(65,119)
Items not affecting cash				
Stock-based compensation	22,263	45,262	0	21,376
Write-off of exploration expenditures	219	64,130	219	41
Write-off of mineral property expenditures	954	14,510	954	-
	<u>22,288</u>	<u>(87,386)</u>	<u>37,071</u>	<u>(43,702)</u>
Changes in non-cash working capital items	(190,788)	8,141	(63,310)	6,451
	<u>(168,500)</u>	<u>(79,245)</u>	<u>(26,239)</u>	<u>(37,251)</u>
<b>Cash flows from financing activities</b>				
Share issue	1,375	-	1,375	-
Convertible debt	150,000	-	-	-
Share issue costs	-	-	-	-
	<u>151,375</u>	<u>-</u>	<u>1,375</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Property acquisition and maintenance costs	(953)	(535)	(953)	(325)
Deferred exploration expenditures	(219)	(90,454)	(219)	(37,423)
Reclamation deposit returned	11,300	-	11,300	-
	<u>10,128</u>	<u>(90,989)</u>	<u>10,127</u>	<u>(37,748)</u>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(6,997)</b>	<b>(170,234)</b>	<b>(14,737)</b>	<b>(74,999)</b>
<b>Cash and cash equivalents - beginning of period</b>	<b>17,450</b>	<b>451,514</b>	<b>25,190</b>	<b>356,279</b>
<b>Cash and cash equivalents - end of period</b>	<b><u>10,452</u></b>	<b><u>281,280</u></b>	<b><u>10,452</u></b>	<b><u>281,280</u></b>

**CANADIAN EMPIRE EXPLORATION CORP.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005  
(UNAUDITED, PREPARED BY MANAGEMENT)**

---

**1- Nature of operations and going concern**

The company is in the business of acquiring, exploring and developing mineral properties and has not yet determined whether its properties contains ore reserves that are economically recoverable. The recoverability of amounts shown for resource assets is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties.

The company's continuing operations are dependent on its ability to secure additional financing. There can be no assurance that the company will be successful in raising the required financing. As at June 30, 2006, the Company had cash and cash equivalents of \$10,452 and working capital deficit of \$272,734.

The company's ability to continue operating is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Because of this uncertainty, there is substantial doubt about the ability of the company to continue as a going concern.

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.

**2- Significant accounting policies**

The accompanying unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a basis consistent with those outlined in the company's audited financial statements for the year ended December 31, 2005. These notes do not include all of the information and disclosures required by Canadian generally accepted accounting principles for audited financial statements. These interim financial statements should be read in conjunction with the most recent annual financial statements of the company.

**3- Capital stock**

Authorized: 250,000,000 common shares without par value, of which 36,389,366 common shares were issued as at June 30, 2006 (December 31, 2005: 36,364,366).

**Stock options**

As at June 30, 2006, common shares under option are as follows:

<b>Number of shares outstanding</b>	<b>Number of shares exercisable</b>	<b>Exercise price (\$)</b>	<b>Expiry date</b>
1,365,000	1,365,000	0.15	January 3, 2008
100,000	100,000	0.15	August 21, 2008
<u>2,458,000</u>	<u>2,458,000</u>	0.10	September 17, 2009
3,923,000	3,923,000		

**Stock option information**

The company applies the fair value method of accounting for stock options and, accordingly, the fair value of stock options of \$22,263 has been included in administrative expenses. The

**CANADIAN EMPIRE EXPLORATION CORP.  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED JUNE 30, 2006 AND 2005  
(UNAUDITED, PREPARED BY MANAGEMENT)**

---

fair value of options granted was estimated at the date of grant based on the Black-Scholes option-pricing model, using the following assumptions:

	<b>2004</b>	<b>2003</b>
Expected dividend yield	Nil	Nil
Average risk-free interest rate	4.0%	3.25 – 4.9%
Expected life	5 years	5 years
Expected volatility	114%	94% - 171%

**Warrants**

There were no warrants outstanding and exercisable at June 30, 2006.

**4- Related party transactions**

The company has management agreements with Badger & Co. Management Corp. ("Badger & Co."), a company owned by John S. Brock (Chief Executive Officer, President and a director of the company), Wayne J. Roberts (Vice-President Exploration and a director of the company) and Jeannine P. M. Webb (Chief Financial Officer and Secretary of the company).

Under the agreements with Badger & Co., the company was charged from January 1 to June 30, 2006 for the following:

- Cost of operations and administration: \$2,108
- Fees for professional services provided at per diem rates: \$4,369
- Exploration salaries and wages and project management fees: \$88

In connection with these charges and amounts reimbursable at cost to Badger & Co., the company owed \$8,040 to Badger & Co. at June 30, 2006 (December 31, 2005: \$120,534). During the period January 1 to June 30, 2006, Badger & Co. forgave an amount receivable from the company in the amount of \$70,154 in connection with charges incurred by the company during 2005.

On February 2, 2006, the company arranged, subject to regulatory approval, the private placement of \$150,000 principal amount convertible promissory note with John S. Brock Limited, a company owned by John S. Brock and Wayne J. Roberts. The Promissory Note is unsecured, bears interest at 6% per annum and is due on demand. The principal amount of the Note is convertible at the holder's option into common shares of the Company, for a maximum of 5 years, on the basis of one common share for every \$0.165 of principal amount converted during the first two years and thereafter, the conversion rate increases 10% per year over the previous year's conversion rate.