CANMEX MINERALS CORPORATION

Annual Report

For the year ended December 31, 2005

CANMEX MINERALS CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Amounts expressed in Canadian Dollars unless otherwise indicated)
DECEMBER 31, 2005 AND 2004

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Canmex Minerals Corporation (the "Company") performance and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the consolidated financial statements for the years ended December 31, 2005 and 2004 and related notes therein. The financial information in this MD&A is derived from the Company's consolidated financial statements prepared in accordance with Canadian generally accepted accounting principles. The effective date of this MD&A is April 27, 2006.

Additional information about the Company and its business activities is available on SEDAR at www.sedar.com.

General

The Company was incorporated on March 29, 1993 under the laws of British Columbia. To December 31, 2000, its principal business activities were the acquisition, exploration and development of mineral properties in Mexico. The Company has relinquished its interests in all of its mineral properties and continues to review business opportunities for possible investment therein. During the third quarter 2005, the Company initiated an assessment of a potential large resource property acquisition in Southeast Asia. Further evaluation of the property included a site visit in October 2005. As of April 27, 2006, this property is still under consideration.

Selected Annual Information

	Year ended December 31, 2005	Year ended December 31, 2004	Year ended December 31, 2003
Statement of Operations Data			
Total Revenue	$ 32,737	$ 10,476	$ 9,228
Net Earnings (Loss)	$ (525,675)	$ 21,730	$ (76,383)
Data per Common Share			
Basic and Diluted Earnings (Loss) per common share	$ (0.08)	$ -	$ (0.02)
Balance Sheet Data			
Total Assets	$3,293,854	$ 139,143	$ 114,515
Long Term Liabilities	NIL	NIL	NIL

Selected Quarterly Information

Financial Data for 8 Quarters								
Three months ended	**Dec-05**	**Sep-05**	**Jun-05**	**Mar-05**	**Dec-04**	**Sep-04**	**Jun-04**	**Mar-04**
A. Total revenues [2] ($'000)	30	1	1	-	4	2	2	2
B. Net earnings (loss)[1] [2] ($'000)	(457)	(28)	(18)	(22)	76	(14)	(22)	(18)
C. Basic and diluted earnings (loss) per share [2] ($)	(0.06)	(0.01)	(0.01)	(0.00)	0.01	(0.00)	(0.00)	(0.00)

[1] Earnings (loss) before extraordinary items and net earnings (loss) are the same.
[2] The sum of the amounts reported for the four quarters may not agree to the amounts reported for the full year due to rounding.

The increase in the Company's loss for the fourth quarter of 2005 of $533,000 as compared to 2004 is mainly due to increased general administrative expenses associated with the increased level of activity in the Company. In particular, project investigation expenses increased by $444,000 in respect of a possible investment in a large resource property located in Southeast Asia. These costs included consultant's services for technical studies on the project, travel, management and competitive bidding costs in pursuit of the asset. The Company's income for the fourth quarter of 2004 included an amount attributed to the reversal of accrued mining duties. The Company determined that it does not have an obligation to pay these amounts. Other than as noted for the fourth quarters of 2005 and 2004, the Company's losses are comparable for the other quarters.

Results of Operations

Year ended December 31, 2005 compared to 2004

The Company's loss for the year ended December 31, 2005 was $526,000 as compared to income of $22,000 for the year ended December 31, 2004. This increase in loss of $548,000 is primarily due to increased general and administrative expenses associated with an increased level of activity in the Company.

General and administrative expenses for the year ended December 31, 2005 were $558,000, an increase of $473,000 as compared to 2004. As mentioned above, the increase is primarily due to increased activity in the Company, including increased stock exchange and filing fees, professional fees and $444,000 in respect of a possible investment in a large resource property located in Southeast Asia.

Currently, the Company is a non-revenue producing mineral exploration company. As the Company is not expected to generate any revenues in the near future, losses will continue.

Liquidity and Capital Resources

As at December 31, 2005, the Company had cash and working capital of $60,000 and $2.9 million, respectively, as compared to cash of $134,000 and working capital of $97,000 at December 31, 2004. The increase of $2.8 million in working capital is primarily due to receipt of net proceeds totaling $3.2 million from a private placement of 4 million units of the Company at a price of $0.80 per unit for arms-length investors and $1.00 per unit for non-arms length investors during the third quarter of 2005.

Net cash used for operating activities was $166,000 for the year ended December 31, 2005 and consisted mainly of the loss from operations of $526,000, offset by an increase in accounts payable and accrued liabilities.

Net cash used for investing purposes was $3.2 million for the year ended December 31, 2005 and was a result of the purchase of a Guaranteed Investment Certificate.

Net cash provided by financing activities for the year ended December 31, 2005 totaled $3.3 million and consisted primarily of the $3.3 million net proceeds from issuance of 4,000,000 common shares of the Company pursuant to the private placement mentioned above.

Based on the Company's financial position at December 31, 2005, the Company believes that existing funds should be sufficient to perform general corporate activities for the next 12 months. Additional funding through the issuance of shares may be required to fund future property acquisition.

Under the terms of the option agreement that the Company had for certain Mexican properties, the Company was required to ensure that the properties were kept in good standing with the applicable Mexican authorities, which included the payment of certain mining duties. The Company accrued the estimated mining duties over the term of the option agreement, but did not make certain of such payments. The Company has relinquished its interests in the Mexican properties, it believes that it does not currently have an obligation to pay these amounts and has reversed the accrued liability of $97,000 relating to these mining duties in 2004.

Related Party Transactions

During the year ended December 31, 2005, the Company incurred $60,000 (2004 - $60,000) for rent and administrative facilities from a company owned by the President of the Company, which had a balance due of $6,000 as at December 31, 2005 (2004 - $32,000).

During 2005, the Company earned $3,000 (2004 - $10,000) of other income from companies with a common director for the use of certain of the Company's equipment, of which $2,000 was included in due from related parties as at December 31, 2005 (2004 - $4,000).

Outstanding Share Data

As at April 27, 2006, the Company had 13,229,912 common shares outstanding. At the same dates, the Company had no share options outstanding under its stock-based incentive plan and no share purchase warrants outstanding.

Outlook

The Company has relinquished its interests in all of its mineral properties and is currently reviewing business opportunities for possible acquisition. As mentioned above, since the Company does not expect to generate any revenues in the near future, funding requirements are expected to be raised through the sale of equity instruments and debt securities from related parties.

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Canmex Minerals Corporation as at December 31, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for each of 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2005 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Vancouver, Canada

March 31, 2006

CANMEX MINERALS CORPORATION
CONSOLIDATED BALANCE SHEETS

	December 31, 2005	December 31, 2004
ASSETS		
Current assets		
Cash	$ 59,798	$ 133,883
Term deposit	3,200,000	-
Accounts receivable	30,667	1,442
Due from related parties (Note 6)	1,698	3,818
Prepaid expenses	1,691	-
	$ 3,293,854	$ 139,143
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 398,516	$ 9,724
Due to related party (Note 6)	6,194	32,100
	404,710	41,824
Shareholders' equity		
Share capital (Note 3)	10,677,537	7,360,037
Deficit	(7,788,393)	(7,262,718)
	2,889,144	97,319
	$ 3,293,854	$ 139,143

Going concern (Note 1)
Subsequent event (Note 3(b)(ii))
Contingency (Note 7)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

(signed) "Paul K. Conibear"
Director

(signed) "J. Cameron Bailey"
Director

CANMEX MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

	Year ended December 31, 2005	Year ended December 31, 2004
Expenses		
Foreign exchange loss	$ 136	$ 631
Project investigation	444,000	-
Management fees	60,000	60,000
Office and general	2,920	2,660
Professional fees	31,852	8,106
Promotion	2,311	-
Stock exchange and filing fees	7,656	5,240
Transfer agent and shareholder information	9,537	8,852
	558,412	85,489
Other income		
Interest and other income	(32,737)	(10,476)
Write-off of mining duties	-	(96,743)
Earnings (Loss) income for the year	(525,675)	21,730
Deficit, beginning of year	7,262,718	7,284,448
Deficit, end of year	$ 7,788,393	$ 7,262,718
Basic and diluted earnings (loss) income per share	$ (0.08)	$ -
Weighted average number of shares outstanding	6,500,662	5,180,849

See accompanying notes to consolidated financial statements.

CANMEX MINERALS CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31, 2005	Year ended December 31, 2004
Cash flows used in operating activities		
Earnings (Loss) for the year	$ (525,675)	$ 21,730
Item not affecting cash		
Write-off of mining duties	-	(96,743)
Changes in non-cash operating working capital items		
Accounts receivable and prepaid expenses	(30,916)	123
Due from related parties	2,120	(2,402)
Accounts payable and accrued liabilities	388,792	1,751
Net cash used in operating activities	(165,679)	(75,541)
Cash flows from investing activities		
Term deposit	(3,200,000)	-
Cash flows from financing activities		
Common shares issued, net of issuance costs	3,317,500	81,840
Due to related parties	(25,906)	16,050
Net cash provided by financing activities	3,291,594	97,890
Increase (decrease) in cash	(74,085)	22,349
Cash, beginning of year	133,883	111,534
Cash, end of year	$ 59,798	$ 133,883

See accompanying notes to consolidated financial statements.

1. Going concern

The Company was incorporated on March 29, 1993 under the laws of British Columbia. To December 31, 2000, its principal business activities were the acquisition, exploration and development of mineral properties in Mexico. The Company has relinquished its interests in all of its mineral properties and is continuing to review business opportunities for possible investment therein.

The Company continues to incur losses. The Company's continuing operations are dependent upon the support of the Company's related parties and the Company's ability to obtain equity or loan financing to fund its operations or the possible acquisition of a business.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, which include the following:

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned Mexican subsidiary, Minera Austral S.A. de C.V. ("Minera Austral"), which is currently inactive. All significant inter-company transactions and balances have been eliminated upon consolidation.

(b) Term Deposits

Term deposits consist of highly liquid investments, having maturity dates of three to twelve months when purchased and are recorded at the lower of cost and quoted market value.

(c) Mineral properties

The Company capitalizes the acquisition cost of mineral properties and defers exploration and development expenditures directly related to specific mineral property interests until such time as the extent of mineralization has been determined and the properties are either developed or the Company's mineral rights are allowed to lapse. At that time, the deferred costs are either amortized on a unit-of-production basis or written off, as appropriate.

(d) Stock-based compensation

The Company has a stock-based compensation plan, which is described in note 3(c). For all stock options granted on or after January 1, 2004, the Company recognizes stock-based compensation expense using the fair value method at the date of grant. Under the fair value based method, compensation cost attributable to options granted is measured at the fair value at the grant date using the Black-Scholes option pricing model, with the offset to a separate component of shareholders' equity (accumulated stock-based compensation). Compensation expense is recognized over the vesting period of the underlying options. Any consideration paid by employees on exercise of stock options, along with the related fair value previously credited to the separate component of shareholders' equity, is credited to share capital.

For options granted to employees and directors prior to January 1, 2004, the Company used the settlement method, whereby any consideration paid by employees and directors or the exercise of stock options is credited to share capital and no compensation expense is recognized when the exercise price of options granted represents quoted market price at the time of grant.

(d) Stock-based compensation, continued

Under the revised accounting policy, the Company measures stock-based compensation on the date of the option grant and recognizes this cost over the vesting period of the options in results from operations. The cumulative effect of this change in accounting for stock-based compensation of $42,779, determined as of January 1, 2004, for stock options granted to employees and directors on or after January 1, 2002, has been reported separately in the consolidated statement of deficit and as an adjustment to contributed surplus. The fair value of options granted on or after January 1, 2002 and exercised prior to January 1, 2004 of $1,711 has been recorded as an adjustment to share capital, with an offsetting reduction to contributed surplus as at January 1, 2004. The fair value of options granted in 2004 has been estimated using the Black-Sholes option pricing model with the following assumptions: average risk free interest rate – 4.8%; expected life – 2 years; expected stock price volatility – 103%; expected dividends – Nil. As allowed under the transitional provisions of the amended standard, prior years' financial statements have not been restated to apply the provisions of the revised accounting policy for stock-based compensation.

(e) Income taxes

The Company accounts for income taxes using the asset and liability method. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases (temporary differences), and losses carried forward. Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

(f) Earnings (Loss) per share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the year. For all periods presented, earnings (loss) attributable to common shareholders are the same as reported net earnings (loss). For calculating diluted earnings per share, the treasury stock method is used for the purposes of determining the common share equivalents with respect to outstanding stock options and warrants to be included in the weighted average number of common shares outstanding, if dilutive. For the year ended December 31, 2005 and 2004, dilutive earnings per share are the same as basic earnings per share, as there are no dilutive items.

(g) Use of estimates

The preparation of financial statements 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 revenues and expenses during the period. Actual results could differ from those estimates.

3. Capital stock

(a) Authorized

100,000,000 common shares without par value.

(b) Issued and outstanding

	Shares	Amount
Balance, December 31, 2003	5,043,912	$ 7,232,729
Shares issued on exercise of stock options	186,000	127,308
Balance, December 31, 2004	5,229,912	7,360,037
Shares issued by way of private placement, net (i)	4,000,000	3,297,500
Shares issued on exercise of warrants (ii)	20,000	20,000
Balance, December 31, 2005	9,249,912	$ 10,677,537

(i) During the year ended December 31, 2005, the Company completed a non-brokered, private placement totaling 4 million units of the Company, consisting of 3,430,000 units at a price of $0.80 per unit for arms-length investors and 570,000 units at $1.00 per unit for non-arms length investors. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable into one common share over a period of one year at a price of $1.00 per share. However, in the event the closing price of the Company's shares is $2.00 for 10 consecutive trading days following the expiry of the initial 4 month hold period then the warrants shall expire 10 trading days from such event.

(ii) During the year ended December 31, 2005, 20,000 of the warrants issued were exercised at a price of $1.00 per share. Subsequent to December 31, 2005, the remaining 3,980,000 warrants were also exercised at a price of $1.00 per share for total proceeds of $3,980,000.

(c) Share purchase options

The Company has a stock option plan (the "Plan") in which 500,000 common shares have been made available for the Company to grant incentive stock options to certain directors, officers, employees and consultants of the Company. The number of common shares reserved under the Plan was based on 10% of the currently issued and outstanding share capital of the Company. Option exercise prices, when granted, reflect current trading values of the Company's shares and all options are subject to a four-month "hold" period from the date of grant. The term of any option granted under the Plan will be fixed by the Board of Directors and may not exceed 5 years from the date of grant. No optionee shall be entitled to a grant of more than 5% of the Company's outstanding issued shares.

Incentive stock options outstanding at December 31, 2005 and 2004 and held by directors, officers and employees of the Company, all of which are exercisable, are as follows:

	2005		2004	
Options	Number of shares	Weighted-average exercise price	Number of shares	Weighted-average exercise price
Outstanding at beginning of year	-	-	186,000	$0.44
Granted	-	-	-	-
Exercised	-	-	(186,000)	$0.44
Outstanding at end of year	-	-	-	-

4. Income taxes

Substantially all of the difference between the actual income tax expense (recovery) of nil and the expected federal and BC statutory corporate income tax recovery relates to losses not recognized.

The significant components of the Company's future income tax assets and liabilities at December 31, 2005 and 2004 are as follows:

	2005	2004
Combined federal and provincial statutory income tax rate	34.12%	35.62%
Future income tax assets:		
Equipment and mineral properties	$ 317,000	$ 207,000
Capital losses carried forward	824,000	860,000
Non-capital losses carried forward	356,000	447,000
Total future income tax assets	1,497,000	1,514,000
Valuation allowance	(1,497,000)	(1,514,000)
Future income tax assets, net of allowance	$ NIL	$ NIL

At December 31, 2005, the Company has Canadian tax losses of approximately $1,044,000 (2004 - $1,254,000) that expire at various dates to 2012. The Company also has capital losses carried forward of $4,831,000 (2004 - $4,831,000) which may be carried forward indefinitely to offset future taxable capital gains.

5. Financial instruments

At December 31, 2005 and 2004, the fair values of the Company's cash, term deposits, amounts receivable and accounts payable and accrued liabilities approximate their carrying amounts because of the immediate or short term to maturity of these financial instruments. The fair value of amounts due to/from related parties is not determinable with sufficient reliability due to the related party nature of the amounts and the lack of an available market for such instruments.

6. Related party transactions

During the year ended December 31, 2005, the Company incurred $60,000 (2004 - $60,000) for rent and administrative facilities from a company with a common director, which had a balance due of $6,194 as at December 31, 2005 (2004 - $32,100).

During 2005, the Company earned $2,955 (2004 - $9,806) of other income from companies with a common director for the use of certain of the Company's equipment, of which $1,698 was included in due from related parties as at December 31, 2005 (2004 - $3,818).

7. Contingent liability

Under the terms of the option agreement that the Company had for certain Mexican properties, the Company was required to ensure that the properties were kept in good standing with the applicable Mexican authorities, which included the payment of certain mining duties. The Company accrued the estimated mining duties over the term of the option agreement, but did not make certain of such payments. The Company has relinquished its interests in the Mexican properties, it believes that it does not currently have an obligation to pay these amounts and has reversed the accrued liability of $97,000 relating to these mining duties in 2004.

CANMEX MINERALS CORPORATION
CORPORATE DIRECTORY
DECEMBER 31, 2005

OFFICERS
Lukas H. Lundin
President
Wanda Lee
Chief Financial Officer
Jean Florendo
Corporate Secretary

DIRECTORS
J. Cameron Bailey
Lukas H. Lundin
Paul Conibear

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SHARE CAPITAL
Authorized: 100,000,000 common shares
Issued and outstanding 9,249,912 shares

TRANSFER AGENT
Computershare Trust Company of Canada
Vancouver, BC, Canada

SHARE LISTING
TSX Venture Exchange
(CXM)