FOOTHILLS RESOURCES INC
Form 10KSB
March 15, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

ANNUAL REPORT PURSUANT TO
SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________________ to ___________________

Commission file number: 001-31546

FOOTHILLS RESOURCES, INC.
(Exact name of Registrant as specified in its charter)

Nevada	98-0339560
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Canadiana Lodge, Wellfield Close, Coad's Green
Launceston, Cornwall, England, PL15 7LR
(Address of principal executive offices)

01566 782 199
Registrant's telephone number, including area code

Securities to be registered pursuant to Section 12(b) of the Act:

Title of each class to be so registered	Name of each exchange on which each class is to be registered
None	None

Securities to be registered pursuant to Section 12(g) of the Act:

Common Stock, Par Value $0.001
(Title of Class)

Check whether the issuer is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. [ ] Note - Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Yes X No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [X] No [ ]

State issuer's revenues for its most recent fiscal year: Nil

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was sold, or the average bid and asked price of such common equity, as of a specified date within the past 60 days. (See definition of affiliate in Rule 12b-2 of the Exchange Act.)

$55,800 as at March 15, 2006

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

39,356,189 on March 15, 2006

TABLE OF CONTENTS

PART I

ITEM 1: DESCRIPTION OF BUSINESS

In General

We are a pre-exploration stage company. In 2001, we acquired a mining lease on a total of five unpatented lode mineral claims property located in the State of Nevada. During the year, the owners of these claims terminated the lease agreement due to our failure to make a required lease payment. Management continues to review other potential resource and non-resource assets for acquisition.

Employees

We have no employees as of the date of this annual report.

Research and Development Expenditures

We have not incurred any exploration expenditures to date. We have not incurred any other research or development expenditures since our incorporation.

Subsidiaries

We do not have any subsidiaries.

Patents and Trademarks

We do not own, either legally or beneficially, any patents or trademarks.

Risk Factors

In addition to the other information in this current report, the following factors should be carefully considered in evaluating our business and prospects:

IF WE DO NOT OBTAIN ADDITIONAL FINANCING, OUR BUSINESS WILL FAIL.

Our current operating funds are less than necessary in order for us to identify and acquire another asset and to complete any subsequent business plan. As of December 31, 2005, we had cash in the amount of $3,188. We currently do not have any operations and we have no income.

We will require additional financing in order to sustain our business operations. We do not currently have any arrangements for financing and we can provide no assurance to investors that we will be able to find or obtain such financing on acceptable terms if required. The most likely source of future funds presently available to us is through the sale of equity securities. Any sale of equity securities will result in dilution to existing shareholders.

WE MAY NOT BE ABLE TO OPERATE AS A GOING CONCERN AND OUR BUSINESS MAY FAIL.

The Independent Auditor's Report to our audited financial statements for the fiscal year ended December 31, 2005, indicates that there are a number of factors that raise substantial doubt about our ability to continue as a going concern. Such factors identified in the report are: we are in a net loss position; we have not attained profitable operations; and we are dependent upon obtaining adequate financing to fulfil our exploration activities. If we are not able to continue as a going concern, it is likely investors will lose their investments.

BECAUSE OUR SOLE DIRECTOR OWNS 86.7% OF OUR OUTSTANDING COMMON STOCK, HE COULD MAKE AND CONTROL CORPORATE DECISIONS THAT MAY BE DISADVANTAGEOUS TO MINORITY SHAREHOLDERS.

Our sole officer and director, Mr. J. Earl Terris, owns approximately 86.7% of the outstanding shares of our common stock. Accordingly, he will have a significant influence in determining the outcome of all corporate transactions or other matters, including mergers, consolidations and the sale of all or substantially all of our assets, and also the power to prevent or cause a change in control. The interests of our director may differ from the interests of the other stockholders and thus result in corporate decisions that are disadvantageous to other shareholders.

BECAUSE OUR PRESIDENT HAS OTHER BUSINESS INTERESTS, HE MAY NOT BE ABLE OR WILLING TO DEVOTE A SUFFICIENT AMOUNT OF TIME TO OUR BUSINESS OPERATIONS, CAUSING OUR BUSINESS TO FAIL.

Our president, sole officer and director, Mr. Terris is not bound to spend a minimum amount of his business time on business management services for our company. While Mr. Terris presently possesses adequate time to attend to our interests, it is possible that the demands on Mr. Terris from his other obligations could increase with the result that he would no longer be able to devote sufficient time to the management of our business. In addition, Mr. Terris may not possess sufficient time for our business if the demands of managing our business increased substantially beyond current levels.

OUR STOCK PRICE WILL LIKELY BE VOLATILE.

We anticipate that the market price of our common stock will be subject to wide fluctuations in response to several factors, including:

(1) actual or anticipated variations in our results of operations; (2) our ability or inability to generate new revenues; (3) increased competition; and (4) conditions and trends in the mineral exploration industry.

Further, our stock price may be affected by factors that are unrelated or disproportionate to our operating performance. These market fluctuations, as well as general economic, political and market conditions, such as recessions, interest rates or international currency fluctuations may adversely affect the market price of our common stock.

Forward-Looking Statements

This Form 10-KSB contains forward-looking statements that involve risks and uncertainties. We use words such as anticipate, believe, plan, expect, future, intend and similar expressions to identify such forward-looking statements. You should not place too much reliance on these forward-looking statements. Our actual results are likely to differ materially from those anticipated in these forward-looking statements for many reasons, including the risks faced by us described in the above "Risk Factors" section and elsewhere in this document.

ITEM 2: DESCRIPTION OF PROPERTY

Our executive offices are located at Canadiana Lodge, Wellfield Close, Coad's Green Launceston, Cornwall, England. Our president, J. Earl Terris provided principal executive office space and telephone service free of charge until June 10, 2004. Effective July 1, 2004, the Company was charged $500 per month. The costs associated with the use of the telephone and mailing address were deemed by management to be reasonable. Effective April 1, 2005, the president provided certain administrative services at no charge to the Company. Accordingly, the fair value for these services has been recorded as contributed surplus. Effective August 1, 2005, the president started to charge $2,500 per month for his administrative services.

ITEM 3: LEGAL PROCEEDINGS

There are no legal proceedings pending or threatened against us.

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matter was submitted to a vote of security holders during the fourth quarter of our 2005 fiscal year, through the solicitation of proxies or otherwise.

PART II

ITEM 5: MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

While our shares of common stock have been quoted for trading on the OTC Bulletin Board since December 23, 2004, there have not been any trades of our stock through its facilities since that date.

We have 13 shareholders of record as at the date of this annual report.

Dividends

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where, after giving effect to the distribution of the dividend:

1. we would not be able to pay our debts as they become due in the usual course of business; or

2. our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution.

We have not declared any dividends, and we do not plan to declare any dividends in the foreseeable future.

ITEM 6: MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Plan of Operation

Our plan of operation for the twelve months following the date of this report is to review other potential resource and non-resource assets for acquisition. We anticipate spending the following over the next 12 months on administrative fees:

* $20,000 on legal fees
* $18,000 on accounting and audit fees
* $2,000 on EDGAR filing fees
* $1,000 on transfer agent fees
* $42,000 on general administration costs

Total expenditures over the next 12 months, therefore, are expected to be approximately $83,000.

We currently have nominal cash on hand and cannot satisfy our cash requirements without raising additional funds. We anticipate that additional funding will be required in the form of equity financing from the sale of our common stock. However, we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our common stock to fund both phases of the exploration program. We do not have any arrangements in place for any future equity financing.

Results of Operations For the Year Ended December 31, 2005

We incurred a net loss of $331,841 for the year-ended December 31, 2005, as compared to a loss of $30,501 in the same period in 2004. The increase in net loss was primarily due to an increase in legal fees in the amount of $280,100 primarily related to an acquisition that did not materialize. In addition, management fees to a private company owned by Mr. J. Earl Terris, our sole officer and director, increased by $13,500.

During fiscal year 2005, we incurred accounting fees of $18,346 (2004: $6,886), management fees of $19,500 (2004: $6,000), resource property costs of $Nil (2004: $7,671), and transfer agent fees of $4,042 (2004: $3,577). At year-end, we had cash on hand of $3,188. Our liabilities at the same date was $325,599, which consisted of accounts payable of $10,048, due to related party of $2,500 and loans and accrued interest of $313,051.

ITEM 7: FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders,
Foothills Resources, Inc.

We have audited the accompanying balance sheets of Foothills Resources, Inc. (A Pre-exploration Stage Company) as of December 31, 2005 and 2004 and the statements of operations, stockholders' equity (deficiency) and cash flows for each of the years ended December 31, 2005 and 2004 and the period November 17, 2000 (Date of Inception) to December 31, 2005. 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 the standards of the Public Company Accounting Oversight Board (United States of America). Those standards require that we plan and perform an audit to obtain reasonable assurance about 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, these financial statements referred to above present fairly, in all material respects, the financial position of Foothills Resources, Inc. as of December 31, 2005 and 2004 and the results of its operations and its cash flows for each of the years ended December 31, 2005 and 2004 and the period from November 17, 2000 (Date of Inception) to December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company is in the pre-exploration stage, and has no established source of revenue and is dependent on its ability to raise capital from shareholders or other sources to sustain operations. These factors, along with other matters as set forth in Note 1, raise substantial doubt that the Company will be able to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vancouver, Canada
January 31, 2006, except as to Note 11, which is as of February 15, 2006

"AMISANO HANSON"
Chartered Accountants

8

FOOTHILLS RESOURCES, INC.
(A Pre-exploration Stage Company)
BALANCE SHEETS
December 31, 2005 and 2004
(Stated in US Dollars)

ASSETS	2005	
Current		
Cash	$ 3,188	$
LIABILITIES		
Current		
Accounts payable and accrued liabilities - Notes 3, 4 and 7	$ 10,048	$
Due to related party - Notes 3 and 7	2,500	
Loans payable - Note 4	313,051	

	325,599
STOCKHOLDERS' DEFICIENCY	
Preferred stock, $0.001 par value 1,000,000 shares authorized, none outstanding	
Common stock, $0.001 par value 100,000,000 shares authorized 39,356,189 (2004: 6,426,077) shares outstanding - Note 3	39,356
Additional paid-in capital - Note 7	104,562
Deficit accumulated during the pre-exploration stage	(466,329)
	(322,411)
	$ 3,188

Nature and Continuance of Operations - Note 1
Commitments - Note 5
Subsequent Event - Note 11

SEE ACCOMPANYING NOTES

9

FOOTHILLS RESOURCES, INC.
(A Pre-exploration Stage Company)
STATEMENTS OF OPERATIONS
for the years ended December 31, 2005 and 2004
and for the period November 17, 2000 (Date of Inception) to
December 31, 2005
(Stated in US Dollars)

	Years ended December 31, 2005	2004
Expenses		
Accounting and audit fees	$ 18,346	$ 6,886
Bank charges	195	367
Consulting fees	-	-
Deferred acquisition costs written off - Note 6	280,100	-
Interest - Note 4	6,658	-
Legal (recovery)	(3,000)	3,000
Management fees - Notes 3 and 7	19,500	6,000
Office and miscellaneous - Notes 3 and 7	6,000	3,000
Mineral property costs	-	7,671

Transfer agent and filing fees	4,042	3,577	
Travel	-	-	
Net loss for the period	$ (331,841)	$ (30,501)	$
Basic loss per share	$ (0.01)	$ (0.00)	
Weighted Average Number of Shares Outstanding	35,566,972	6,426,077	

SEE ACCOMPANYING NOTES

FOOTHILLS RESOURCES, INC.
(A Pre-exploration Stage Company)
STATEMENTS OF CASH FLOWS
for the years ended December 31, 2005 and 2004
and for the period November 17, 2000 (Date of Inception) to
December 31, 2005
(Stated in US Dollars)

	Years ended December 31, 2005	2004	Nov (Dat to
Cash Flows used in Operating Activities			
Net loss for the period	$ (331,841)	$ (30,501)	$
Add item not affecting cash			
Non-cash administrative expenses	8,500	-	
Deferred acquisition costs written off	280,100	-	
Changes in non-cash working capital items related to operations:			
Prepaid expenses	-	200	
Accounts payable and accrued liabilities	5,351	10,820	
	(37,890)	(19,481)	
Cash Flows used in Investing Activity			
Deferred acquisition costs	(280,100)	-	
Cash Flows from Financing Activities			
Capital stock issued	-	-	
Increase (decrease) in due to related party	4,655	22,272	
Increase in loans payable	313,051	-	

	317,706	22,272	
Increase (decrease) in cash during the period	(284)	2,791	
Cash, beginning of the period	3,472	681	
Cash, end of the period	$ 3,188	$ 3,472	$

Non-Cash Transactions - Note 7

SEE ACCOMPANYING NOTES

11

FOOTHILLS RESOURCES, INC.
(A Pre-exploration Stage Company)
STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)
for the period November 17, 2000 (Date of Incorporation) to
December 31, 2005
(Stated in US Dollars)

	Common Shares		Additional	
	Number	Par Value	Paid-in Capital	Subscription Received
Capital stock issued for cash - at $0.021	672,715	$ 673	$ 13,627	$ -
Net loss for the period	-	-	-	-
Balance as at December 31, 2000	672,715	673	13,627	-
Capital stock issued for cash - at $0.021	503,360	503	10,197	-
Net loss for the year ended December 31, 2001	-	-	-	-
Subscriptions received	-	-	-	5,000
Balance as at December 31, 2001	1,176,075	1,176	23,824	5,000
Subscriptions converted	-	-	-	(5,000)
Capital stock issued for cash - at $0.011	5,250,001	5,250	50,550	-
Net loss for the year ended December 31, 2002	-	-	-	-

Balance as at December 31, 2002	6,426,076	6,426	74,374	-

Continued

FOOTHILLS RESOURCES, INC.
(A Pre-exploration Stage Company)
STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIENCY)
for the period November 17, 2000 (Date of Incorporation) to
December 31, 2005
(Stated in US Dollars)

	Common Shares		Additional Paid-in	Subscription
	Number	Par Value	Capital	Received
Net loss for the year ended December 31, 2003	-	-	-	-
Balance as at December 31, 2003	6,426,076	6,426	74,374	-
Net loss for the year ended December 31, 2004	-	-	-	-
Balance as at December 31, 2004	6,426,076	6,426	74,374	-
Capital stock issued for settlement of debts - at $0.0016	32,930,113	32,930	21,688	-
Capital contribution - Note 3	-	-	8,500	-
Net loss for the year ended December 31, 2005	-	-	-	-
Balance as at December 31, 2005	39,356,189	$ 39,356	$ 104,562	$ -

By a director's resolution dated April 20, 2005 and effective on that date, the Company declared a forward stock split and increased its authorized and issued common shares on a 4.704301 for 1 basis. The number of shares and allocation between par value and additional paid-in capital has been restated to give retroactive effect to the forward stock split.

SEE ACCOMPANYING NOTES

FOOTHILLS RESOURCES, INC.
(A Pre-exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004
(Stated in US Dollars)

Note 1 Nature and Continuance of Operations – Notes 6 and 11

The Company is in the pre-exploration stage. During the year ended December 31, 2001, the Company acquired a mining lease on a total of five unpatented lode mineral claims property located in the State of Nevada. During the year ended December 31, 2005, the Company decided to abandon the property and terminate the claims. The Company continues to review other potential resource and non-resource assets for acquisition.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At December 31, 2005, the Company had not yet achieved profitable operations, has accumulated losses of $466,329 since its inception, has a working capital deficiency of $322,411 and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. Management has no formal plan in place to address this concern but considers that the Company will be able to obtain additional funds by equity financing and/or related party advances, however there is no assurance of additional funding being available.

The Company was incorporated in the State of Nevada, United States of America on November 17, 2000.

Note 2 Summary of Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in the United States of America. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgement. Actual results may vary from these estimates.

The financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

Note 2 Summary of Significant Accounting Policies - (cont'd)

Pre-exploration Stage Company

The Company complies with Financial Accounting Standard Board Statement No. 7 and The Securities and Exchange Commission Act Guide 7 for its characterization of the Company as pre-exploration stage.

Mineral Lease

Costs of lease acquisition, exploration, carrying and retaining unproven mineral lease properties are expensed as incurred.

Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitments to plan of action based on the then known facts.

Income Taxes

The Company uses the liability method of accounting for income taxes pursuant to Statement of Financial Accounting Standards ("FAS") No. 109 "Accounting for Income Taxes". Under the assets and liability method of FAS 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Basic Loss Per Share

The Company reports basic loss per share in accordance with FAS No. 128, "Earnings Per Share". Basic loss per share is computed using the weighted average number of shares outstanding during the year.

15

Note 2 Summary of Significant Accounting Policies - (cont'd)

Financial Instruments

The carrying value of cash, accounts payable and accrued liabilities, due to related party and loans payable approximates fair value because of the short maturity of these instruments.

Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

New Accounting Standards

Management does not believe that any recently issued, but not yet effective accounting standards if currently adopted could have a material effect on the accompanying financial statements.

Note 3 Related Party Transactions - Note 6

The Company was charged the following by a director of the Company:

	December 31, 2005	December 31, 2004	Novem (Date of Dec
Management fees	$ 19,500	$ 6,000	$
Office and miscellaneous	6,000	3,000	
	$ 25,500	$ 9,000	$

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

During the year ended December 31, 2005, the Company incurred management costs and office and miscellaneous totalling $25,500 with respect to services provided by the President of the Company. Of these services, $8,500 was contributed by the President of the Company.

Included in accounts payable at December 31, 2005 is $Nil (2004: $9,000) consisting of unpaid management fees and rent due to a company with a common director.

16

Note 3 Related Party Transactions - Note 6 - (cont'd)

The amount due to related party, a company with a common director, consists of unpaid advances. The amount due is unsecured, non-interest bearing and has no specific terms for repayment.

During the year ended December 31, 2005, the Company issued 32,930,113 common shares to settle $54,618 in accounts payable and amounts due to a related party. These amounts were due to a company with a common director.

Note 4 Loans Payable

	2005
Unsecured, non-interest bearing and having no specific terms for repayment	$ 6,393
Promissory note, unsecured, bears interest at 10% per annum and is due October 11, 2006	300,000
Accrued interest	6,658
	306,658
	$ 313,051

Note 5 Commitments

Exploration Lease

By a lease agreement effective March 1, 2001 and amended February 22, 2002, September 30, 2002, December 1, 2002, March 28, 2003 and January 1, 2004 the Company was granted the exclusive right to explore, develop and mine the Golden Cross resource property located in White Pine County of the State of Nevada. The term of the lease was for 20 years, renewable for an additional 20 years so long as conditions of the lease are met.

The Company was to pay a royalty of 3% of the net smelter returns from all production. In respect to this royalty, the Company was required to pay minimum advance royalty payments. As at December 31, 2004, the Company had paid $17,500 in advance royalty payments and was required to pay $10,000, which was due January 1, 2005. This payment was not made and consequently during the year ended December 31, 2005, management of the Company decided to abandon the property and terminate the claims.

17

Note 6 Deferred Acquisition Costs

During the year ended December 31, 2005, the Company incurred legal fees of $280,025 in connection with the due diligence of a business opportunity. Management of the Company decided not to pursue this opportunity and has written-off the deferred costs totalling $280,025.

Note 7 Non-cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements.

During the year ended December 31, 2005, the Company issued 32,930,113 common shares at $0.0016 per share as consideration for settlement of $13,500 in accounts payable and $41,118 in amounts due to a related party. These amounts were due to a company controlled by the President of the Company.

The president of the Company has provided certain administrative services at no charge to the Company. The fair value for these services has been recorded as additional paid-in capital as follows:

	Year ended December 31, 2005	Year ended December 31, 2004	Novem (Date of Dec
Management fees	$ 4,000	$ -	$
Office and miscellaneous	4,500	-	
	$ 8,500	$ -	$

These transactions were excluded from the statements of cash flow.

Note 8 Deferred Tax Assets

The following table summarizes the significant components of the Company's deferred tax assets:

	Total 2005
Deferred Tax Assets	
Non-capital loss carryforward	$ 159,094
Less valuation allowance	(159,094)
	$ -

18

Note 8 Deferred Tax Assets - (cont'd)

The amount taken into income as deferred tax assets must reflect that portion of the income tax loss carryforwards that is more likely than not to be realized from future operations. The Company has chosen to provide an allowance of 100% against all available income tax loss carryforwards, regardless of their time of expiry.

Note 9 Income Taxes

No provision for income taxes has been provided for in these financial statements due to the net loss. At December 31, 2005 the Company has net operating loss carryforwards, which expire commencing in 2020, totalling approximately $466,239, the benefit of which has not been recorded in the financial statements.

Note 10 Interest Risk

Loans payable bear fixed interest rates for $300,000 of the $313,051 loans payable, which matures in the year ended December 31, 2006.

Note 11 Subsequent Event

By a Term Sheet dated February 15, 2006, the Company has proposed the following transactions that it intends to undertake and complete as follows:

The Company will incorporate a wholly-owned subsidiary on or before May 31, 2006 to merge with Brasada Resources, LLC, ("Brasada") a company engaged in oil and gas exploration and development. As a result, the Company will acquire all the issued and outstanding shares of Brasada and Brasada will become a wholly-owned subsidiary of the Company. The consideration for the acquisition will be 18,000,000 post-forward split common shares of the Company.

Concurrent with the closing of the merger, the Company will cancel 34,106,183 commons shares previously issued and forward split its common shares on a 2.5238066 for one basis.

As a condition of closing of the merger, the Company will close a private placement ("PP") of up to 8,750,000 units ("Units") at $0.80 per unit. Each Unit will consist of one post-forward split common share of the Company and one share purchase warrant. Four warrants will entitle the holder to purchase one post-forward split common share at $1.25 per share for a period of five years.

As a further condition of closing, the Company will sell up to $2,500,000 of convertible debentures. The debentures will be unsecured, bear interest at 9% per annum (commencing 120 days from issuance) and will be for a term of three years. The debentures will convert into units at $0.80 per unit, equal to the unit price in the PP. The debentures will be payable in consecutive monthly instalments of principal and interest commencing 120 days from issuance.

Note 11 Subsequent Event - (cont'd)

The debentures will be converted as to the principal amount into Units upon closing of the merger and the PP. The Units will form a portion of the PP. In addition, the debentures will become convertible, at the option of the holder, 70 days after the earlier of i) termination of the exclusivity period provided for in the term sheet, if the merger has not closed by such date, or ii) the date of termination or abandonment of the merger prior to the end of the exclusivity period.

Pending closing of the merger, the Company will use the debenture proceeds to provide bridge financing to Brasada. The bridge financing will be for a term of 120 days from closing of the bridge financing and will be secured by a perfected security interest and first lien on all the assets of Brasada and the entire equity interest in Brasada's subsidiaries and 51% of the issued shares of Brasada. Closing of the merger will constitute repayment in full. The loan will bear interest at 9% per annum with interest only payable monthly. Upon the occurrence of an event of default under the bridge financing, or failure to consummate the merger, the interest rate shall increase to 15%.

The Company agrees to pay a cash fee of up to 5% of the gross proceeds received from the PP. to persons who make introductions to offerees to the PP. The Company shall pay a finder's fee of 500,000 post-forward split common shares. The Company shall also adopt a 2,000,000 post-forward split common share employee stock option plan.

This term sheet is subject to the execution of a definitive merger agreement.

Note 12 Comparative Figures

The comparative figures have been reclassified to be consistent with the current year's presentation.

ITEM 8: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 8A: CONTROLS AND PROCEDURES

Evalution of Disclosure Controls

We evaluated the effectiveness of our disclosure controls and procedures as of the end of the 2005 fiscal year. This evaluation was conducted by our chief executive officer and our principal accounting officer, Mr. J. Earl Terris.

Disclosure controls are controls and other procedures that are designed to ensure that information that we are required to disclose in the reports we file pursuant to the Securities Exchange Act of 1934 is recorded, processed, summarized and reported.

Limitations on the Effective of Controls

Our management does not expect that our disclosure controls or our internal controls over financial reporting will prevent all error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but no absolute, assurance that the objectives of a control system are met. Further, any control system reflects limitations on resources, and the benefits of a control system must be considered relative to its costs. These limitations also include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of a control. A design of a control system is also based upon certain assumptions about potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

Conclusions

Based upon his evaluation of our controls, the chief executive officer and principal accounting officer has concluded that, subject to the limitations noted above, the disclosure controls are effective in providing reasonable assurance that material information relating to us is made known to management on a timely basis during the period when our reports are being prepared. There were no changes in our internal controls that occurred during the quarter covered by this report that have materially affected, or are reasonably likely to materially affect our internal controls.

20

PART III

ITEM 9: DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS

Name	Age	Position with Registrant	Served as a Director or Officer since
J. Earl Terris	60	President, Secretary, Treasurer, Chief Executive Officer, and Director (Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)	November 17, 2000

The following is a biographical summary of Mr. Earl Terris:

J. Earl Terris is the founder of our company. Mr. Terris has been the President, Secretary-Treasurer and Director since our company's inception on November 17, 2000. He is currently employed as the president and owner of Sirret Investments, Ltd., a Canadian private investment company, and as a development manager for Berkshire Young Enterprises. Between September 1999 and January 2000 he was employed as the deputy store manager for Thresher Wine Stores. From November 1998 through August 1999 he was employed as a sales advisor and sales administrator for Comet Stores, Inc. From September 1996 through April 1998 he was employed as the president of Koda Resources, Ltd., a Canadian public resources company. From 1994 through 1997 Mr. Terris was a partner in Franchise Sales Associates and Franchise Conxions.

All directors are elected annually by our shareholders and hold office until the next annual meeting. Each officer holds office at the pleasure of the board of directors.

Code of Ethics

The Company has not formally adopted a written code of ethics that applies to the Company's principal executive officer, principal financial officer or controller, or persons performing similar functions. Based on our small size, early development stage and limited financial and human resources, we did not believe that formally adopting a written code of ethics would

Audit Committee

Since we have only one director, we have neither an audit committee of the Board of Directors nor an "audit committee financial expert," as such term is defined under the Securities Exchange Act.

ITEM 10: EXECUTIVE COMPENSATION

The table below summarizes all compensation awarded to, earned by, or paid to our executive officers by any person for all services rendered in all capacities to us for the fiscal year ended December 31, 2005.

21

		Annual Compensation				Long Term Compensa	
Name (1)	Title	Year	Salary	Bonus	Other Annual Compensation	Restricted Stock Awarded	Op SA
J. Earl Terris	President/Secretary/Treasurer	2005	$0	$0	$15,500	$0	$0
J. Earl Terris	President/Secretary/Treasurer	2004	$0	0	$ 6,000	0	0
J. Earl Terris	President/Secretary/Treasurer	2003	$0	0	$ 0	0	0

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our executive officers and directors, and persons who beneficially own more than 10% of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and greater than 10% shareholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based on our review of the copies of such forms we received, we believe that during the fiscal year ended December 31, 2005 all such filing requirements applicable to our officers and directors were complied with exception that reports were filed late by the following persons: J. Earl Terris filed a late Form 3 on June 29, 2005.

ITEM 11: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information regarding the beneficial ownership of our shares of common stock at March 15, 2006, by (i) each person known by us to be the beneficial owner of more than 5% of our outstanding shares of common stock, (ii) each of our directors, (iii) our executive officers, and (iv) by all of our directors and executive officers as a group. Each person named in the table, has sole voting and investment power with respect to all shares shown as beneficially owned by such person and can be contacted at our executive office address.

TITLE OF CLASS	NAME OF BENEFICIAL OWNER	SHARES OF COMMON STOCK	PERCENT O

Common	J. Earl Terris	34,106,183	
Directors and Officers as a Group consisting of one person			

The percent of class is based on 39,356,189 shares of common stock issued and outstanding as of the date of this annual report.

ITEM 12: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the fiscal year ended December 31, 2005, we paid $13,000 and accrued $2,500 as management fees to our president, J. Earl Terris for management services and $1,500 for office services that he has provided to us.

During the fiscal year ended December 31, 2005, we issued 32,930,113 common shares at $0.0016 per share as consideration for settlement of $13,500 in accounts payable and $41,118 in amounts due to a company controlled by J. Earl Terris

Otherwise, neither our sole director or officer, nor any proposed nominee for election as a director, nor any person who beneficially owns, directly or indirectly, shares carrying more than 10% of the voting rights attached to all of our outstanding shares, nor any promoter, nor any relative or spouse of any of the foregoing persons has any material interest, direct or indirect, in any transaction since our incorporation or in any presently proposed transaction which, in either case, has or will materially affect us.

Our management is involved in other business activities and may, in the future become involved in other business opportunities. If a specific business opportunity becomes available, such persons may face a conflict in selecting between our business and their other business interests. In the event that a conflict of interest arises at a meeting of our directors, a director who has such a conflict will disclose his interest in a proposed transaction and will abstain from voting for or against the approval of such transaction.

ITEM 13: EXHIBITS AND REPORTS

3.1	Articles of Incorporation*
3.2	By-Laws*
10.1	Term Sheet, dated as of February 15, 2006, between the Company and Brasada Resources LLC.
31.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* previously filed as an exhibit to our registration statement on Form SB-2,

as amended.

ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our principal accountants, Amisano Hanson, Chartered Accountants, billed the following fees for the services indicated:

	Fiscal year-ended December 31, 2005	December 31, 2004
Audit fees	$ 6,715	$ 1,607
Audit-related fees	-	-
Tax fees	562	-
All other fees	$ 7,448	$ 3,658

Audit fees consist of fees related to professional services rendered in connection with the audit of our annual financial statements. All other fees relate to professional services rendered in connection with the review of the quarterly financial statements.

Our Board's policy is to pre-approve all audit and permissible non-audit services performed by the independent accountants. These services may include audit services, audit-related services, tax services and other services. Under our Board's policy, pre-approval is generally provided for particular services or categories of services, including planned services, project based services and routine consultations. In addition, the Board may also pre-approve particular services on a case-by-case basis. Our Board approved all services that our independent accountants provided to us in the past two fiscal years.

SIGNATURES

In accordance with Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Foothills Resources, Inc.

/s/ J. Earl Terris

J. Earl Terris
President, Secretary, Treasurer
Chief Executive Officer and Director
(Principal Executive Officer,
Principal Financial Officer and
Principal Accounting Officer)
Dated: March 15, 2006